



The persistence of overeducation among recent graduates[☆]



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ABSTRACT

This paper tests whether overeducation at the beginning of a graduate's job career is a trap into continuing overeducation later on, or a stepping stone to a job that matches the candidate's qualifications. We focus on a sample of higher education graduates and shape the decision of accepting an overeducated job in a dynamic treatment framework. We distinguish between apparent overeducation (i.e. overeducated only) and genuine overeducation (i.e. both overeducated and skills mismatch) and investigate the causal effect of both types of overeducation of future job outcomes. We find evidence that overeducation at the beginning of a career leads to a greater likelihood of being overeducated later on, with no real differences between apparent or genuine overeducation. Nonetheless, interesting national heterogeneities emerge, with Southern, Eastern and Continental graduates facing systematic trap into overeducation (genuine and apparent), while their UK peers are trapped only if they accept their first job immediately after graduation. For Scandinavian graduates, larger negative effects are found if they are apparently overeducated for their first job.

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1. Introduction

Numerous studies have already provided interesting evidence that many recent graduates are overeducated at the start of their careers (Battu et al., 1999; Carroll and Tani, 2013; Dolton and Vignoles, 2000). Overeducation, defined as the condition of having a level of education higher than that required to adequately perform a specific job (McGuinness, 2006), is associated with a wage penalty for the worker (Brynin, 2002; Korpi and Tåhlin, 2009; Montt, 2017), as well as with lower productivity, lower job satisfaction, and increased psychological stress (Ortiz, 2010; Tsang and Levin, 1985). However, despite these potential negative consequences, young graduates still accept jobs for which they are overeducated. Several explanations have been provided in the literature to justify their decision, including the scarring effects of being unemployed just after graduation (Arulampalam, 2001), and the stepping-stone hypothesis, whereby young job-seekers actually accept jobs as the shortest pathway to eventually finding a better match between a position and their skills (Sicherman and Galor, 1990).

The aim of this paper is to contribute to the literature on the scarring effects of overeducation, studying the long-lasting effects of mismatch at the beginning of a career on future overeducation and employment chances. Quintini (2011a), which provides an extensive review of the literature on the persistence of qualification mismatch, suggests that the evidence is mixed: some papers find that over-qualification is just a temporary phenomenon that most workers overcome through job mobility, while others find that it is a more stable phenomena, with successful transitions from over-qualification to matched job relatively unlikely.

We have based our research on this literature on overeducation and its dynamics, and investigated whether an unemployed young graduate can accelerate the transition to an adequate job by temporarily accepting, immediately after graduation, a job for which she or he is not properly matched rather than only accepting adequate jobs or remaining longer in unemployment.

However, we go further and do not rely solely on the standard definition of overeducation based on formal educational attainment, which has been seriously criticised by some authors, who complain about its narrow focus by regarding all individuals with the same qualification as

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equivalent, and therefore equally overeducated (Chevalier, 2003; Green and McIntosh, 2007; Green and Zhu, 2010; Leuven and Oosterbeek, 2011). Individuals with any given level of education will hold different ranges of skills and abilities, as well as a variety of additional training, work experience and tenure which make them a heterogeneous workforce. Thus, while overeducation is becoming a problem for a growing number of workers, many others may only be “apparently overeducated”, meaning that they are actually in a job commensurate with their abilities, knowledge and skills. Therefore, for these “apparently overeducated” individuals, making a transition to a job for which they are formally adequately educated, may simply not be essential. One of our main contributions is to distinguish between these two categories of overeducation, when establishing the long-term effects of overeducation at the beginning of a career.

Indeed, until recently, educational attainment has normally been used as the variable to describe individual’s competence and to identify overeducation. However, evidence shows that there is no one-to-one correspondence between a person’s educational attainment and her or his skills and competence. Flisi et al. (2017), in their comparison across 17 European countries using PIAAC data, found that there is little overlap between overeducation and overskill (operationalised using educational attainment and an individual’s skills respectively). Results may be slightly different when we focus only on young graduates, since they do not face the problem of skills’ gain or loss through job experience, thus affecting to a minor degree the correlation between the measures of overeducation and overskilling. However, our concern is further supported by previous international studies. Thus, Allen and De Weert (2007) use data on graduates from five European countries to analyse how (subjective) level of education and skills mismatch are related, concluding that the two are indeed related but are far from interchangeable. For UK graduates, Green and McIntosh (2007) found a moderate correlation between (objectively measured) overeducated and (subjectively measured) overskilled persons (0.2). Likewise, Mavromaras et al. (2010) show that 50% of Australian overeducated individuals consider themselves to be well-matched in terms of skills. Therefore, while it is interesting to look into overeducation, its persistence, and whether it is a trap or a stepping stone for young graduates to suitable employment, given the existing difference between education and skill mismatches, it becomes highly appropriate to further investigate how these two concepts affect the search for matched employment among recent graduates. Thus, we draw inspiration from the work undertaken by Chevalier (2003) for the UK, and reclassify overeducated workers, taking into account not only their level of education, but also their declared level of skills. In particular, we distinguish between individuals who are overeducated but who claim to have the skills needed for the job; and individuals who are simultaneously overeducated and mismatched in terms of their skills. We refer to these two mutually exclusive groups as *apparently* and *genuinely* overeducated respectively.²

Indeed, this classification proves to be very illuminating when the effects on wages, job satisfaction, and job mobility are compared. Evidence provided by Green and Zhu (2010), Mavromaras and McGuinness (2012) or Sloane (2003) shows that genuine overeducation (that is, overeducation combined with skills mismatch) is likely to be more harmful both to the welfare of individual employees (lower wages and job satisfaction and greater voluntary quit) and also to the interests of employers (lower productivity), than apparent overeducation. Together,

² Further details on the method used in this paper to measure education/skill mismatch are provided in Section 3.1. More specifically, we follow a subjective approach which relies on survey information provided by workers when asked about the education requirements of their current job. On the contrary, Chevalier (2003) classified overeducated workers in terms of their skill levels by relying on a proxy variable concerning satisfaction with the match between job and education, assuming that overeducated employees in a non-graduate job who are satisfied with this match are only apparently overeducated”, while those who are dissatisfied are genuinely overeducated”. As discussed later, despite the vulnerability of subjective measures (i.e. measurement errors, lack of information, overstating, etc.), such results tend to yield broadly consistent conclusions (McGuinness, 2006)

these differences suggest that policy-makers should be more concerned about any evidence of widespread skills mismatch than overeducation on its own.

We used the REFLEX survey - REsearch into employment and professional FLEX ibility-, which was carried out in 2005 in fourteen countries, surveying 35,000 higher education graduates from ISCED 5A programmes who obtained their degrees in the academic year 1999/2000. We follow Sianesi (2004, 2008), Fitzenberger et al. (2008) and model the overeducation choice within a dynamic treatment framework, estimating the effect of treatment after some unemployment spell against the alternative of not starting any job by that point in time and waiting longer. We use propensity score matching (PSM), adjusted to a dynamic setting, and evaluate the effect of accepting a mismatched position, using different definitions of mismatch, and paying particular attention to the differences between apparently and genuinely overeducated graduates, against the alternative of waiting longer in unemployment, and in pairwise comparisons between the mismatch definitions, following Lechner (2001), Sianesi (2008), Fitzenberger et al. (2008).

Our main finding is that accepting a post for which one is overeducated rather than remaining longer in unemployment does not lead to higher chances of being employed later on, but is always linked to a higher probability of being in a overeducated job. Thus we find evidence of a trap effect of overeducation at the beginning of a career. Interestingly, we do not see striking differences between apparent and genuine overeducation. We also study heterogeneities by country and find that in Southern and Eastern European countries, overeducation is always a trap, while in the UK it is a trap only if the job is taken right after graduation; if the job is taken few months after it does not lead to higher probabilities of being mismatched (as Baert et al. (2013) found for Flemish graduates). In Scandinavian and Continental countries results are mixed: in the former group of countries the larger negative effects are found if the job is apparently overeducated, while in the latter the opposite is found. Our results are robust to the sensitivity analysis proposed by Ichino et al. (2008).

The remainder of this paper is structured as follows. In Section 2 we summarise the relevant literature; Section 3 describes the data used, and include some discussion of the measures of overeducation and overskill used in this paper and the outcomes considered. Section 4 presents the methodology employed. Section 5 provides and discusses the main results. Section 6 describes a sensitivity analysis which corroborates our results and Section 7 concludes.

2. Related literature

Many scholars have investigated the extent to which being in a job for which one is overeducated is a stepping stone to a better match or is merely a trap into continued overeducation. Nevertheless, solving the non-random selection of individuals into an overeducated job becomes crucial to allow the proper estimation of direct and causal impacts of past mismatches on future job statuses. Few suggestions as to how to tackle this problem are found in the literature. Mavromaras and McGuinness (2012) and Mavromaras et al. (2012) investigated the dynamics of overskilling, employing a dynamic random effects probit model on Australian panel data solving the initial conditions problem through the application of Heckman (1981) and Wooldridge (2005) corrections respectively. Exploiting the longitudinal nature of the data, this method allows decomposing the persistence of overskilling - state dependence - into what belongs to the actual self-persistence and the part which is due to the skills and knowledge heterogeneity of the individuals concerned. They found that overskilling is persistent with differential effects according to the type of degree.

Baert et al. (2013) utilised the Timing of Events approach as developed by Abbring and Van den Berg (2003). Similarly, this method exploits the fact that unobserved time-constant individual determinants of the transition to an adequate job affect this transition throughout the period during which graduates are searching for an adequate job, whereas

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