

Introduction: Skills and education mismatch

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The various transitions that young people make between school and work and the decisions they take regarding their human capital development have substantial implications for their future life prospects. The research undertaken here seeks to inform policy with respect to the following key aspects of young people's lives:

1. the nature of human capital development in third-level institutions,
2. transitions from education to work, and
3. the relative exposure to employment mismatch and separation in employment.

The nature of human capital development in third-level institutions

Two aspects of human capital development are considered

- the implications of the composition of higher education delivery for subsequent labour market outcomes (McGuinness, Bergin and Whelan 2015a; 2015b), and
- the impact of part-time working among students on the general labour market (Beblavý et al. 2016).

With respect to course composition, there is clear evidence that a higher concentration of work-related components such as research projects, work placements, the acquisition of facts/practical knowledge and project/problem-based learning can reduce the probability of graduate mismatch in first employment. The research shows that the probability of mismatch in the first job is highly reduced by a higher [aggregate] number of vocational course components in a degree programme. The pay-offs to increasing the practical aspects of programme delivery appear largest in degree courses that are generally classified as more academic in nature, suggesting that practical learning approaches and placements should be adopted in most, if not all, degree programmes.

In terms of the impact of part-time working, the evidence indicates that students are dispersed across the low- to medium-skilled segment of the labour market and are not exclusively concentrated in the least skill-intensive jobs/occupations. The findings support the 'complementarily view' of the co-existence of student employment and low-skilled employment rather than the crowding-out theory, whereby students would compete for job opportunities with low-skilled workers.

Transitions from education to work

In terms of routes into the labour market, we find that higher education work placements with the potential to develop into permanent posts and the provision of higher-education job-placement assistance have very substantial impacts in reducing the incidence of graduate overeducation.

Our findings support the view that by strengthening links with employers and investing more heavily in career-support functions, universities and third-level institutions can play an important role in matching graduates with jobs.

The research also shows that the use of private employment agencies significantly heightens the risk of subsequent mismatch. Therefore, higher education institutions can play an important role in terms of educating students in the jobsearch methods to utilise and to avoid.

Relative exposure to employment mismatch and separation in employment

Dealing firstly with young people's relative exposure to transition between the states of inactivity, unemployment and employment, we found that young people 'churn' through the labour markets relatively more frequently than prime-age workers. Specifically, young people are more likely to become unemployed (from employment) but are also more likely to move from unemployment to employment (relative to prime-age workers).

These patterns are consistent across countries, although there are some variations in the rates. With respect to the individual characteristics that influenced labour market transitions, higher levels of schooling were a key factor affecting the likelihood of exiting unemployment to enter employment. The result suggests that young people's relative exposure to job loss is particularly high during recession.

In terms of within-employment mismatch, the evidence indicates that while overeducation rates in Europe are converging upwards over time, the general pattern of overeducation is linked across many countries, suggesting that the phenomenon responds in a similar way to external shocks and, consequently, is likely to also react in similar ways to appropriate policy interventions. However, the evidence suggests that overeducation within peripheral states (Portugal, Ireland, Italy, Greece and Spain) evolves somewhat differently compared to the rest of Europe, so that a different policy response is likely to be appropriate in these countries.

While the overall results are complex for the determinants of youth overeducation, a number of impacts are consistently present for all or most country groupings. Specifically, youth overeducation is highly driven by the composition of education provision, and it will tend to be lower in countries with more developed vocational pathways.

Furthermore, youth overeducation tends to be heavily related to the level of aggregate labour demand, proxied in the model by variations in the participation rate and GDP per capita. Finally, youth overeducation tends to be lower the higher the employment share of part-time workers, suggesting that the phenomenon may be partly driven by labour market flexibility.