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New tensions in maturing knowledge economies

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*Published in:*  
Social Policy and Administration

*DOI:*  
[10.1111/spol.12888](https://doi.org/10.1111/spol.12888)

*Publication date:*  
2023

*Document Version*  
Publisher's PDF, also known as Version of record

*Citation for published version (APA):*  
Carstensen, M. B., & Emmenegger, P. (2023). Education as social policy: New tensions in maturing knowledge economies. *Social Policy and Administration*, 57(2), 109-121. <https://doi.org/10.1111/spol.12888>

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# Education as social policy: New tensions in maturing knowledge economies

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## Abstract

Education has long played an important role in social policy as a means for strengthening labour market integration and increasing social mobility. The shift towards a knowledge economy has placed education policy even more centrally in efforts to provide the institutional preconditions for making economic efficiency compatible with social inclusion. To provide conceptual and theoretical context to the special issue, this paper first explores the key tension in the role of education in modern economies between serving concerns for efficiency and inclusion. Second, it argues that it remains possible for education policy to balance between efficiency and inclusion, but that the capacity of advanced economies to do so is politically mediated. Finally, the paper reviews the four main arenas in which such mediation processes take place—the parliamentary arena, the corporatist arena, the state, and public opinion—and how the contributions to the special issue study these.

## KEYWORDS

education, knowledge economy, political economy, social policy

## 1 | INTRODUCTION

In recent decades, advanced economies have undergone a shift towards knowledge-intensive production that has changed the role of education as social policy. With the manufacturing sectors that dominated Fordist economies becoming progressively less central to these economies, growth and employment is created in the service sector,

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especially at the high of the skill spectrum (Oesch & Piccitto, 2019). The rise of the knowledge economy has thus weakened the prospects of lower skilled workers to gain stable employment in well-paying jobs, a development that is further compounded by increasing inequality across the Western world as well as migration movements bringing in low-skilled workers (Bonoli & Emmenegger, 2022 and contributions to this special issue by Aerne and Trampusch as well as Bonoli and Otmani).

There are good reasons why this shift has marked education as a key policy area. In the first place, a successful transformation towards a knowledge economy depends on the availability of relevant skills, which has placed upskilling of the work force centrally on the agenda of governments in advanced economies (Green-Pedersen, 2019). But education is not only important for its efficiency-enhancing role. Without relevant skills that are developed throughout the life course, the risk of marginalisation is significant (Bonoli, 2005; OECD, 2012). Equally important, then, from a political perspective is maintaining (if not extending) the capacity of education systems to support social inclusion by providing social mobility, access to stable employment with decent wages, and opportunities for life-long learning. Education has long played this important part in supporting social inclusion (Breen & Jonsson, 2005; Busemeyer & Trampusch, 2011), but in the context of a more general move away from transfers to social investment (Morel et al., 2012; Solga, 2014), this role of education has become even more important in knowledge economies.

In the wake of this transformation have followed significant changes in policies and institutions developed in Fordist economies, which served to balance calls from employers for skills relevant for production and demands for social inclusion. Analysing the development in the role of education as social policy, however, is complicated by its variegated development across and within advanced economies. Institutional change is thus neither uniform nor a functional response to technological and material changes. Importantly, the shape that the changes have taken, and the capacity of knowledge economies to straddle the twin demands of efficiency and inclusion, is in central ways politically mediated. Ideas about what a knowledge economy entails, and the potential strategies that such interpretations produce, is key for understanding policy choices (Carstensen & Schmidt, 2016; Cino Pagliarello, 2022; Marengo & Seidl, 2021). Similarly, the institutional and technical resources available within the economy provide an important context for understanding how powerful groups in society pursue more or less inclusive growth strategies (Hall, 2020).

To provide a context for the contributions to this special issue, this paper is organised in three main sections. First, it discusses how education policy has come to play a progressively more central role in social policies of mature knowledge economies. It does so by exploring the key tension in the role of education in modern economies between serving concerns for inclusion and efficiency, and the ways in which different parts of the education system have historically addressed such tension. Second, it argues that it remains possible for education policy to balance between efficiency and inclusion, but that the capacity of advanced economies to do so is politically mediated. Finally, setting the stage for the contributions to this special issue, this introduction briefly reviews the four main arenas in which such mediation processes take place: the parliamentary arena, the corporatist arena, the state, and public opinion. Taken together, the contributions to the special issue cover a wide variety of education as social policy, including in relation to pre-school, school, and in the labour market.

## 2 | THE SOCIAL POLICY ROLE OF EDUCATION IN MATURE KNOWLEDGE ECONOMIES

The development towards a knowledge economy has now for decades been underway in advanced economies (Bell, 1974). This has broadly involved trends 'towards greater dependence on knowledge, information and high skill levels' (OECD, 2005, p. 28). However, only since the beginning of the 2000s have these economies come into shape as 'mature' knowledge economies. By this we mean that their growth regime—understood as a mode of governance for the economy that include the technological and institutional means for generating economic growth (Hall, 2020, p. 57)—depends more on knowledge-intensive activities and intellectual capabilities than physical inputs or natural

resources. As noted by Hassel and Palier (2020, p. 10), in mature knowledge economies, education and social policy play a key role by providing the institutional preconditions for making the transition fruitful and compatible with social cohesion.

Key for the rise of the knowledge economy is the shift in employers' demand for skills. With the revolution in information and communications technology (ICT) and increased automatization that spurred significant shifts in business and production practices (Hall, 2020), has followed important shifts in employers' skill demands (Wren, 2013). Where in the Fordist era, a large manufacturing sector meant a steady demand for mid-level skills, the move towards a post-industrial economy has led to increasing demand for employees at the high end of the skill spectrum (Autor & Dorn, 2013; Oesch & Piccitto, 2019). Importantly, increasing demand for higher skills is not just turning up in economies focused on advanced services—a skill demand that according to the Varieties of Capitalism-approach is dominant in liberal market economies (Hall & Soskice, 2001)—but also in economies that traditionally have based their growth on a central role for manufacturing. As argued by Durazzi (2021), even in economies where manufacturing remains at the core of the growth regime, a shift towards advanced manufacturing leaves companies in need of employees with advanced skills.

Although the effects of this shift are felt differently across knowledge economies, they are all confronted with challenges related to two functions of education highlighted by education sociologists (e.g., Fend, 1974; Van de Werfhorst, 2014, see also contribution to special issue by Busemeyer and Guillaud) and recent studies of the political economy of vocational education institutions (e.g., Bonoli & Emmenegger, 2021; Carstensen & Ibsen, 2021; Martin & Knudsen, 2010): efficiency and inclusion.<sup>1</sup> The first one—the efficiency function—seeks to prepare students for the labour market by offering the skills that employers demand, whether we talk of the right level of skills (e.g., increasing the number of highly educated graduates) or a particular distribution of the type of skills available (e.g., promoting more graduates from the natural sciences). This enables companies to optimise their production, which is also expected to benefit the economy as a whole. Social investment theory for example suggests that education plays a vital role in improving the productivity of the workforce by preparing people to enhance or maintain their human capital or capabilities over the life course (Hemerijck, 2017, p. 20). Rather than simply boosting spending on education, this perspective highlights the benefits of setting up education policy to produce positive labour market effects from educational and training investments (see Plavgo's contribution to the special issue).

To be sure, policymakers have long considered the provision of employment-relevant skills important, but its centrality has intensified in mature knowledge economies. This is seen first in the ambition to foster large-scale updating of skills with relevance for the knowledge economy through the expansion of higher education (Ansell & Gingrich, 2013; Schulze-Cleven & Olson, 2017) but also in updating the skill profiles that vocational education furnishes workers with (Anderson & Hassel, 2013; Emmenegger & Seitzl, 2019). This also entails increased ambitions to control the output of education systems, notably by directing students into programmes of competitive importance, which supplements the more modest ambition of earlier eras to increase the overall skill level of the population (see contribution to special issue by Fleckenstein et al.).

These developments in skill demands, along with the weakening capacity of governments to apply demand-side policies to stimulate growth, are placing education policy as an important lever for the second key function of education, namely promoting social inclusion (Boix, 1998). We think of this function along similar lines as education sociologists, namely as using education policy to strengthen equality of opportunities to children from different backgrounds in terms of ethnicity, socioeconomic status, or gender (Busemeyer, 2015; Di Stasio & Solga, 2017; Österman, 2018; Van de Werfhorst, 2014). When successful, such policies help undermine what is otherwise a strong relationship between students' backgrounds and their educational performance.

The inclusionary role of education is age old, with policymakers successfully using educational institutions to challenge feudal hierarchies and church power as well as strengthen inclusion and social mobility (Breen, 2010; Ansell & Lindvall, 2013; see also contribution to special issue by Martin). However, only in recent decades has education expanded its policy scope into other areas, most importantly the labour market and social policy. The clearest example of this is the activation turn in labour market policy, where upskilling of the unemployed has worked as a

way to address the new social risks arising within knowledge economies (Bonoli, 2013; see also Papadopoulos and Jones in this special issue). In fact, Hall (2020, p. 79) goes as far as arguing that in the era of knowledge-based growth, 'social policy was reconceptualized as a vehicle for economic growth rather than a salve for its distributive failures'.

Here, political mediation yet again comes to play a central role in deciding how education should be employed, since the specific configurations of policies, and the constituents whose interests they serve, differ in whether they create, mobilise, or preserve skills (see contributions to this special issue by Garritzmann et al. as well as Gingrich and Giudici). That is, the issue of equality of opportunity often becomes a political question of strengthening the life chance of constituencies that governments care particularly about (see contribution to special issue by Durazzi et al.).

The supply-side focus of education has the additional benefit that it holds potential to dissolve the classic tension between equality and efficiency (Okun, 2015) by simultaneously providing relevant skills and offering roads to labour market participation for large groups in society. The comparative political economy literature has long argued that institutions that promote inclusion may likewise have a positive effect on the efficiency and productivity of an economy (Carstensen & Ibsen, 2021; Hopkin & Blyth, 2012; Thelen, 2014). However, the relation between efficiency and inclusion is inherently unstable and needs to be continually worked out by coalitional actors.

One key tension is between changing skill demands of employers in the knowledge economy and using education to extend or maintain inclusion. This is particularly the case in vocational education and training (VET), where close alignment between what is taught to students and the skills needs of employers serves as an effective bulwark against youth unemployment (Breen, 2005; Busemeyer, 2015). However, while Fordist manufacturing economies could maintain relatively egalitarian economies through high wages made possible by productivity gains, the rise of knowledge economies has witnessed dwindling demand for mid-level skills supplied through VET. As employment growth primarily takes place in high-skill sectors, VET might no longer offer a broadly available route to a life in the middle class.

From the point of view of the efficiency-inclusion tension, key for the inclusion effect of education, then, is the access it may establish to labour markets (see also contribution to this special issue by Plavgo). This applies at the low as well as the high end of the skills spectrum. In relation to higher education key policy issues include the size of the university sector and the extent of public subsidisation (Ansell, 2008), the setup of student finance (Garritzmann, 2016), but importantly also who gets to access and how early in the life course this is decided through educational tracking (Pfeffer, 2008). The issue of access also relates to the permeability between different parts of the education system, specifically the flexibility it exhibits in qualifying students for access to higher education (Powell et al., 2012).

### 3 | THE POLITICAL MEDIATION OF THE EFFICIENCY-INCLUSION TENSION

The relationship between education policy and maintaining social inclusion and economic efficiency is not straightforward. In setting up education systems that satisfy demands for both efficiency and inclusion, policymakers often face significant tensions when a particular institution serves one function but harms another. Such tensions are difficult to avoid, as targeted intervention in one function is likely to produce unintended knock-on effects in the other function (see contribution to this special issue by Durazzi et al.).

How the tension between efficiency and inclusion is handled is in important ways structured by the setup of the institutional terrain of which education policy is part (Bol & Van de Werfhorst, 2013; Elbers et al., 2021; Martin & Swank, 2012; Österman, 2018; see contribution to special issue by Graf), which in turn is subject to change due to shifts in the political coalitions underlying the specific institutional configuration (Carstensen & Ibsen, 2021;

Hall, 2020). Take for example the widely recognised positive effect of VET systems organised collectively by the state and employers for labour market integration of the weakest learners (Rözer & van de Werfhorst, 2020; Shavit & Muller, 1998). On the one hand, the direct involvement of employers and the significant amount of workplace training means that what is taught in school has a high level of labour market relevance. On the other hand, increasing skill specificity may also downgrade provision of general skills shown to be important in the knowledge economy and across the lifecycle of VET graduates (Chuan & Ibsen, 2022; Hanushek et al., 2017; Rözer & Bol, 2019). Moreover, such systems tend to track students relatively early, which has been shown to have significant negative impact on social mobility (Pfeffer, 2008).

Similarly, how higher education is funded is key for the effect of expansion of higher education on social inclusion. As argued by Ansell and Gingrich (2018), in systems with mass publicly funded higher education and wage compression, graduates enter the well-paying public employment sector as well as some professional high-productivity services. In systems with mass privately funded higher education and less wage compression, graduates seeking to pay back fees take advantage of relatively higher private sector pay and enter the high-productivity service sector. The upshot of their analysis is that there continues to be strong employer demand for the new wave of graduates, but labour market institutions and the fiscal structure of higher education push graduates differentially into the public (Scandinavian countries) versus private sector (Anglo-American countries). Key for inequality is the relative premium attached to having a graduate education, which ties in with the other institutions in the economy. Adding to the challenge of maintaining inclusion, a strengthened demand for higher skills has meant a willingness to offer higher salaries for the most qualified employees, and to fight for liberalisation of industrial relations institutions that have historically worked against wage inequality (Diessner et al., 2021).

Yet the efficiency-inclusion tension does not only concern upper-secondary and tertiary levels of education or active labour market policies, although in these cases, the tension might be most obvious due to the temporal proximity to future labour market participation. Similar issues also concern earlier educational investments, which have the potential to translate into better levels of educational attainment and subsequently higher employment (see contribution to special issue by Plavgo). Moreover, human capital-enhancing policies such as early childhood education and care facilitate labour market participation by parents, in particular women, which reduces gender gaps in wages and employment, protects households—in particular single-parent households—against poverty, and might help address skill gaps in the economy (Häusermann, 2018; Plavgo & Hemerijck, 2021; Zigel & Van Lancker, 2022). In sum, the extent to which education policies further inclusion, engage in educational tracking, or invest in early childhood education and care policies differs starkly between countries, which points to the important role of political mediation.

## 4 | ARENAS FOR THE POLITICAL MEDIATION OF EDUCATION AS SOCIAL POLICY

In the previous section, we have discussed that while there is a tension in the role of education as social policy in mature knowledge economies, it remains possible to balance between efficiency and inclusion. The specific mix between inclusion and efficiency supporting institutions is not a functional response to structural shifts. Instead, the capacity of advanced economies to balance efficiency and inclusion is in important ways politically mediated. In the following, we briefly review the four main arenas in which such mediation processes take place: the parliamentary arena, the corporatist arena, the state, and the people's court. We do not claim to do justice to the rich literatures on the four arenas within the limits of this introductory paper. Instead, we aim to present the arenas by primarily drawing on examples from the contributions to the special issue.

## 4.1 | Public opinion

Education policy matters to people. Virtually everyone in society has been in direct contact with education. Moreover, education is crucial for citizens' life experiences, especially job opportunities. This means that individuals have relevant problem information about the consequences of (inadequate or insufficient) education on a personal level. Finally, nobody is against education *per se*. Education is thus a so-called valence issue (Green-Pedersen, 2019, pp. 136–137). However, while all agree that education is good, there are important disagreements as to what and how people should learn. One area of research has emphasised the effect of technological change and automation processes on social policy preferences and party preferences. This literature finds that the perception of relative economic decline among politically powerful groups—not their impoverishment—drives political attitudes and alienation (Gidron & Hall, 2020; Kurer, 2020). An important implication of this literature is that traditional social policies might not be an effective remedy against the ascent of protest parties because these parties' support is primarily driven by status concerns, not actual social needs.

The literature on education policy preferences is less abundant but rapidly growing. Regarding different sectors of the education system, Busemeyer et al. (2020) find that citizens care most deeply about increasing spending on general schools and VET. In contrast, expenditure on early childhood education and higher education are less important to citizens. This support for additional spending on VET contrasts somewhat, however, with the more mixed evidence on considering VET as an option for obtaining training themselves or their children (Busemeyer et al., 2011; Di Stasio, 2017). More generally, research shows that education policy preferences are shaped by the prevailing institutional context and education regimes (Busemeyer & Jensen, 2012).

Adding to debates about individual-level preferences to education policy, the contribution from Busemeyer and Guillaud explores preferences concerning the purpose of education, focusing on how socioeconomic factors and ideological predispositions matter for who considers social inclusion a key function of education institutions. They show that individual-level opinions are strongly influenced by one's own education experience, material self-interest, and general ideological orientation. Also, they find that a surprisingly large majority of citizens regards the main function of education to be preparation for the labour market, with much fewer subscribing to the opinion that education is a goal in itself or a tool to promote social mobility. The paper thus demonstrates that although education is a valence issue, strong disagreement persists as to what goals to direct it, and that these differences are tied in with broader social policy stances.

Despite the strong labour market focus found at the individual level, we also find an enduring support for social inclusion as a main aim of education policy. In her contribution, Martin finds significant differences in how countries apply education policy to resolve tensions between efficiency, inclusion, and who gets to control education systems. She argues that to understand the stability of national approaches to education policy, it is important to understand the ideational-institutional context. Specifically, when policy actors at the national level take up new ideas, they interpret these using deep-seated and enduring cultural frames. This leads to ideational and institutional change over time but placed within specific national settings. While the article by Busemeyer and Guillaud helps to underscore the complexity of opinion formation about the role of education as social policy, Martin usefully highlights the deep-seated nature of the public philosophies that shape public opinion about the societal role of education and the serious work that policy actors have to put into trying to shape opinions about education policy.

## 4.2 | The parliamentary arena

As indicated, political parties strongly disagree about what are the 'right' education policies. Importantly, the institutional context in which parties operate influences their preferences. Several authors have linked welfare and education regimes more generally (Ansell, 2008; Busemeyer, 2015). This literature typically observes three distinct worlds of human capital formation, caused by the organisation of capitalism, political institutions, and most notably partisan

politics (Iversen & Stephens, 2008). Scholarship pushing an 'electoral turn' in the study of modern political economies has also demonstrated that although education has generally gained in electoral prominence following its increasing importance for the operation of modern economies, parties that are comparably left-leaning on the socio-cultural value dimension tend to expand education because it benefits their core constituency, namely socio-cultural professionals (Beramendi et al., 2015; Green-Pedersen & Jensen, 2019).

In recent years, the partisan determinants of the social investment approach have also received considerable attention. For instance, Gingrich and Ansell (2015, p. 303) argue that in the Nordic countries, a mix of long-standing integrated labour market structures and the unintended consequences of policy choices to activate women created fertile conditions for the social democratic parties to push social investment policies, whereas in Southern European countries, social democratic parties gained less from these policies. Finally, in the continental European and liberal countries, social democratic parties have been more cross-pressured, generally engaging in these policies only once broader changes in the labour market or policy environment made social investment less threatening to traditional support bases.

Several papers in the special issue provide insights about the role of the parliamentary arena in the developing role of education as social policy in mature knowledge economies. Gingrich and Giudici's analysis of party manifestos, for example, offers much-welcomed nuance to our understanding of the variable social policy goals parties employ education policy to reach. They differentiate between two such principal goals—on one hand, education as a tool to achieve egalitarian outcomes, and using education policy to establish an equality of opportunity, on the other—and demonstrate stability in left-leaning parties' focus on the former, and right-wing parties' emphasis of the latter.

However, as important as differences in principal ideas are for understanding party-political dynamics in advanced economies, they do not automatically translate into policy. An important factor for understanding whether and how political parties use education as social policy is the coalitions that political parties can forge within the parliamentary arena and across to the corporatist arena. In their paper, Garritzmann et al. offer a typology of social investment policies that group policies along two dimensions—their distributive profile (inclusive, stratified, targeted) and function (skill creation, preservation, mobilisation)—arriving at a total of nine different social investment policies. While policy legacies do much of the explaining of the function assigned to social investment, Garritzmann et al. argue that the parliamentary arena must be considered when we wish to explain how political coalitions shape the distributive profile of social investment strategies in a society.

Durazzi et al. provide another example of coalition building within and across the parliamentary arena. They explore how the multidimensionality of education policy—that it matters for both inclusion, efficiency, and governance—has important implications for coalitional politics. Because changes to the distribution of educational opportunities often matters for the dimensions of efficiency (e.g., by undermining a focus on specific skills) and governance (e.g., by threatening teacher autonomy), successful reforms require the mobilisation of actors outside the parliamentary arena. This also applies to actors who seek to counter reform efforts, as the multi-dimensional politics of education policy offers fertile ground for diverse actors to mobilise against policy change, thus creating a powerful and multi-faceted opposition to reform projects.

### 4.3 | The corporatist arena

To understand why different education systems direct policy towards social policy goals or not, it is vital to understand the set of broader interests that are activated in this context. Key among these are producer groups. As highlighted in the growth regime literature, the trajectory that advanced economies follow depends on a number of structural, institutional, and political determinants, specifically the kinds of skills that employers need, which in turn depend on a nation's growth regime (Hall, 2020). Hassel and Palier (2020) identify five different growth regimes in contemporary advanced capitalist economies, all of which have important implications for education systems, skill



demands, and social inclusion. Producer groups (unions, employers, and trade associations) play a key role in defending and developing these growth regimes, with differences in the structure of organised interest accounting for divergent trajectories of change. Such processes also affect higher education institutions, which have seen the erosion of their traditional autonomy from other societal actors, most notably business interests, in recent years (Schulze-Cleven & Olson, 2017).

The important role of the corporatist arena is most visible in VET systems, where firms and their intermediary associations often participate in the provision and administration of training (Busemeyer & Trampusch, 2012; Emmenegger & Seitzl, 2020). It is here where the tension between efficiency and inclusion becomes most obvious (Bol & Van de Werfhorst, 2013; Carstensen & Ibsen, 2021). Governments in particular wish training systems to be inclusive because the lack of professional qualifications constitutes a major risk factor for benefit dependency. However, firms often successfully resist pressures from the state to be more inclusive, especially if these inclusiveness measures involve the firms themselves and undermine the competitiveness of the overall system (Bonoli & Emmenegger, 2021), and if the state does not have the capacity and thus credible threat to take over the task of training from companies (Busemeyer & Thelen, 2020). This may in turn bring about segmentalist dynamics in skill formation, where employers are able to dictate the content of public training to fit their more specific needs. This is particularly problematic in VET, where the dominance of large employers may lead to a weakening of the motivation of small firms to take on apprentices, which undermines the capacity of a collective system to provide a broad skill base in the economy and education paths leading to stable employment (Emmenegger & Seitzl, 2019; see also the contribution by Fleckenstein et al.).

Of course, unions also matter in the corporatist arena, but the specific role they play depends on the institutional context within which they operate. Most attention has been devoted to understanding the role of teachers' unions in education reforms (Moe & Wiborg, 2016). As laid out by Durazzi et al. (in this special issue), this literature is primarily concerned with the ways in which reforms impact on the education sector as a labour market, and it suggests that teachers' unions often work as an important ally in pushing for change—or, indeed, fending off reforms. Unions can also take on a broader role, particularly in the governance of collective vocational education systems. Here systems vary in whether employers and unions work together as partners in largely depoliticized processes of developing vocational training—as for example in the case of Denmark—or they rather operate as adversaries that in corporation with political parties compete for influence over the system, which for example is characteristic of Austrian VET (Carstensen et al., 2021; Durazzi & Geyer, 2020).

What makes unions supporters of promoting inclusiveness through education? One key issue is their own organisation. The corporatist literature has long recognised the importance of whether unions organise along sectoral or confederal lines (Ibsen & Thelen, 2017). In his contribution, Graf points to the size of a country as another important factor for union inclusiveness. Comparing Switzerland, where unions have supported a turn towards more inclusive short-track dual training programmes, and Germany, where unions have opposed similar reforms, Graf argues that the small size of Switzerland has fostered a consensus-building approach conducive to increasing inclusiveness. In Germany, in contrast, the complexity of the governance system, together with the more contentious political culture that inhabits it, militated against the consensual decision-making that characterises the Swiss system.

Key for the efficiency and inclusiveness of labour markets is the extent to which skills from education systems are publicly recognised. Here both unions and employers may participate in setting up institutionalised barriers of limited recognition to the access to labour markets, leading to increasing rents for insiders and rising inequality for outsiders (Bol & Weeden, 2015). In their contribution to this special issue, Aerne and Trampusch study the conditions that make unions and employers conducive to support skill recognition of migrant labour. They show that on the side of employers, the capacity to shift additional wage costs to consumers leads to support for skill recognition, whereas unions support skill recognition when it does not undermine insider privileges for their members.

## 4.4 | The state

Education systems, skill formation, and social policies are key parts of a government's economic growth strategy, aimed to boost growth and create jobs (Hall, 2020). Yet there is considerable variation in what strategies different countries pursue in response to the advent of the knowledge economy (Martin & Thelen, 2007; Thelen, 2014). In their contribution to this special issue, Fleckenstein et al. examine education policy reforms in Germany and South Korea. They show that Korea's hierarchical production regime has undermined state attempts to create meaningful employer commitment for vocational education, which has led to an ever-stronger policy focus on higher education. In contrast, Germany, despite challenges to its skill formation system, has managed to foster employer engagement in vocational education and has rather focused on blurring the boundaries between vocational and higher education, with positive effects on both social inclusion and skill levels (Busemeyer et al., 2021).

To understand the effectiveness of state intervention it is also important to take seriously the classic insight of implementation studies that what is decided as policy is not necessarily what gets done in practice (Hupe & Hill, 2007; Lipsky, 1981). To appreciate the role of the state in fostering inclusive education policy, we must understand the dynamics of what is delivered as output. This applies in the case of teachers, whose role in stymying reforms is well documented (Moe & Wiborg, 2016). Another example is the case worker put in charge of upskilling groups challenged by new social risks. Bonoli and Otmani, in their contribution, find that in the case of integration of refugees in Switzerland, the case workers' efforts were weakened by a lack of national strategy. In lieu of a coherent approach for upskilling refugees, street-level bureaucrats instead focused on limiting social welfare costs rather than upskilling as part of an effort to address serious skill shortages in the Swiss economy.

A serious challenge to realising the benefits of state intervention is thus building a coherent approach to upskilling around coalitions of relevant stakeholders. Papadopoulos and Jones, in their contribution, for example show that a lack of funding as well as commitment from participating employers hampered the usefulness of active labour market vocational training programmes for young unemployed people in Greece. In a similar vein, Plavgo demonstrates the importance of education and labour market policy complementarities in shaping employment and social outcomes. By testing two alternative hypothesised mechanisms of policy complementarity—*reinforcement*, predicting higher ALMP effectiveness when workforce education is high; and *substitution-compensation*, predicting diminishing ALMP returns at higher education levels and increased ALMP effectiveness at lower education levels—Plavgo's analysis lends support to the latter. This indicates that ALMPs benefit lower-educated individuals more. This, however, does not apply to young people, where she finds that ALMP effectiveness is higher for highly educated youth leading to the conclusion that more targeted interventions than ALMP could be the best option for lower educated youth. Taken together, these papers indicate that to realise the potential of training programmes for upskilling and inclusion, the strength of such programmes—and in a broader perspective, the capacity of the state to intervene forcefully—hinges on a broader coalitional support for a coherent effort.

It is also well worth noting that coherent governance of education is pressured by the labour intensiveness of education systems, which often leads to decentralised provision of educational services at the level of municipalities, regions, or economic sectors (Green-Pedersen, 2019). Education policies might thus vary at subnational level. Furthermore, social practices at the subnational levels can systematically deviate from formal rules that are, for instance, stipulated in national legislation, which in turn can lead to a surprising amount of variation in how education is implemented and experienced at the subnational level (Emmenegger et al., 2019).

## 5 | CONCLUSIONS

The tension between efficiency and inclusion is old. Yet, with the transition to mature knowledge economies, it has gained new importance. Whereas the steady demand for mid-level skills and technological advances of the Fordist era allowed for broadly shared productivity gains, the move to a more knowledge-intensive economy has meant

increasing demand for employees at the high end of the skill spectrum as well as a more unequal distribution of productivity gains. Having insufficient and obsolete skills has become a powerful predictor of poverty (Bonoli, 2005). Investments in skills, at all levels and at all ages, is increasingly considered the most promising strategy to reconcile efficiency and inclusion (Hemerijck, 2017).

However, while popular support for public educational investments is strong, differences about the right education policies are wide. These differences are also reflected in party positions on education policies, not least because there is little hard data on what form of education 'works' (Green-Pedersen, 2019). Furthermore, party positions are also shaped by prevailing labour market and education regimes. Political parties, producer groups, and the corporatist arena more generally, play a key role in defending and redefining national growth regimes, including their implications for education and social policies. Increasingly, they can shape the priorities of education and skill formation policies (Hall, 2020). It is here where the tension between efficiency and inclusion becomes most obvious. Paradoxically, however, these developments have been accompanied by more, rather than less, state intervention, as education systems, skill formation, and social policies form key parts of a government's strategies to boost economic growth and create new jobs (Busemeyer & Trampusch, 2012; Hassel & Palier, 2020). In this way, increasing levels of state intervention and the important role of producer groups have the potential to lead to new forms of cooperation as well as unconventional coalitions.

To conclude, we suggest three particularly promising avenues for future research. First, several contributions to this special issue emphasise the importance of complementarity of education, labour market, and social policies. In their seminal contribution, Hall and Soskice (2001) highlighted how the presence of one set of institutions raises the returns available from another. Yet, existing research has rarely paid attention to the question of how institutions and policies *jointly* affect political outcomes. More research is also needed on policy coordination, as the internal fragmentation of the education, labour market, and social policy fields require a high degree of inter-agency collaboration to generate the desired complementarities (Champion & Bonoli, 2011).

Issues of complementarity and coordination point to a second important avenue for future research. In this introduction, we have argued that it remains possible for education policy to balance between efficiency and inclusion, but that the capacity of advanced economies to do so is politically mediated. In our discussion, we have distinguished between four different political arenas, but several contributions to this special issue show that political processes increasingly cut across these arenas. The multidimensionality of education, labour market, and social policies often require the mobilisation of coalitions in multiple arenas, whereas arena shifts can have a decisive impact on political outcomes (Carstensen et al., 2021). More research is needed on how the different political arenas are interconnected.

Finally, this special issue has not given an answer to what might be one of the most pressing questions: What are the relevant skills for the future economy? There is some research on this topic (e.g., Frey & Osborne, 2017). However, a great amount of uncertainty remains. The literature has repeatedly shown that in case of high uncertainty, ideas play a key role (Carstensen & Schmidt, 2016). Yet, how are ideas about skill needs created? Put differently, what are the political processes that make actors advocate different education, labour market, and social policy strategies in response to the challenges posed by maturing knowledge economies? Moreover, how are political coalitions formed that allow some ideas to prevail over others? Questions like these will certainly continue to keep social scientists busy in the future.

## ACKNOWLEDGEMENTS

The authors wish to thank Giuliano Bonoli, Niccolo Durazzi, Julian Garrizman, Lukas Graf, Bent Greve, Cathie Jo Martin, Ihsane Otmani and Ilze Plavgo for their valuable comments and suggestions.

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## ENDNOTE

<sup>1</sup> Education sociologists often also include two other functions—the optimization task of sorting students according to interests and talents, and the socialisation function aimed at building an active citizenry (see Van de Werfhorst, 2014). Given our focus on the rise of the knowledge economy and its socio-economic consequences, we focus on the inclusion and efficiency functions in the following.

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**How to cite this article:** Carstensen, M. B., & Emmenegger, P. (2023). Education as social policy: New tensions in maturing knowledge economies. *Social Policy & Administration*, 57(2), 109–121. <https://doi.org/10.1111/spol.12888>