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Diploma Devaluation, The Ins and Outs

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Synonyms

Credential inflation; Overeducation

Definition

“Diploma devaluation” refers to the perception of a reduction in the value of diplomas and degrees. When the value of diplomas is assessed in the labor market, it may be affected by a mismatch between the qualifications required by the employers and the degrees produced by the education system. Such a mismatch may be transitory until educational institutions adapt to technological changes. It may be structural when the level of education becomes a tool for access to the best positions.

The expression “diploma devaluation” carries a value judgment: diplomas in general, or at least some of them, have lost the value they used to have. We will first examine what it means and how it can be assessed. Then, we will make explicit the reasons why it is generally considered as a problem. Last, we will evoke the debates around this phenomenon and the policies that may be designed to counter it.

What Is It About?

In most countries, wages and status attached to jobs are higher when employees have achieved long and prestigious studies, especially in higher education. Many theoretical models exist among economists to explain why education and degrees are valued on the job market. For the human capital theory (developed by Becker and Mincer in the 1960s–1970s), employers reward diploma because education enhances productivity of labor; each additional year of schooling should bring an increase in productivity, which should be rewarded by higher wages. For the signal theory (developed in the 1970s by Arrow and Spence), education does not directly increase productivity; rather it signals productivity potential, linked to rather unobservable dimensions, such as capacity to acquire new knowledge, capacity to sustain efforts, and so on

(Spence, 1973). As no direct information on these dimensions is available to them, employers rely on degrees as signals of the value the employees have for them. In the competition for jobs, employers de facto rank job seekers in a queue, according to criteria they can observe such as degrees, even if they require other attributes or skills associated with training. In that frame, the value of education is relative and diplomas bring mainly a positional advantage, so that students' interest is to stand the most ahead as possible in the queue. Whenever access to education is spreading, that will foster "credential inflation."

The word "inflation" suggests that the aggregation of individual strategies may result in the devaluation of diplomas held. As with monetary inflation, an increase in the number of education qualifications in the population would create a disequilibrium that would lower their economic value on the labor market and decrease the returns on education.

The economic or sociological literature more generally refers to this disequilibrium as "overeducation." Although, in the context of diploma devaluation, overeducation may be assessed at the macroeconomic level, it is also used at the micro-economic level to point to individuals that have more education than required by their actual or prospective occupation.

What Is Observed?

While it would be inappropriate to provide figures concerning returns to higher education degrees since they vary both over time and across countries, some global trends may be sketched. In the USA, what is observed is a trend toward increasing returns associated with tertiary education (Goldin and Katz 2008). It is not the case in Europe, where divergent trends are noticed (Middendorf 2008; Leuven and Osterebeek 2011). In a majority of countries, such as Italy and France, returns are decreasing for the most recent cohorts, while the picture is not clear in countries such as the UK. Discrepancies across countries (and also variations along time) may be related to the quality of the match between educational expansion (often dramatic as in Europe in the 1980s–2000s) and the evolution of the job structure, generally characterized by an occupational upgrading. In any case, devaluation does concern more often students leaving school at the secondary level than after some higher education.

In OECD countries, discourse about the incoming "knowledge economy" and the expected impact of education on growth have fostered policies of educational expansion. However, it is very difficult to assess precisely whether the growth of education – with a dramatic upsurge of HE degrees in some countries – did meet the promised economic growth (Brown and others 2011). What is admitted today is that above a certain threshold, notably when the adults' literacy is already at a certain level, developing education further does not automatically produce significant economic benefits. OECD has recently expressed some doubt in this respect. In *Education at a Glance* (2006, p. 157), one reads: "cross-country growth regressions assume that the impact of education is linear and constant across countries. However, research suggests that the assumption of constant growth effects of education across countries is unfounded. There is also evidence of diminishing effects on growth above an average of 7.5 years of education. This is well below the OECD average of 11.8 years in formal education."

However, this remains today a controversial issue. In most countries, the need for more

educated employees is advocated in a context of skill- biased technological change. A model developed by Vandenbussche et al. (2006) has shown that skilled labor has a stronger effect on growth for countries closer to the technological frontier. At the same time, especially in a global economy, the job structures associated to these technological requisites may vary across countries so that there may exist some mismatches between the structure of occupations and the distribution of educational skills and degrees.

Devaluation is assumed whenever highly educated people fill jobs that were previously held by less qualified workers. But such a situation may reveal an authentic upgrading of the skills required for the job; in that case, the word “devaluation” is not appropriate, since the new match observed is justified. It is the result of an adjustment mechanism, drawn by the firms (to adapt to or speed up skill-biased technological changes) or by the students themselves. But in many cases, it is hard to disentangle what would be a new suitable match and what would be a result of overeducation, i.e., an excess supply of high- skilled workers.

Why Is It a Problem?

In any case, students pay the price of such mismatches. They need to get higher qualifications to access jobs previously held by less-educated persons. But, while the individuals’ experience of mismatch on the labor market increases their level of mistrust, they keep convinced of the utility of their educational investment, since their situation remains better than that of the less educated. That is because one needs to distinguish between the absolute and the relative value of diplomas. While the former is declining in most countries, the latter is generally preserved. This is easy to understand, as far as, at least, some part of the value of education on the labor market is positional and as the signaling value of a degree remains: gaining a higher degree always brings some relative advantage.

The problem is precisely that the absolute devaluation of degrees goes along with the stability of the relative advantages they provide. This fosters a self-perpetuating trend: Individuals are caught in a trap compelling them to study further and further to get the same returns: This generates inflation and the correlative devaluation of diploma.

Diploma devaluation raises both economic and societal problems. From an economic point of view, any mismatch is a waste of resources, and it is especially true concerning higher education when it is delivered by the state as a public good. Rather than being a source of efficiency, a rising level of education and a rising number of graduates may become a source of rigidity as they generate what sociologists as Collins (1979) called “credentialism”: Far from resulting from increasing skills requirements of jobs themselves, the steady growth in demand for higher levels of qualification in the labor market turns into a self- defense strategy and a tool of social closure. Credential inflation becomes a strategy (or an “exclusionary tactics”) of the elite for preserving its advantages in accessing the best occupational careers. In that race, children of the most privileged groups are seeking higher and higher degrees to keep ahead, and, given their ability to select the best tracks, they maximize the benefit drawn from the degrees they achieve.

For sociologists, at the overall level, this expansionary dynamic and the correlative

devaluation of diplomas would explain why the expansion and democratization of education have not resulted in more social mobility (Hadjar & Becker 2009). It runs counter to the promise of education as a “great equalizer,” which is a serious difficulty in meritocratic societies (Bernardi & Ballarino 2016). In such societies, where merit is supposed to govern access to unequal positions, the “value” of degrees is crucial since diplomas are supposed to give an objective certification of individuals’ merit. Consequently, the strength of the ties between educational degrees and jobs is a benchmark of the equity of the whole process of social reproduction or, at least, of a fair allocation to positions.

However, the ideal of an education-based meritocracy faces the fact that the process of social reproduction itself is intimately embedded in the structural frame of the job market and of its evolution. Actually, individuals, whatever their personal attributes, insert themselves in a society where “places” are predefined, and, even if education is a relatively effective way of accessing the best positions, the definition of these places themselves does not fundamentally arise from the operation of the educational system. Similarly, the educational system has no power upon the effective market value of degrees, which results from the structural distribution of jobs and the peculiar relationships that prevail between degrees and qualifications. If, as has been observed in many countries over the last decades, the expansion of the high end of the social structure has been slower than the production of suitable graduates, there should be an adjustment in the form of devalued credentials. This is an old story, since, as early as 1978, the French sociologist Bourdieu had written: “The entering into the race and competition for degrees of young people belonging to groups who were till now using school in a very moderate way has pushed those groups whose reproduction was mainly achieved by school to intensify their investment to maintain the relative scarcity of their degrees and so doing their position in the social structure, so that the degree and the system delivering it become the main stake in a competition which generates a broad and continuous growth of the demand for education and an inflation of degrees.”

In the end, the overall intergenerational mobility remains unchanged. Moreover, when investigating the “effects” of the devaluation of diplomas, one should stress the relevance of the distinction between two levels: the macro- level at which structural factors determine the relationships between education and growth and the microlevel at which education determines the chances of having access to a given job. At this level, the difficulties faced by graduates generate true psychological problems, well known especially since the seminal paper of Burriss (1983) on “The social and political consequences of overeducation.” He showed that while the feared impacts of overeducation on political ideology, such as increased leftism, were not so widespread (they were observed only in the most severe cases of overeducation), job dissatisfaction was much more common. In France, some research (Duru- Bellat 2006; Felouzis 2001) describes what is called a “deceived generation,” who, facing the gap between their diplomas and the real opportunities on the job market, is bound to adopt a disillusioned attitude, towards both work and political life, or even (although less widespread) a more offensive one leading to protest. This students’ disillusion on entering the labour market stems also from their utilitarian behaviour: their main objective is no more to learn but only to get a certification necessary to find a job. This utilitarian attitude has also been observed in some poorer countries that have strongly developed higher education, and described as a ‘diploma disease’ (Dore 1997).

What Is to Be Done?

In the face of these undesirable effects of diploma devaluation, the need for relevant policies is unescapable. However, there are controversies about the reality and the importance of this phenomenon.

For a number of researchers, overeducation is overestimated and all in all a less serious phenomenon than commonly suggested (see for instance Büchel and others 2003): it is merely a short-run disequilibrium, occurring only in transitory phases, since employers always end up adapting their modes of production so as to exploit fully the human capital available. Moreover, apparent overeducation might conceal selection biases, if overeducated workers have lower abilities or less favorable attitudes. More broadly, overeducation might not be real, since the academic level guaranteed by degrees is weakening, due to less selectivity in access to higher education. Apparent overeducation might also merely conceal a redefinition of qualifications, incorporating new requirements not necessarily associated with diploma such as so-called “soft skills.”

These are all relevant issues, which remain to be explored seriously, but, in the meanwhile, politicians have to make choices, and it is not straightforward.

Although an attractive choice – often meeting consensus – would be to go on with educational expansion, it is obviously not an answer to the devaluation issue: it would only postpone the problems confronted by students when entering the job market and facing the associated inequalities. One should stress that social inequalities are not strictly dependent of the expansion of education. As early as 1973, the French sociologist Boudon predicted that educational inequalities might decline without any corresponding change in the structure of social inequalities. One may even consider that educational expansion serves mostly the private interests of those who want to stay ahead, without helping those who stay behind.

A more satisfying policy may be to reinforce the vocational dimension of education at all levels. What is observed is that wherever such a dimension is lacking (in countries such as France), individuals are ranked in the file for jobs according to the length of their studies, so that a “logic of level” prevails: the more education you get, the more able you are supposed to be to fulfil the “best” jobs. In contrast, in countries where a logic of qualification prevails, the skills you possess entitles you to some specific jobs. It should be noted that the notion of qualification has a different meaning in these two cases. In their seminal work, Shavit and Müller (1998), confirmed recently by Di Stasio and others (2016), observed that “in occupational space, the value of a credential consists primarily in its scarcity and position in the hierarchy of credentials rather than it derives from the specific skills it represents.” So the prevalence of the “credential inflation” (and of the associated devaluation of diploma), a wide- spread phenomenon in the developed world, is bound to be higher in countries where a logic of “level” prevails upon a logic of qualification.

However, it would be also conceivable, in a context in which qualifications required for jobs are bound to change continuously, to take the opposite stand by loosening the fit between degrees and jobs, and by considering it more important to warrant a high level of education to every student, leaving to the firms the training for the jobs. In this case, policies encouraging educational expansion would stay relevant but should give priority to an education oriented

toward transferable and soft skills. In any case, the fact that today's graduates are facing competition in a global labor market must be taken into account (Brown and others 2011).

One should also take a broader view of education since, for individuals, it is not only an investment seeking returns on the labor market but also a consumption good that brings them satisfactions and an asset that will enhance their quality of life. For society, beyond being a source of economic growth, it is a tool for building social cohesion (Janmat and others 2013).

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