RETHINKING THE ECONOMICS OF EDUCATION

REPENSANDO LA ECONOMÍA DE LA EDUCACIÓN

Lisbeth Dávila Santillán
Universidad Estatal de Milagro
https://orcid.org/0009-0001-5183-4094

Richard San Lucas Vanegas
ITB - Ecuador / Universidad de la Habana – Cuba
https://orcid.org/0000-0003-0271-1116

Renata Cervantes Avilés
ITB – Ecuador
https://orcid.org/0009-0001-9898-7477

Education is one of the central institutions for the economic, social and human development of contemporary societies. Its relevance is not limited to the transmission of knowledge or the formation of individual skills, but extends to productivity, innovation, social mobility, citizen participation and the distribution of opportunities. From this perspective, education simultaneously represents a right, a public good, a social investment and a mechanism for access to better living conditions. However, its effects are not linear or automatic: increased schooling does not necessarily guarantee economic growth, reduced inequality, quality employment or upward social mobility.

The economics of education studies these relationships based on the analysis of educational investment, resource allocation, the costs and benefits of schooling, the financing of education systems, and the economic and social returns of training. It also examines the decisions of individuals, families, institutions and governments regarding access, retention and completion of studies. From this field, education cannot be analyzed in isolation, because its results depend on the productive structure, income distribution, institutional quality, labor market conditions, and the capacity of public policies to compensate for historical inequalities.

Human capital theory has argued that education increases people's knowledge and skills, improves their productivity, and favors higher future incomes (Becker, 1993). Under this approach, educational expenditure is interpreted as an investment whose benefits can be observed both at the individual level and in the economic growth of countries. Hanushek and Woessmann (2015) expand on this perspective by pointing out that the impact of education does not depend only on the years of schooling, but mainly on the quality of learning and the cognitive skills developed. This distinction is critical: expansion of enrolment can increase formal coverage without necessarily producing relevant knowledge, professional skills or innovation skills.

From a broader perspective, education is also a condition for human development. Sen (1999) states that development implies expanding people's real freedoms and eliminating the deprivations that limit their possibilities to choose and participate in society. In this sense, access to relevant and quality education expands capacities, strengthens autonomy and allows for more free intervention in the economic, political and cultural spheres. However, when access to education is conditioned by income, gender, ethnicity, territory or the cultural capital of families, education can cease to be an equalizing force and become a mechanism for the reproduction of existing inequalities.

One of the main problems of the economics of education lies precisely in the distance between educational expansion and effective social results. An increase in the number of institutions, programmes, enrolments and qualifications is not always accompanied by equivalent improvements in learning, productivity, employment or well-being. As the World Bank (2018) warns, schooling and learning are not equivalent concepts. An education system can incorporate more people and, at the same time, maintain quality deficiencies, high levels of dropout, institutional segmentation and a weak articulation with social and productive needs. Quantitative easing, therefore, does not in itself guarantee an economic or social transformation.

This contradiction is expressed with particular clarity in the phenomenon of educational inflation. This process occurs when the increase in academic credentials reduces their relative value in the labor market and raises the educational requirements for access to occupations that previously required lower levels of training. In contexts of oversupply of qualifications and a shortage of skilled jobs, individuals are forced to accumulate degrees, certifications and specialization's not always to increase their productivity, but also to maintain their competitive position. Higher education then ceases to function exclusively as an advantage and becomes a defensive requirement against the risk of exclusion from work.

The signaling theory helps to explain this behavior. Spence (1973) argues that, given the impossibility of directly knowing the abilities of applicants, employers use degrees as signs of productivity, discipline or learning capacity. However, when the possession of a credential becomes generalized, it loses its capacity for differentiation and generates a new demand for higher degrees. This produces an educational escalation in which each grade achieved requires an additional one to maintain the same relative value. This process can lead to overqualification, underemployment, professional unemployment and diminishing returns on educational investment.

Credentialism adds a social dimension to this problem. Collins (1989) warns that credentials function as mechanisms of social closure that regulate access to certain occupations, positions, and resources. Degrees not only certify knowledge but also delimit who can participate in certain professional and institutional fields. Bourdieu (1986), on the other hand, explains that degrees are institutionalized forms of cultural capital whose value depends on the prestige of the institution that issues them, the associated social networks, and the recognition they receive within an unequal structure. In this way, two people with similar formal levels of schooling can obtain different work and social results depending on their social origin, the prestige of their credentials and the cultural and economic resources accumulated.

Educational inequality is, therefore, one of the central problems of this book. The gaps are not limited to initial access, but are manifested in permanence, the quality of learning, the transition between levels, the completion of studies and the possibility of converting credentials into job opportunities. Students belonging to lower-income households, rural communities, indigenous peoples, Afro-descendant groups, or sectors historically discriminated against face greater economic, technological, territorial, and symbolic restrictions. These conditions reduce their ability to complete stable educational trajectories and limit the potential of education as a mechanism for intergenerational mobility.

From an economic point of view, these inequalities represent a loss of well-being and social efficiency. When access to quality education depends on family origin, societies waste capacities, reproduce poverty between generations and concentrate educational benefits on those who already have greater resources. Educational equity requires, therefore, overcoming the uniform distribution of resources and adopting progressive financing criteria. This implies assigning greater support to those who face the greatest obstacles, strengthening public education, expanding affirmative action policies and developing mechanisms for academic, social and financial accompaniment.

Financing is another of the great challenges of the economics of education. Expanding coverage and growing demand for higher education are putting pressure on public budgets, institutions and families. In this context, national and international scholarships play an important role in reducing economic barriers and facilitating access to undergraduate and postgraduate studies. However, its scope should not be measured solely by the number of beneficiaries. Its effectiveness depends on the sufficiency of resources, transparency in allocation, continuity of support and its articulation with tutorials, academic guidance and permanence policies.

Scholarships can promote inclusion and social mobility when they compensate for inequalities of origin and allow students with academic abilities, but limited resources, to access quality institutions and programs. However, they can also reproduce inequities when information on calls, application requirements, and language or digital skills favor those with greater cultural capital.

Therefore, education financing must be understood as a comprehensive policy and not as an isolated transfer. Formal access loses part of its value when it is not accompanied by material, academic and social conditions that allow the completion of studies.

The relationship between higher education and the labor market is another decisive axis. While increased schooling can increase employability and income, this outcome depends on the ability of economies to generate productive jobs and take advantage of available human capital. In labor markets characterized by informality, precariousness, low productive diversification, and low investment in science, technology, and innovation, the growth in the number of graduates can exceed the absorption capacity of the economic system. This situation produces professional unemployment, underemployment, migration of skilled workers and a decrease in the expected returns of education.

The mismatch between training and employment should not be attributed solely to educational institutions. It also responds to the limitations of productive structures, the insufficient creation of quality jobs and the weak coordination between educational, economic, scientific and labor policies. Requiring education to respond immediately to market demands can reduce its social and critical function; But ignoring technological and productive transformations can also generate programs disconnected from real opportunities for insertion. The challenge is to articulate relevance, quality, comprehensive training and adaptability without turning education into an instrument subordinated exclusively to the short-term needs of the market.

In this framework, Education, Equity and Development: Economics of Education and Social Mobility analyzes the tensions between education, inequality, financing, and labor from a critical and interdisciplinary perspective. The title expresses the central relationship that runs through the work: education only contributes to development when it expands capacities, distributes opportunities with equity and creates effective conditions for social mobility. Otherwise, educational expansion can coexist with segmentation, credentialism, job insecurity and the reproduction of inequalities.

The first chapter examines the relationship between formal education, economic growth and development, and delves into the phenomenon of educational inflation. The theory of human capital, signage, credentialism and the economic and social reasons that explain the growing demand for higher education are analyzed. In addition, empirical evidence on the expansion of the higher education system in Mexico is incorporated, with the purpose of exploring the relationship between institutional growth, enrollment, gross domestic product, and human development.

The second chapter addresses inequality and educational equity. The gaps associated with income, gender, ethnicity and territory are studied, as well as their effects on intergenerational mobility. It also examines equity measures, progressive financing models, and affirmative action policies aimed at correcting historical disadvantages. This chapter argues that formal equality of access is not enough when students start from profoundly unequal conditions.

The third chapter analyzes national and international scholarships for undergraduate and graduate studies. Their role as instruments of financing, inclusion, human capital formation and educational internationalization is examined. At the same time, its limits, access obstacles and the need to accompany economic support with institutional policies that favor the permanence and completion of studies are considered.

The fourth chapter studies the relationship between higher education and the labor market. Employability returns from education, skills mismatch, overqualification, underemployment and the conditions that allow or prevent academic training from being converted into social mobility are analyzed. This analysis shows that higher education does not operate in a vacuum: its impact depends on the structure of employment, economic policy, innovation and the ability of societies to recognize and harness knowledge.

Overall, this work argues that the contemporary challenge is not only to increase enrollment, expand coverage, or multiply the available degrees. The real challenge is to build education systems capable of producing meaningful learning, reducing inequalities, efficiently distributing resources and linking training with human, productive and socially sustainable development models. Education retains a profound transformative capacity, but that capacity depends on the articulation between quality, equity, financing, employment and solid public institutions.

Education can open doors, but it can also raise new filters. It can expand freedoms or reproduce hierarchies. It can drive development or become a credential backlog that doesn't match the opportunities available. Understanding these tensions is essential to design educational policies that are not limited to managing the expansion of the system, but that guarantee that knowledge translates into skills, dignity, social mobility and shared development.