

# The mismatch between educational expansion and perceived social mobility: labour market barriers and unfulfilled expectations

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## RESEP Policy Brief

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This policy brief draws on a recent working paper that analyses the links between the expansion of education across generations and social mobility in South Africa<sup>1</sup>. The core findings illustrate how massive strides in access to education have not translated into perceived socioeconomic progress among younger generations. One obstacle is that – despite more education – access to employment remains constrained. This mismatch is associated with high levels of unfulfilled expectations. A focus on improved education quality and creating awareness of the value of vocational training present potential solutions to these obstacles.

### 1. The expansion of education

In the latter half of the 20<sup>th</sup> century many African countries expanded education dramatically. By all expectations, widespread upward social mobility should have followed: In Africa additional education has particularly high rewards by international standards in terms of improved wages and better employment probabilities. Yet, the expectation of higher living standards, poverty reduction and smaller inequalities, is not universally realized in response to better access to education.

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<sup>1</sup> Von Fintel, DP and von Fintel, M (2017), Educational expansion with no perceived mobility: unfulfilled expectations and changing reference groups in South Africa, Stellenbosch Economic Working Paper

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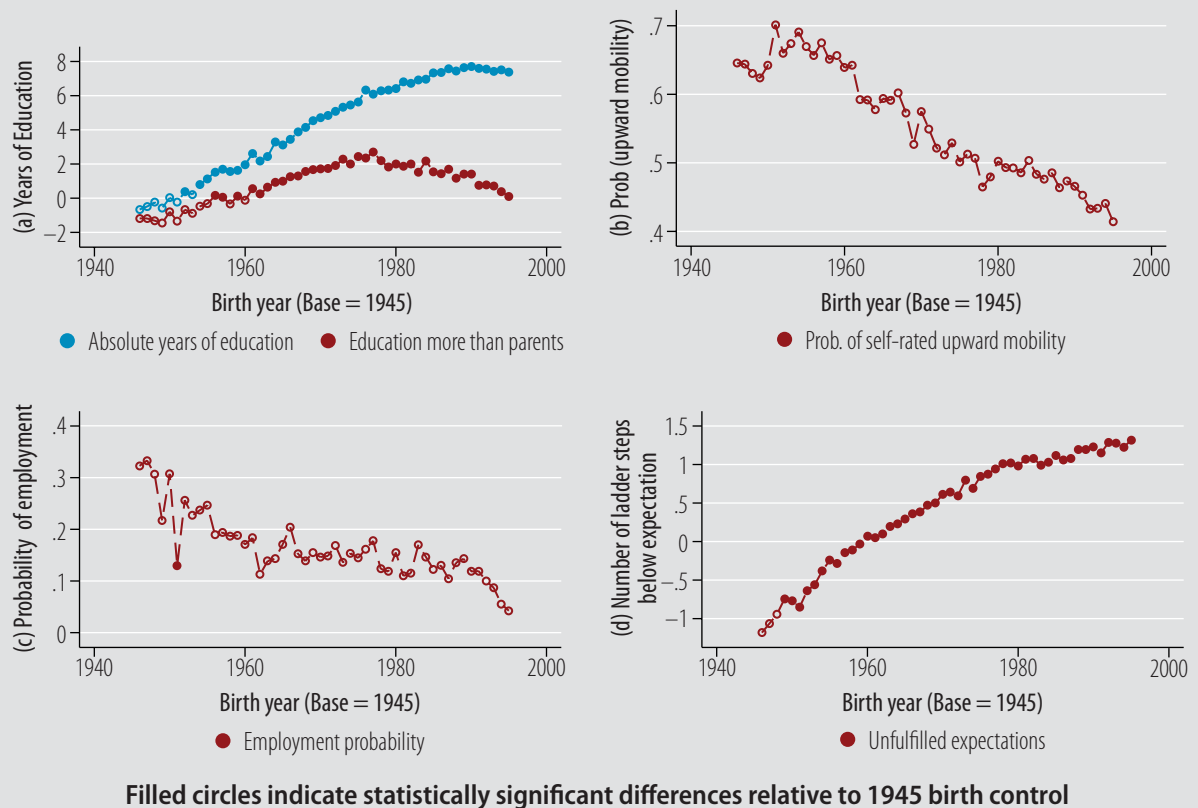
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South Africa is a case in point. As Figure 1 (a) (top left) shows, education levels expanded rapidly across generations. Black Africans born in the late 1990s have, on average, about 8 years more education than their counterparts born in the mid-1940s. Today, almost all 15-year olds still attend school. The expansion started long before the advent of democracy; in fact, the gains in educational attainment started to flatten off for individuals born in the 1990s.



**FIGURE 1: Generational changes in (a) education, (b) perceived upward social mobility, (c) employment probabilities and (d) unfulfilled expectations among black Africans.**

Source: Own Calculations from National Income Dynamics Study (2008; 2010; 2012; 2014)

## 2. No perceived mobility

Despite these massive changes, the socio-economic dividends of mass educational investments seem elusive. While post-apartheid poverty has declined somewhat, the younger generation still faces high unemployment, and extreme inequality persists. These patterns reflect in people's perceptions. Participants in the National Income Dynamics Study (NIDS) were asked to rank their current circumstances on the country's socioeconomic ladder, and were also prompted to recall their position when they were aged 15. This information can be used to assess who *thinks* that they have progressed socioeconomically since childhood. Contrary to expectations, about 70% of the poorly educated cohort of black Africans (born in the 1940s) believe that life has improved since their youth. In contrast, only 40% of the more educated, younger generation (born in the 1990s) believes the same. Large increases in education are therefore not clearly connected to socioeconomic progress. Paradoxically, education is associated with stifled instead of improved perceptions of socioeconomic mobility. How can we unpack this surprising result?

### 3. Limited labour market mobility

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The first key is to understand labour market barriers. By all expectations, employment probabilities should have risen in response to higher levels of education. However, as figure 1(c) (bottom left) illustrates, this has been anything but the case for black Africans. While our research does not assess labour market constraints directly, a number of possible explanations can be offered for the weak link between education and labour market opportunity in South Africa.

Firstly, growth in the quantity of education is not equivalent to growth in its quality. In fact, many examples illustrate that the value of education access is offset by static or declining quality thereof, for instance, where resources are spread more thinly among more children. The value of primary education in the workplace has declined substantially over time in South Africa<sup>2</sup>. One explanation for the Egyptian Arab Spring – when many youths united in protest – was the expansion of education without improvements in quality or job market opportunities<sup>3</sup>. This experience serves as a potential lesson for South Africa: an educated work force that finds it more difficult to find work may suffer from unfulfilled expectations and pursue protest action. A second mismatch is when the type of education does not necessarily suit the demands of the labour market. For instance, South Africa has a shortage of artisans, but an inadequate system to train enough workers in this field.

### 4. Relative mobility and unfulfilled expectations

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A second reason for the reduction in perceived mobility is changing benchmarks across generations. Figure 1 (a) (top left) depicts this most clearly: a second education trajectory is shown, but this time we plot the number of years by which the education of children exceeds that of their parents. By implication, this measure captures *relative* instead of *absolute* mobility. Clearly, while the youngest birth cohorts have the highest *levels* of education, their progress relative to their parents has slowed down substantially. Large parts of the educational expansion benefitted individuals whose children had already entered the labour market; those children are not outpacing their parents to the same degree that earlier cohorts did. By implication, benchmarks are higher and expectations for social mobility have shifted upwards. Thus it seems that low perceived mobility since childhood is – at least partially – attributable to the fact that significant mobility was already achieved by previous generations, and that additional progress over and above that level remains limited.

Changes in unfulfilled expectations match this pattern. It is possible to compare expectations (for future position on South Africa's socioeconomic ladder) of NIDS respondents in earlier years with their actual assessment of their positions in later waves of the panel. Figure 1(d) (bottom right) shows, strikingly, that a large generational increase in unfulfilled expectations has emerged in South Africa. Black Africans born in the 1960s feel that their expectations were almost exactly satisfied; by contrast, their counterparts born in the 1980s perceived that their position fell about 1 to 1.5 "rungs" (equivalent to 20-30% of the socioeconomic distribution) short of what they had anticipated. In summary, a better educated younger generation expected high dividends from more education, but realization has fallen dramatically short.

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2 Moll, P. (1996). The collapse of primary schooling returns in South Africa 1960-90. *Oxford Bulletin of Economics and Statistics*, 58(1):185-209.

3 Binzel, C. and Carvalho, J.-P. (2017). Education, social mobility and religious movements: the Islamic revival in Egypt. *Economic Journal*, forthcoming.

## 5. What to do?

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### 5.1 Not education quantity, but education quality in a strained job market

Two related consequences of educational expansion explain a lack of social mobility.

Firstly, resources are spread more thinly across the education system, compromising quality. Previous research shows that quality schooling is not only important for better grades<sup>4</sup>, but opens up access to better job market opportunities<sup>5</sup>. However, expansion of education without simultaneously improving its quality lowers the value of any qualifications in the labour market over the long run.

Secondly, the pool of job applicants with higher qualifications increases. In a scenario where job vacancies do not grow as quickly as the number of better-educated workers, the chances of employment decline instead of grow.

These outcomes require joint and aligned solutions. Skills supply should have a strong focus on the quality of qualifications at that education level. Employment growth is critical to the solution: one demand-side solution is to ensure that job seekers are more competitive based on high quality qualifications, or – as we discuss below – alerting potential school leavers to alternative training and job opportunities. Additionally, monitoring the skills requirements of the economy and matching the type of educational output required is essential to avoid a mismatch between a skills expansion and a lack of similar jobs.

### 5.2 Vocational training and promoting job market awareness

A related solution is to partially refocus fiscal resources on vocational and artisanal training, instead of academic tertiary qualifications. While government has already prioritized this approach, having identified a significant shortage of artisans in the economy, society still places large emphasis on obtaining university degrees and diplomas. Such a perception is rooted in the very high labour market returns to some (though not all) higher education qualifications. Creating awareness among young school leavers about the opportunities and benefits of obtaining artisanal qualifications could be a key mechanism in realigning labour market expectations with feasible training opportunities. This approach not only fills a skills gap in the economy, but also changes perceptions of what is required to achieve success among the youth. The message should emphasize that it is possible to find work as an artisan, and that this route is also socially acceptable. This requires a concomittant strong focus on the availability and quality of such training to ensure that it meets the needs of the labour market.

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4 Coetzee, M. (2014). School quality and the performance of disadvantaged learners in South Africa. Stellenbosch Economic Working Paper, 22/14.

5 Case, A. and Yogo, M. (1999). Does school quality matter? Returns to education and the characteristics of schools in South Africa. NBER Working Paper, 7399.