

A photograph of a classroom with students sitting at desks. In the foreground, a young woman with long dark hair and glasses is looking towards the right. Next to her, a young man with glasses is also looking right, with his hands clasped. In the background, other students are visible, slightly out of focus. The classroom has a modern design with a wall featuring circular patterns.

HIGHER EDUCATION IN LATIN AMERICA

Second Panel Discussion
Higher Education and Employability

April, 28th 2014

Part I Introduction

- Economics of Higher Education
- Human Capital
- Impact on Economic Performance
- Higher Education Benefits
- Economic Returns

Part II Recent Trends in Latin America

- Massification
- Increasing Public Investment
- The role of Private Institutions
- The “Diploma Effect”
- Bottlenecks in Secondary Education
- Quantity vs Quality

Part III The Employability Challenge

- The Labor Market Gap
- Minding the Gap: Employability
- Measuring the Gap: Unemployment
- Fuelling the Gap: Course Pickings
- Fuelling the Gap: Structural Change
- Bridging the Gap

Pessoas

Introdução

Part I
Introduction

The connection between **Higher Education** and the economy is longstanding

Broadly speaking, it plays a key role on many levels:

- Economic, social and cultural development
- The increase of human capital stock
- The construction and dissemination of knowledge base, its transference and further dissemination

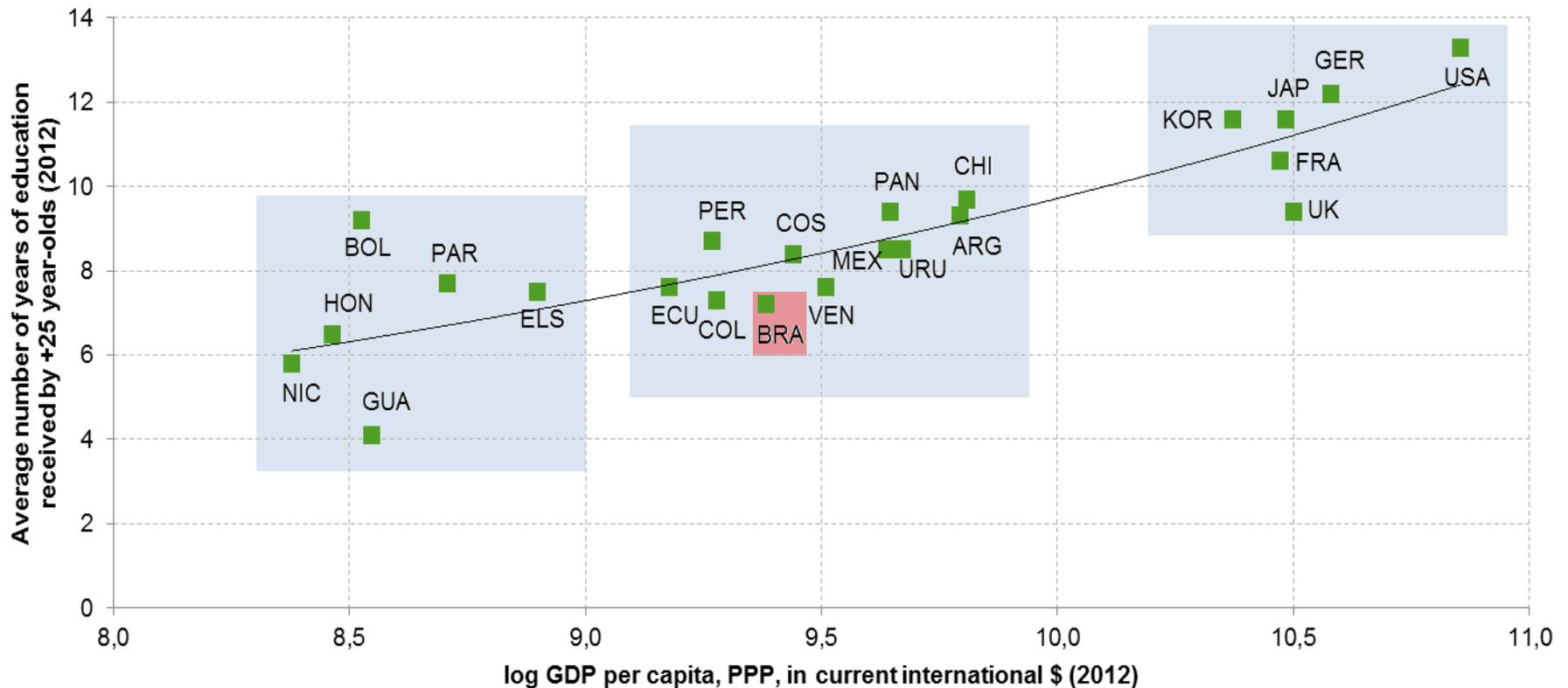
Being a driver of **innovation**, **competitiveness** and **productivity**, Higher Education has acquired a growing importance on national agendas, including in Latin America

- Economists have traditionally identified **three factors of production**: land, labor and physical capital
- In the 1960s, increasing attention was paid to the **quality of labor, level of education and training in the workforce**

Human capital embodies the knowledge and the set of skills, competencies and attributes embodied in individuals that foster the creation of value and well-being

- **Governments** are expected to adopt human capital policies, notably through investments in all stages of education

Higher Education is one of the many factors behind the differences in **growth** and **performance** among countries



Elaboration: FGV Projetos.

Source: GDP data extracted from IMF, WEO Database (2014); Education data extracted from UNDP Open Data (2014).

Higher education provides both **individual and social benefits**, which can be monetary and non-monetary, direct and indirect, short and long-term

Individual

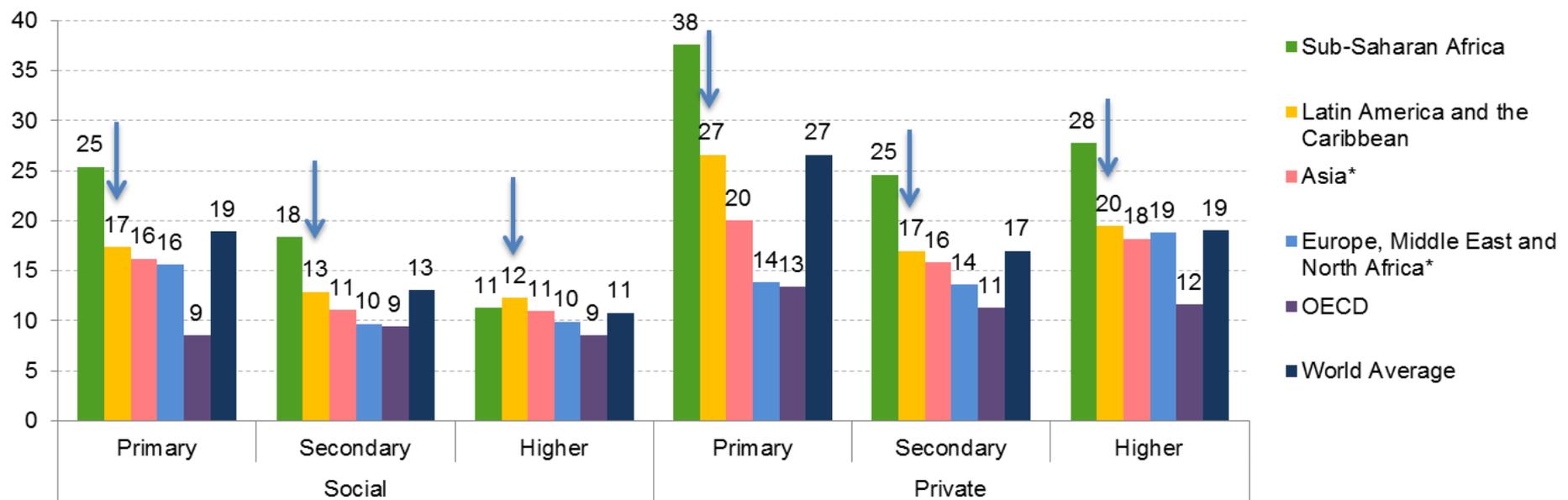
- greater **employment possibilities**
- access to **better paying occupations** (wage premium)
- greater **occupational prestige**

Social

- **market externalities** (e.g. higher productivity and easier diffusion of new technologies)
- **positive non-monetary effects** (e.g. stronger institutions and the rule of law)
- **positive indirect effects** (e.g. greater awareness of environmental issues)

As an economic resource, Higher Education economic returns are affected by the **relative scarcity of human capital**

Social and Private Returns *
to Investment in Education by Level (latest year, in %)



Note (*): Non OECD countries.

Elaboration: FGV Projetos.

Source: Brunner (2013).

* The discount rate that equates a stream of education benefits to a stream of educational costs at a given point in time by level of Education.g



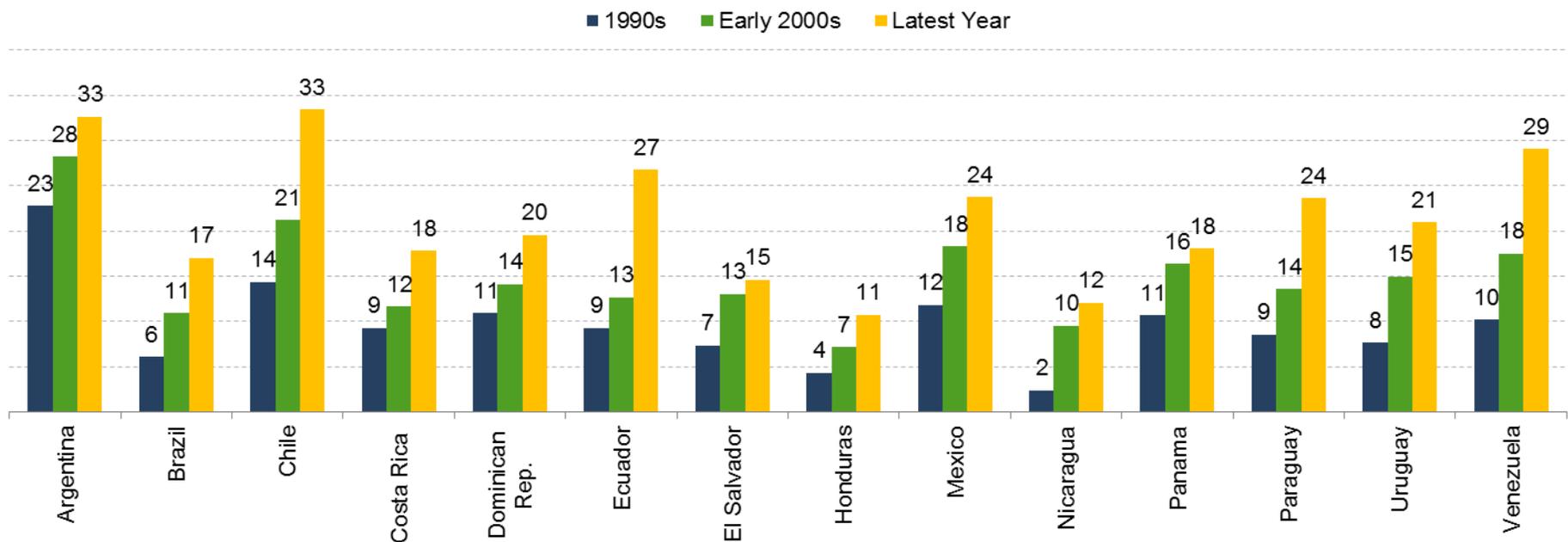
Part II

Recent Trends in Latin America

The most remarkable trend in the region has been the **expansion of Higher Education systems**

Net Enrolment Rate in Tertiary Education (in %)

Share of youths in tertiary education age attending superior education institutions

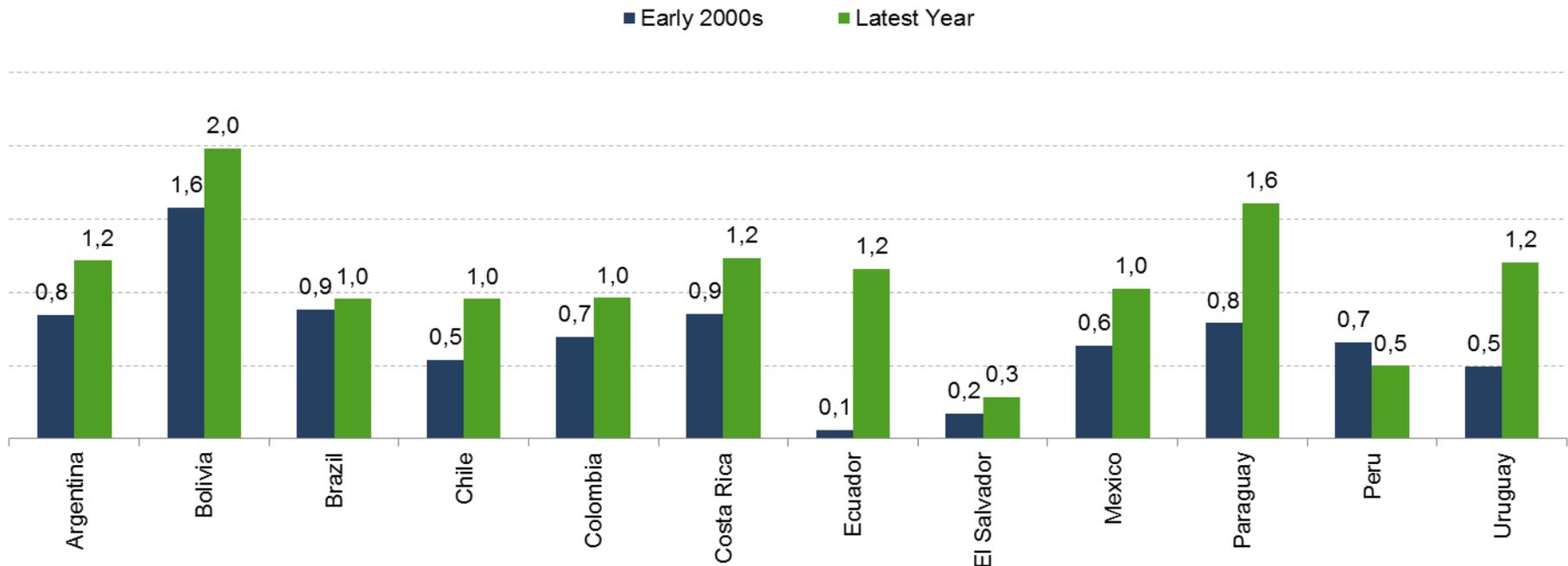


Elaboration: FGV Projetos.

Source: SEDLAC (2014).

To cope with **demographic change** and **mass demand**, most countries in the region have significantly increased **public spending on Higher Education**

Government Expenditure on Tertiary Education (as % of GDP)

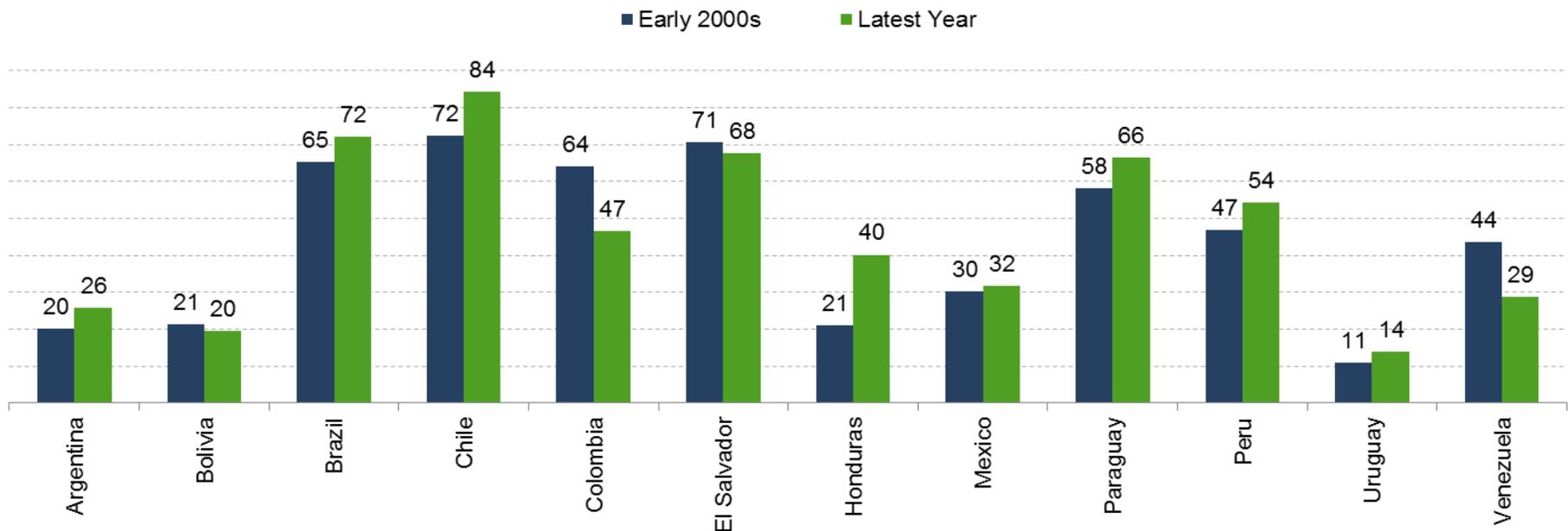


Elaboration: FGV Projetos.

Source: UIS Data Center (2014).

Following education reforms in Latin America, the role of **Private Institutions** has been greatly enhanced, expanding opportunities beyond public budgetary possibilities

Share of Private Enrolment in Tertiary Education (in %)



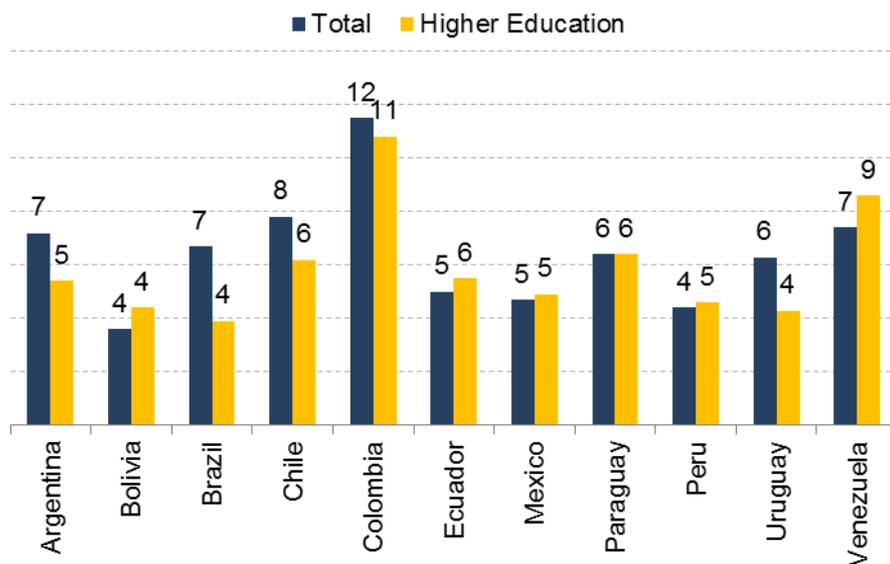
Elaboration: FGV Projetos.

Source: UIS Data Center (2014).

The “Diploma Effect”

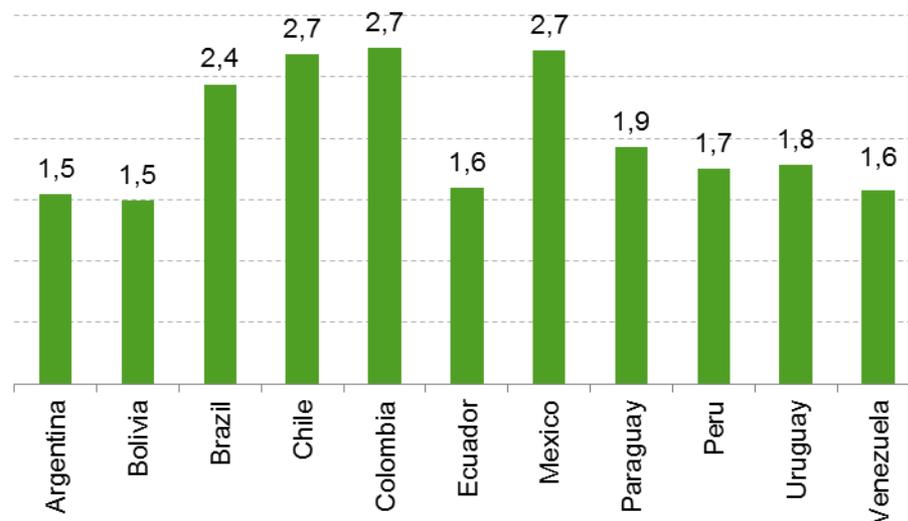
Due to the market value of their credentials,
Higher Education graduates are experiencing
lower unemployment and higher salaries

Unemployment Rate - Total and with Higher Education (latest year, in %)



Elaboration: FGV Projetos.
Source: OECD PISA 2012 Database.

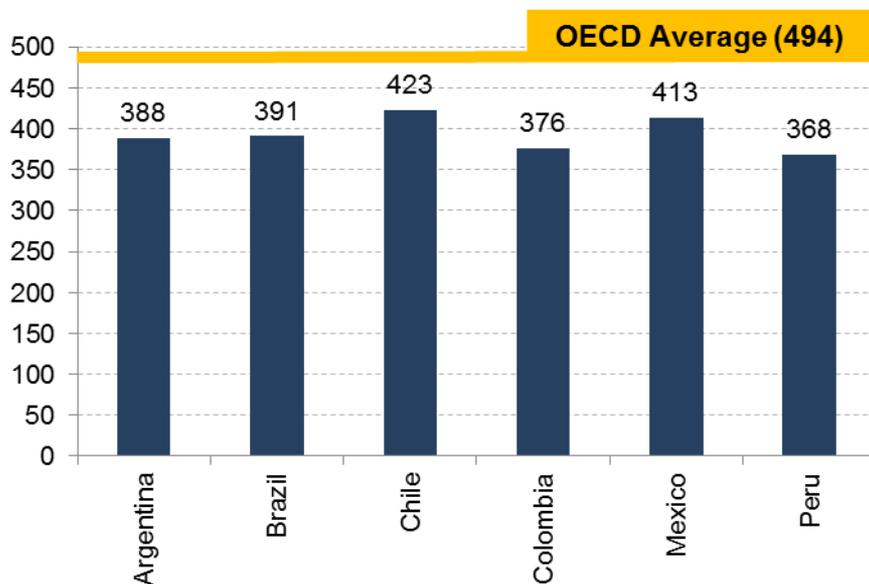
Wage Gaps between Secondary and Tertiary Education Graduates (25-64 year-old males, latest year)



Elaboration: FGV Projetos.
Source: SEDLAC (2014).

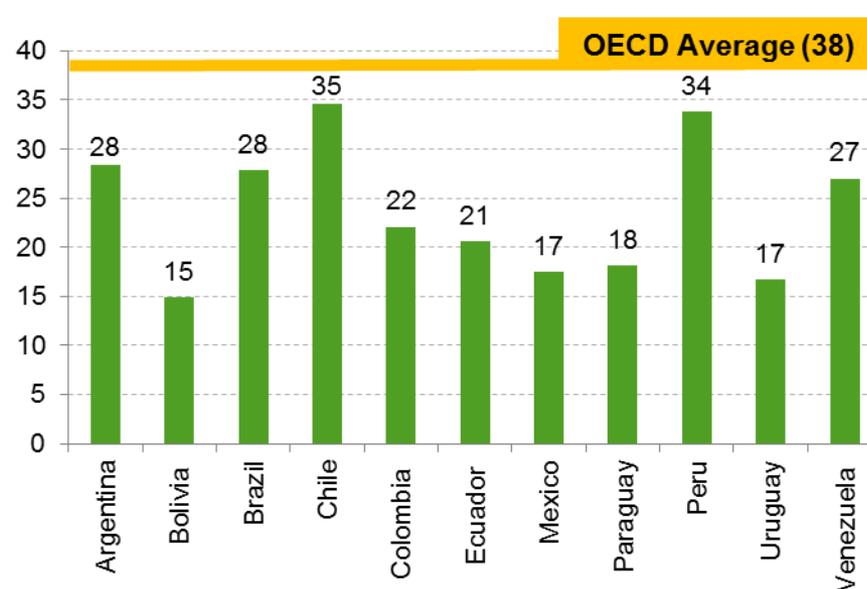
Poor academic performance and low completion rates in **Secondary Education** still hinder the potential benefits from Higher Education in Latin America

Average PISA Scores in Math in 2012



Elaboration: FGV Projetos.
Source: OECD PISA 2012 Database.

+ 25 year-olds that completed Upper Secondary (latest year, in %)



Elaboration: FGV Projetos.
Source: UIS Data Center (2014).

Though recent experience has focused on **Quantity**,
most Higher Education Systems in Latin America
are still lagging in terms of **Quality**

- **Heterogeneous** academic quality and standards
- Student **performance** and **dropout** issues
- Limited role of **technical, vocational** and **short-cycles** institutions and courses
- Widening **mismatches** between higher education training and labor market needs



Part III

The Employability Challenge

- Despite more university graduates being available each year, employers still struggle to **find skilled workers**
- The **mismatching in the job market** reflects the differences between what employers' demand and what higher education institutions actually supply*:

Traditional Curricula

- ✓ oriented to **memorializing information** and **abstract thinking/problem-solving**
- ✓ **cognitive** skills
- ✓ **routine** behavior

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Market Demands

- ✓ oriented to **practical reasoning** and **concrete problem-solving**
- ✓ **broader** skills
- ✓ focus on **know-how**
- ✓ **adaptive** behavior

* See Brunner (2013) & Rees et al (2006).

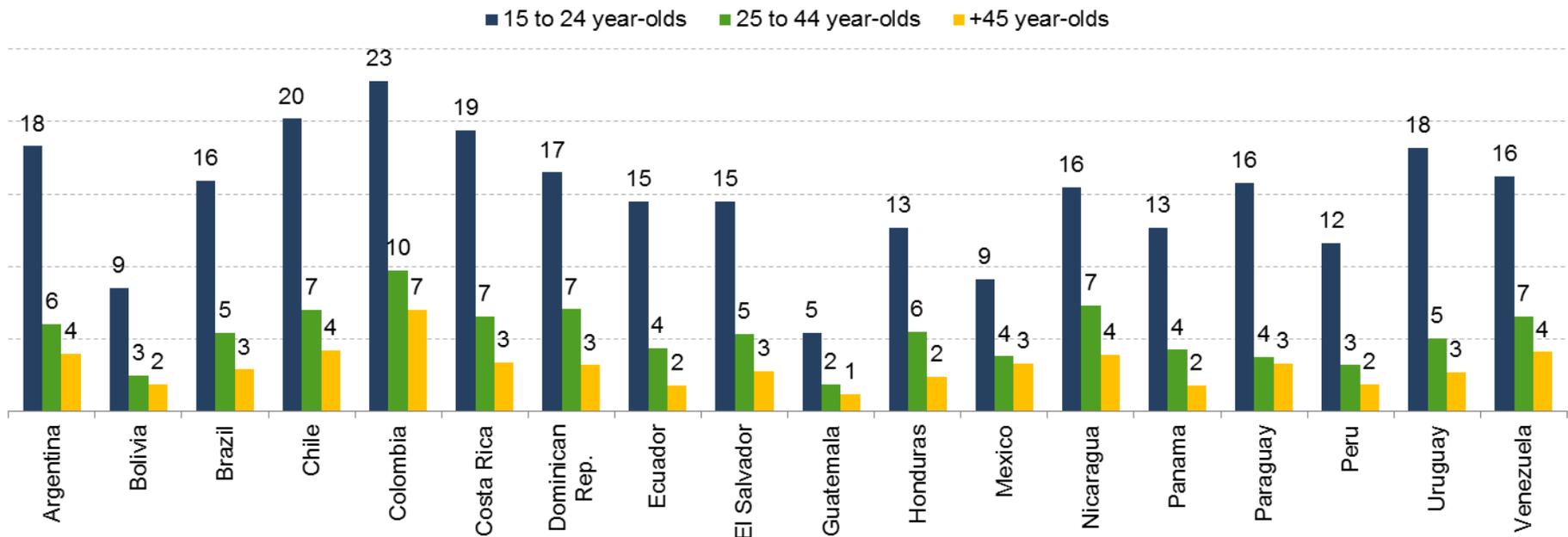
- These skills shortages in the job market raise the problem of graduates' **employability**

Employability is the set of characteristics (skills, knowledge and personal attributes) that make graduates more likely to gain employment, maintain it, and obtain a new one if required

- Thus, employers are expected to invest additional time and effort **training the workforce for specific roles and tasks**

Employability issues affect more commonly young adults – specially newly graduates – translating into **higher unemployment rates**

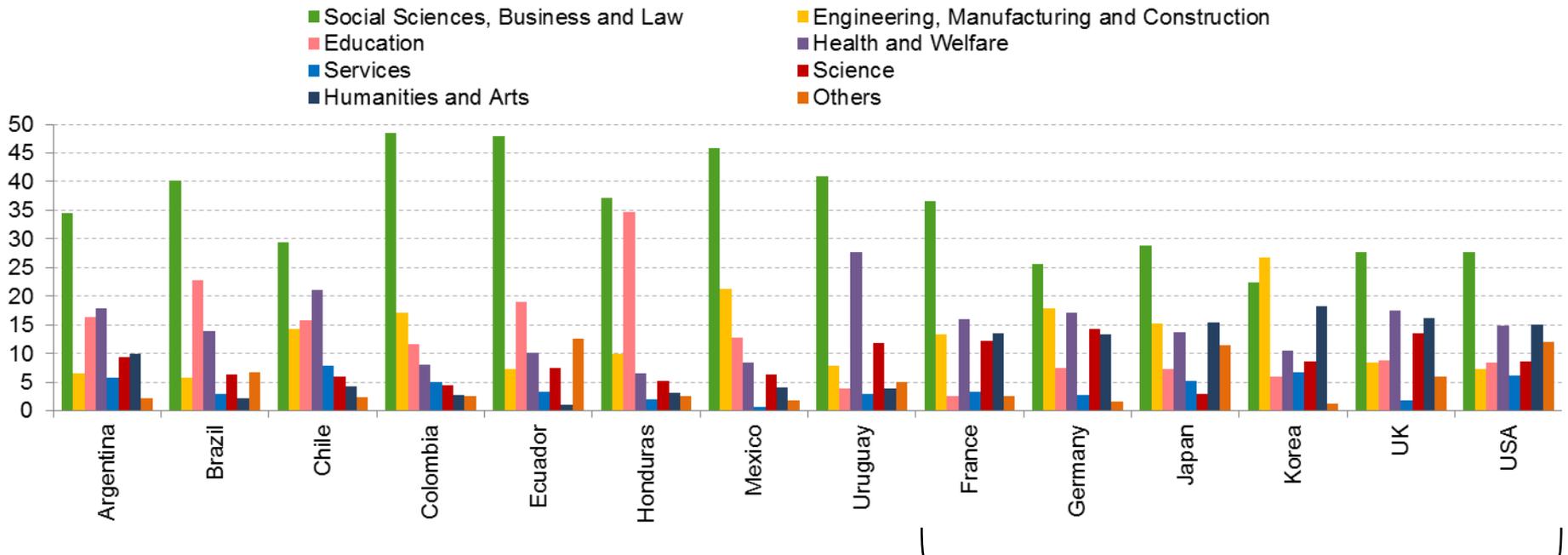
Urban Open Unemployment Rate by Age Group (latest year, in %)



Elaboration: FGV Projetos.
Source: CEPALSTAT (2014).

Demand for Higher Education is **not uniform across disciplines**:
 in Latin America, the largest pool of graduates is concentrated in
Social Sciences, Business and Law programs

Graduates from Higher Education by Program (latest year, in %)

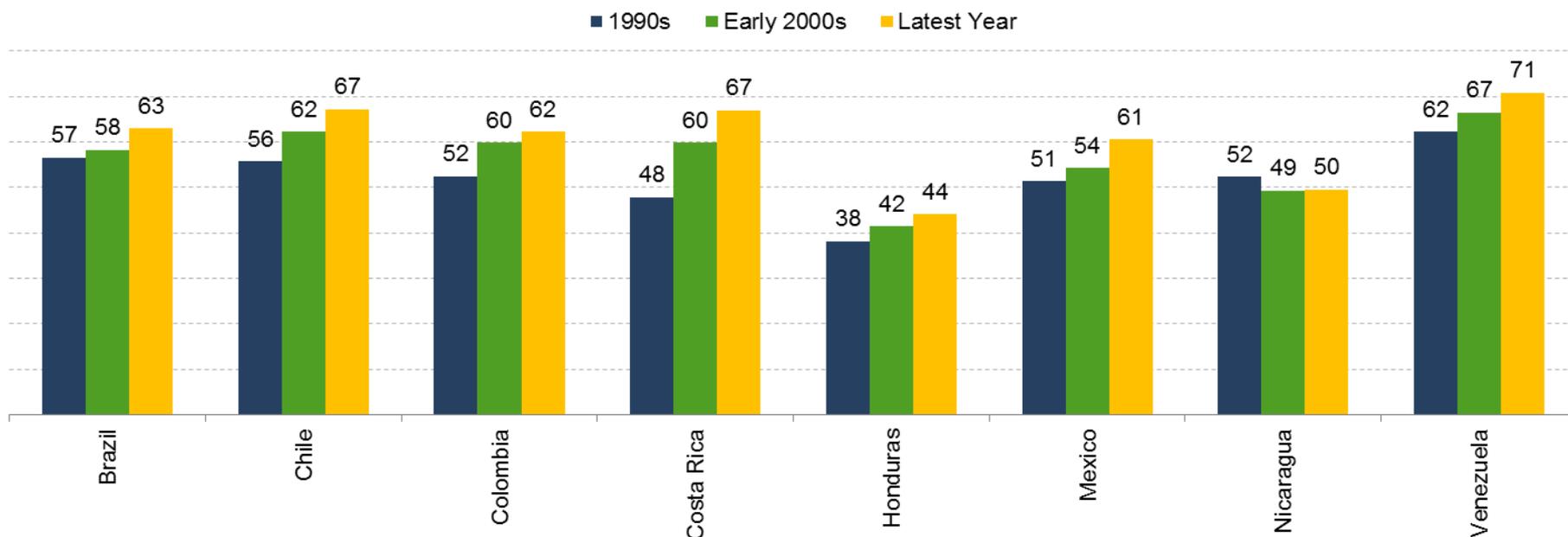


Elaboration: FGV Projetos.
 Source: UIS Data Center (2014).

Non Latin American Countries

Structural changes, led by the services sector - the knowledge-based industries (such as ICT*) - are bringing new trends and skill requirements to the job market

Allocation of Workforce in the Service Sector (in %)



Elaboration: FGV Projetos.

Source: CEPAL STAT (2014). * Information and Communications Technologies

According to the **International Labor Organization – ILO** (UN, 2001):

“All countries need to review, rethink and reorient their education, vocational training and labour market policies to facilitate the school to work transition and to give young people (...) a head start in working life.

- How can the higher education system **identify** the needs of the job market and **coordinate** with future employers to develop adequate programs for students?
- How does the **traditional** university model compare with postsecondary **vocational** training in terms of immediate employment?
- How to advance **life-long employment**, enabling those who have begun their working life to develop additional skills and knowledge?

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PROJETOS

 **FGV PROJETOS**



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