

Skills and education mismatch: Policy themes

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Based on these research report findings, important policy implications can be drawn regarding (i) human capital development in third-level institutions, (ii) transitions from education to work and (iii) relative exposure to employment mismatch and separation in employment.

Human capital development in third-level institutions

The findings from Beblavý et al. (2015), Mýtna Kureková and Žilinčíková (2016), Beblavý and Fabo (2016) and McGuinness, Bergin and Whelan (2015b) emphasise the importance of practical learning within degree programmes and suggest that students can further develop their human capital through part-time work while studying without imposing additional costs on low-skilled workers. In terms of university provision, the study by McGuinness, Bergin and Whelan (2015a) demonstrates that there are large positive impacts associated with learning elements such as research projects, work placements, the acquisition of facts/practical knowledge and project/problem-based learning.

The research also demonstrates that a graduate's likelihood of experiencing either overeducation or over-skilling on entering the labour market is lower the higher the number of practical learning elements within their degree programme. McGuinness, Bergin and Whelan (2015b) also show that the pay-off of practical learning tends to be highest within degree programmes that are traditionally considered to be academic in nature. Given that the negative impacts of worker mismatch are known to be substantial and long-lasting with respect to earnings, job satisfaction and career progression, the research suggests that the formulation of workplace and practical skills, specifically through elements such as work placements, should be a key component of all European degree programmes, irrespective of field of study.

The finding of the importance of work-relevant human capital formation deriving from McGuinness, Bergin and Whelan (2015b) also suggests that the experience of practical work-based learning through part-time employment, in combination with study, also has the capacity to enhance the quality of job match in first employment. The fact that Beblavý et al. (2015) show that students can acquire such skills without imposing additional costs on low- and medium-skilled workers is also a positive finding.

However, there is not sufficient evidence from either Beblavý et al. (2015) or McGuinness, Bergin and Whelan (2015b) to conclude that the impacts of part-time work on students' total human capital formation is strictly positive, as it is likely that an increase in part-time work may also have some negative impacts on classroom-based human capital formation. More research is needed to inform policy on the net effects of part-time work on subsequent total skill acquisition and labour market outcomes.

Transitions from education to work

McGuinness, Bergin and Whelan (2015b) generate important lessons for higher education institutions not only in

terms of degree structure, but also with respect to routes into the labour market. The authors also show that acquiring a job with the aid of a university substantially reduces the incidence of labour market mismatch in first employment. 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 by eliminating many of the informational asymmetries that can lead to graduate mismatch. Higher education institutions can play an important role in terms of educating students in the jobsearch methods to employ and those to avoid. For instance, it is clear from the results of McGuinness, Bergin and Whelan (2015b) that the use of private employment agencies significantly heightens the risk of subsequent mismatch, perhaps because of the fact that such organisations are primarily motivated by achieving a job placement and have little incentive, or capacity, to ensure the quality of any match. A limitation of the study is that it focuses on a relatively narrow period following graduation, so that more research is certainly required into the more long-run impacts of the role of jobsearch on labour market outcomes.

Exposure to employment mismatch and separation in employment

Both Flek and Mysíková (2016) and McGuinness, Bergin and Whelan (2015a) indicate that, in many countries, young people face (a) a higher risk of job loss during recession and (b) a higher risk of exposure to overeducation throughout the economic cycle. Both reports suggest that young people are less likely to have their qualifications fully recognised within the labour market and are most likely to be fired during a downturn in economic condition.

McGuinness, Bergin and Whelan (2015a) and Flek and Mysíková (2016) suggest that policy has a role to play in reducing transitions into overeducation and unemployment, both of which have potentially devastating impacts on future labour market outcomes and progression amongst young workers. With respect to youth overeducation, the initial findings of McGuinness, Bergin and Whelan (2015a) show that the unrestricted expansion of higher education supply and increased labour market deregulation tend to stimulate rates of overeducation.

The principal policy implication from the study is that, in order to prevent an increase in overeducation, governments should take fuller account of the prevailing structure of labour demand within an economy before formulating policies around higher education expansion or greater labour flexibility.

With respect to the higher incidence of job loss amongst young workers, Flek and Mysíková (2016) suggest that policy be more focused on protecting the position of young workers in the labour market during recessions. While job losses are inevitable when growth declines, it is both inequitable and inefficient to have higher concentrations of unemployment amongst the youngest sections of society. The research by Flek and Mysíková (2016) points strongly at the need to strengthen employment protection for young people in order to align it more fully with the rights enjoyed by older workers.

Furthermore, this research by Flek and Mysíková (2016) also implies that at the outset of any recession, activation policy should be heavily focussed on developing strategies to incentivise employers to retain younger workers in order to stop any future rapid rise in rates of youth unemployment. Finally, again with respect to activation policy, Flek and Mysíková (2016) suggest that policy instruments that are triggered at a particular point in a claimant's unemployment spell, such as the [Youth Guarantee](#), should be designed to take account of variations in the pattern of unemployment durations across countries.

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