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The Benefits of Educational Expansion for Early School Leavers on the European Labour Market

This research is about the labour market outcomes of early school leavers (ESLs) in Europe. Previous research suggests that the ongoing educational expansion is a negative development for ESLs, since it increases their competition, and in the worst case creates credential inflation and the risk of crowding out the lowest educated individuals (Müller & Gangl, 2003; Shavit & Müller, 1998). Findings from the EU-SILC show, however, that the negative effect of early school leave on income is *diminished* by educational expansion at the country level. The explanation, it is argued, is that educational expansion decreases the mediating influence of a disadvantaged family background, which accounts for the net mediating effect of educational expansion itself. Equality of opportunity is the mechanism behind this hypothesis, one that is important for the underprivileged in particular. For the analyses, I am using the 2005 cross-sectional EU-SILC UDB, with a particular focus on the module 'Inter-generational transmission of poverty'. Twenty-two countries are included: Austria, Belgium, Cyprus, Czech Republic, Germany, Denmark, Estonia, Spain, Finland, France, Greece, Hungary, Ireland, Iceland, Italy, Lithuania, Luxembourg, Latvia, Norway, Poland, Sweden, and Slovakia. The labour market outcome studied is the equivalized disposable household income. Family background is measured with the education, employment status, and occupation of both the father and the mother. Furthermore, an indicator is included for family composition. The two-level hierarchical analyses focus on three-way cross-level interactions, in which the slope of an interaction of a family background indicator on the effect of early school leave on income is explained by the level of educational expansion. Results show that the mediating influence of family background is indeed fully conditional upon the level of educational expansion at the country level. This is true for all indicators of family background included in this research. A more open, universal educational system decreases the economic cost of growing up in a disadvantaged family. These findings suggest that individuals at the bottom of the educational hierarchy benefit from educational expansion, as long as it decreases the ascriptive inequality that would otherwise have aggravated an income disadvantage based on poor educational achievement.