

The Declining Significance of Education for Promoting Equality

In post-industrial societies, continued educational expansion has declining marginal effects on income equality and intergenerational mobility. Increased college enrollments are important at earlier stages of industrialization in order to develop general social and human capital skills, to allocate more motivated and skilled workers to more productive jobs, and to break down particularistic labor market practices. However, important job skills are still learned mostly in the workplace which is continually impacted by evolving technology, corporate restructuring, globalized competition, and political influences.

The direct impact of education on public policy goals relating to aggregate labor market outcomes — income equality, intergenerational mobility, and economic productivity — is increasingly limited. Educational institutions should therefore be streamlined to focus more on their basic training and allocative functions. Direct welfare-state expenditures are more effective in promoting economic equality than the indirect effect of spending more money on tertiary educational expansion. Educational attainment remains extremely important for individual-level economic mobility, but at the aggregate level, education is of declining significance. The apparent paradox is explained by the ecological fallacy. In post-industrial societies, relative educational attainment becomes more important as a job market signal.