



European Expert Network
on Economics of Education

Changing economic returns and demand elasticity in higher education

Executive summary

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Executive summary

This analytical report aims to provide a comprehensive analysis of the available literature on the economic returns on higher education across different regions and demographic groups, both globally and particularly within Europe, as well as some insights into demand elasticity among students. Its objective is to offer insights to inform educational policymaking and strategic investments by the European Commission.

Chapter 1 surveys the key literature on economic returns on education. This covers meta-analyses and broad trends, economic contexts, structural and systemic factors, and the influence of micro- and demographic factors. Chapter 2 examines elasticity in demand for higher education, focusing on how tuition costs affect enrolment rates, and the rise of non-degree credentials. Chapter 3 synthesises the report's findings and discusses policy implications, emphasising tailored educational policies to enhance economic growth and social equity.

Summary of key findings:

- **Global Trends:** the average private return on education is approximately 10 % annually, with returns on higher education reaching 15.2 %. There are significant regional differences in these rates of return, with returns being higher on primary education in developing countries, and on tertiary education in developed countries.
- **Economic volatility:** returns on education increase during economic crises but decrease slightly during periods of recovery. Flexible labour markets and low levels of inequality can mitigate the negative impacts on less educated individuals.
- **Macroeconomic factors:** sustained long-term economic growth correlates with higher economic returns on education due to increased demand for skilled labour. In contrast, declining growth rates often reduce the returns for less educated individuals.
- **Vocational vs. general education:** vocational education systems tend to yield higher returns due to being better aligned with the needs of the labour market. However, it has been shown that increased participation in education can sometimes lead to “over-education” and the devaluation of qualifications, particularly in Western countries.
- **Field of study:** returns vary significantly according to the field of study, with degrees in medicine, maths and economics yielding higher returns compared with creative arts and other fields. Technical and scientific education is increasingly valuable.
- **Gender differences:** women often experience lower returns in some fields but higher returns in others. Factors such as career trajectories and occupational sorting contribute to these variations.
- **Socio-economic status:** higher education enhances economic mobility for disadvantaged groups, but persistent inequalities necessitate targeted policies to ensure equitable access to educational opportunities.
- **Institutional characteristics:** returns on education are influenced by the prestige and resources of educational institutions, with graduates from prestigious universities typically enjoying higher earnings. Returns also vary between the public and private sectors, being traditionally higher in the case of the former.
- **Non-degree credentials:** the rise of micro-credentials and digital badges offers new opportunities for skills enhancement and increased employability. However, challenges remain in integrating these credentials into traditional educational systems and ensuring their acceptance in the job market.

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