

What are the drivers of overeducation?

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What is overeducation and does it matter?

Overeducation describes the situation whereby individuals are employed in jobs for which the level of schooling required to obtain, or to carry out the job is below the level of schooling held by the worker. We argued that almost all of the relevant research to date has relied on country-specific cross-sectional data (with observations on variables at a given point of time) or panel data sets (containing observations of multiple variables obtained over multiple time periods for the same individuals; McGuinness, Bergin and Whelan 2015a).

Furthermore, studies have tended to focus on identifying individual or firm-level reasons to explain overeducation. Or, researchers have been interested in its impacts on individual outcomes such as income and job satisfaction: are people less satisfied doing jobs for which they are overqualified?

However, we do not know how overeducation evolves across countries over time or know which macroeconomic, demographic and institutional forces drive it. This is because of a lack of aggregate time-series data (i.e., where observations on a variable or set of variables covers several time periods).

How do trends in overeducation vary by country and over time?

To address this gap in our knowledge and using time-series data, we found that overeducation tends to rise over time in a number of European countries but that this is by no means a universal pattern. Overeducation was found to be static and had even declined in some European countries. Indeed, a positive finding was that overeducation had not risen in the majority of countries in our study. These findings can be seen in Figure 1 below, which plots the overeducation rates over time for both the entire sample of European countries and also, separately, for three groups of countries from Eastern, Peripheral and Central Europe.

Given that we are dealing with a large number of countries, for the purposes of our analysis we group these into three categories on the basis of common linkages in terms of geographical proximity, levels of economic development and access to the single market.

The first category is comprised of the countries that acceded to the EU from 2004, which are Bulgaria, Czech Republic, Estonia, Hungary, Lithuania, Latvia, Poland, Romania, Slovenia, and Slovak Republic, and are referred to as the 'Eastern' states.

The second category refers to Portugal, Ireland, Italy, Greece and Spain, the traditional 'Periphery' of the EU.

The third group ('Central') comprises the remaining countries located in central and northern Europe and includes Austria, Belgium, Denmark, Finland, France, Iceland, Luxemburg, Netherlands, Norway, Sweden and the UK.

The first thing that becomes apparent is that overeducation has remained remarkably stable: since 2003, just under

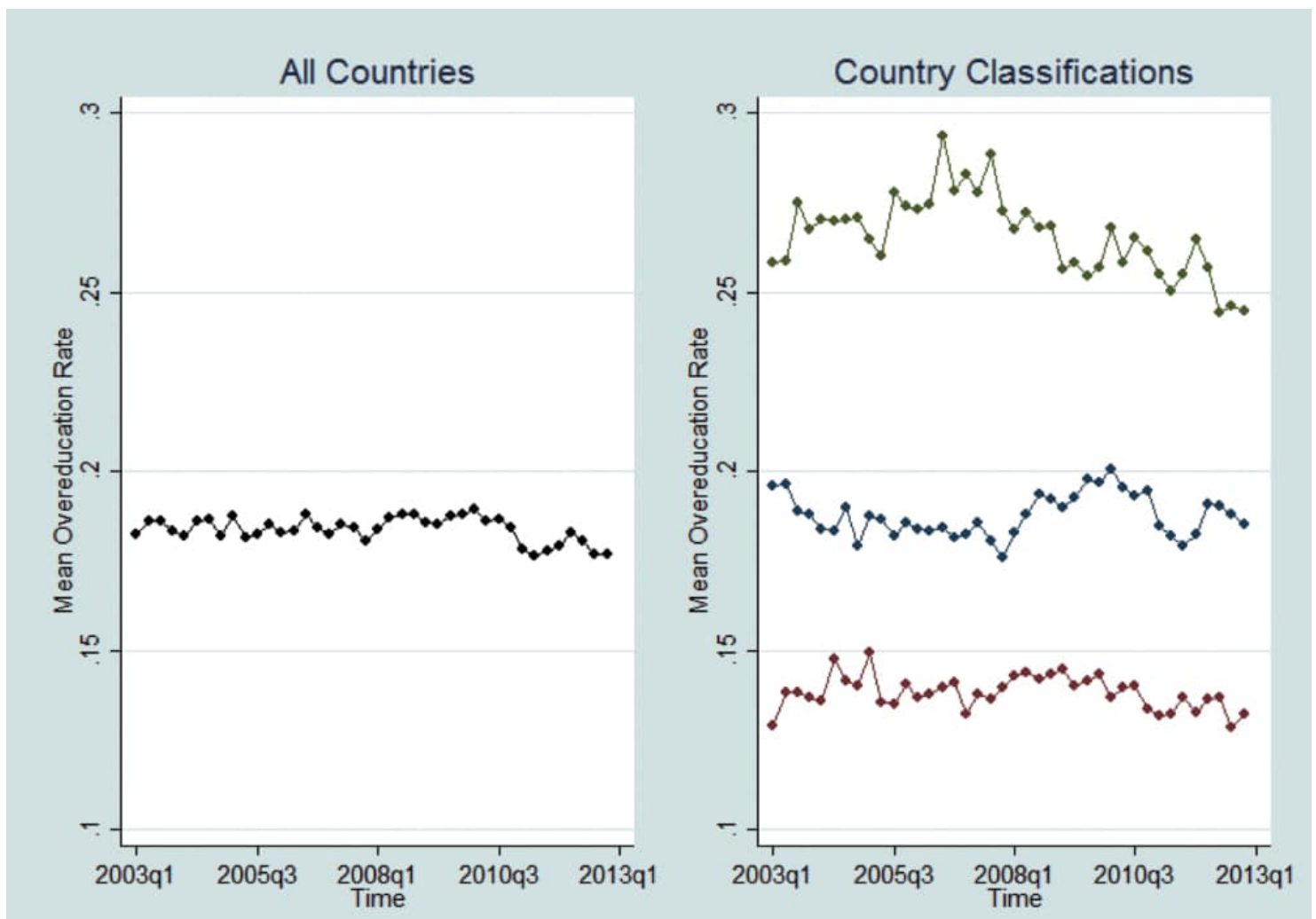
18% of people employed, across the EU28, reported being overeducated for the jobs they were doing.

There is evidence of slight cyclicity: overeducation rates rose somewhat following the onset of the Great Recession in 2008 before falling off again in 2010.

However, more variation is apparent when the data is analysed separately for the Central, Eastern and Peripheral country groupings. The peripheral countries have the highest rate of overeducation, at between 25% and 30%. These rates are also more volatile, with overeducation appearing to rise between 2003 and 2008 before falling thereafter.

Overeducation in Central European countries ranged between 17% and 20% and, in contrast to the Peripheral group, overeducation appeared to rise somewhat in the aftermath of the Great Recession before falling again after 2010. Finally, the incidence of overeducation appears most stable in the Eastern European countries, with the series appearing to fluctuate around a 15% average throughout the period.

Figure 1: Mean overeducation rate (restricted to full-time employees), 2003-2013.



Country Classification Legend: 1=Central (Blue); 2=Eastern (Red); 3=Periphery (Green).

What are the long-run trends?

Despite such regional disparities, long-run trends and relationships were found to exist within and between countries. The evidence suggests that while overeducation rates in Europe are converging upwards over time, the

general pattern of overeducation growth is related across many countries.

From a policy perspective, the extent to which overeducation could be suitable for a common policy approach, either at a European or a national level, will largely depend on the similarities in the evolution of overeducation over time both between and within countries. Therefore, while overeducation rates are generally converging to a higher level, they also tend to follow a similar pattern, suggesting that the phenomenon responds in a similar way to external shocks and, consequently, is likely to react in similar ways to appropriate policy interventions. However, the research indicates that overeducation within Peripheral states evolves somewhat differently relative to the rest of Europe, suggesting that a separate policy response is likely to be appropriate in these countries.

What are the long-term consequences?

For younger workers, less favourable outcomes early in their careers, such as overeducation, may negatively impact future labour market success, so it is important to understand the incidence of youth overeducation, its evolution over time and the drivers of youth mismatch.

Youth (15-24) and adult (25-64) overeducation rates were found not to move together in an equilibrium relationship within the majority of countries, and youth overeducation rates were found to be generally more volatile in nature.

Finally, in terms of the determinants of youth overeducation, some common themes emerge. Our studies find that youth overeducation is highly driven by the composition of education provision, aggregate labour demand and labour market flexibility.

References

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