



Key policy recommendations emerging from the project

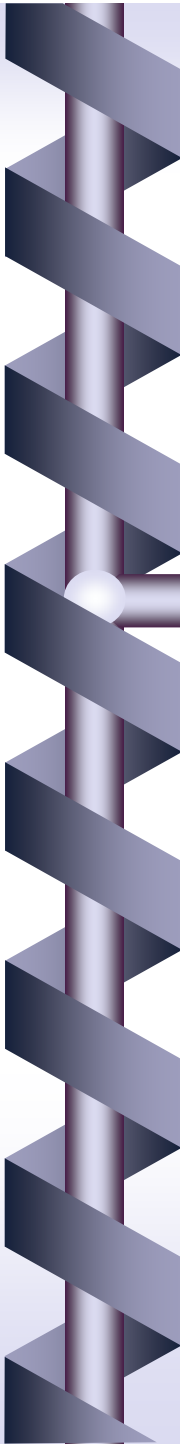
Policy-informing workshop
Brussels 22.09.2005



Overall wage inequality in Europe (1/2)

Main finding:

Considerable **heterogeneity** in levels, structures, and patterns of inter-temporal trends in earnings inequality across Europe.

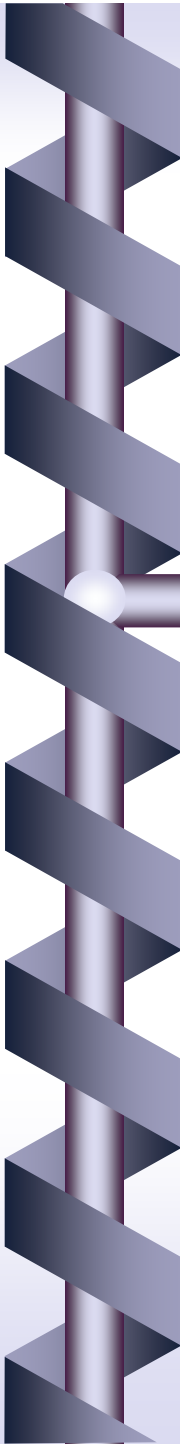


Overall wage inequality in Europe (2/2)

Main implication:

Rather unlikely that the same type of policies has similar effects across the different EU countries.

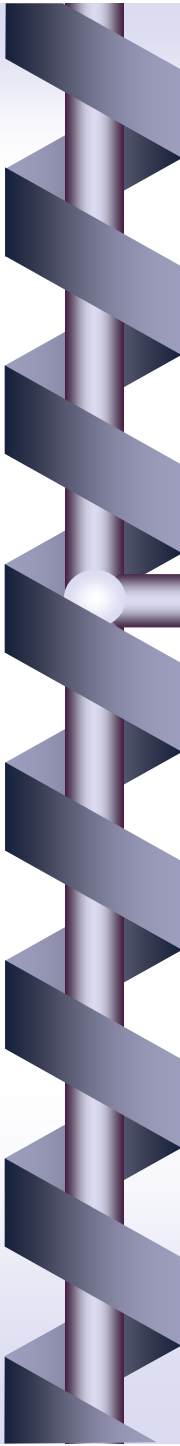
Hence, policies aimed at reducing earnings inequality would need to be diversified according to the context of each country.



Economic effects of demographic and educational change (1/2)

Main finding:

The demographic and educational shocks of Europe have had qualitatively different effects on **young** and **adult** workers. In particular, the burden of unemployment has increasingly shifted onto adult workers, especially women and the low skilled.



Economic effects of demographic and educational change (2/2)

Main implication:

The provision of both publicly and company provided education and training needs to be given a more active role (see later slide).

The different effect of different types of labour market institutions is emphasized (see later slide).



Changing wage distributions in Europe (1/2)

Main finding:

Despite a strong increase in the relative share of high-educated on the European labour market, investments in education still yield a **significant private return**, but these returns are increasingly associated with a significant amount of **wage risk**.



Changing wage distributions in Europe (2/2)

Main implication:

Policies that improve the educational attainment level of the population will increase *average earnings* but also *wage inequality* with further implications for the *demand for education*. Hence, new instruments may be needed to improve the equity and efficiency of *educational funding*.



Labour market institutions and flexibility (1/2)

Main finding:

The effects of labour market institutions on (re-)employment, on the one hand, and wages and earnings, on the other, vary a lot across cohorts (age groups) as well as education groups.



Labour market institutions and flexibility (2/2)

Main implication:

A common feature of our multitude of results is a clear need to distinguish between “bad” (distort the functioning) and “good” (correct for market failures) labour market institutions when addressing the quest for increased flexibility and progressive reduction of labour market institutions.



Does Europe face an over-education problem? (1/2)

Main finding:

Over-education is widespread in most European countries, but there is no evidence that the rate of over-education has been rising over the last 10 years.

Much of the “over-education problem” is due to occupational structure and labour force mobility, that is, concerns dynamic adjustment processes.



Does Europe face an over-education problem? (2/2)

Main implication:

A major policy question in relation to the over-education problem is to establish to what extent it represents a **real waste of resources**.

It is far from clear that governments should discourage private investment in education (private returns to education are high and social return to education may remain high).



Gender and labour market inequality (1/2)

Main finding:

Labour market prospects for men and women in European countries **remain unequal**. The size of the gender pay gap varies across Europe and has declined at different rates.

The gender pay gap is due to gender differences in educational choices, occupational segregation, and behavioural differences in the participation decision.



Gender and labour market inequality (2/2)

Main implication:

Still a need for better policies to encourage and facilitate:

return to work after child rearing
(more stable careers and
fewer interruptions)

access to educational choices

access to occupational choices.



School quality and educational skills (1/2)

Main finding:

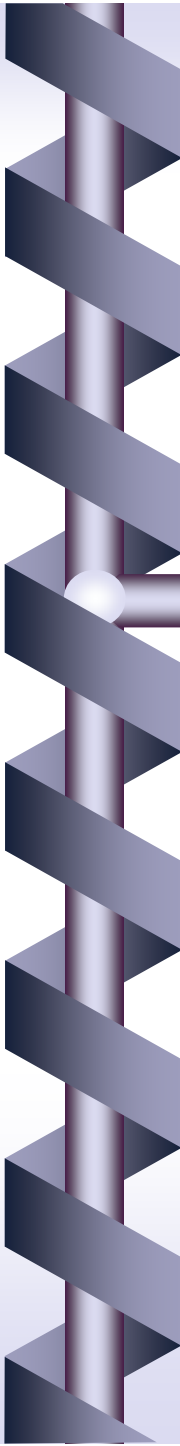
The effects on student achievement of school quality stand out as surprisingly **weak** (student characteristics and family background dominate), whereas school quality does benefit **disadvantaged** students, especially at earlier grades.



School quality and educational skills (2/2)

Main implication:

Policies to improve the formation of educational skills should emphasise the provision of the **right incentives** to students and teachers by adjusting schooling institutions and by measuring achievement in a coordinated way.



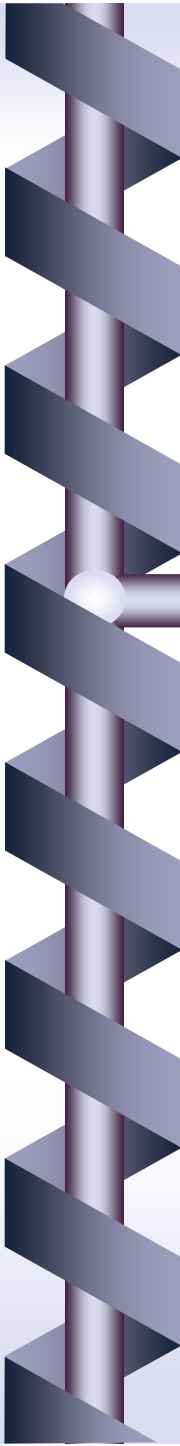
Market failures and the under-provision of training (1/2)

Main finding:

Workplace training policies are justified both on equity and efficiency grounds:

⇒ Clear evidence that training is not provided equally.

⇒ No clear evidence that training is lower than the socially efficient level.



Market failures and the under-provision of training (2/2)

Main implication:

The key question is whether economic policy should try to **correct outcomes** – differences in training – or to **modify initial conditions** which produce efficiently different outcomes (e.g. differences in educational attainment).