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Overeducation In The Labour Market

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Overeducation In The Labour Market¹

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Abstract

Research Background: During the transition period in Poland, its labour market changed dynamically. Many new phenomena which the Polish economy had never seen before manifested themselves. The society showed greater interest in higher education and the market for education services expanded, increasing the number of colleges and universities, especially private ones. This helped the spread of higher education, which for years determined the level of human capital represented by the supply of labour. Today's labour market in Poland is showing signs of imbalance. One of the reasons involves overeducation. The phenomenon has been known since the 1970s. It was then described for the first time in pertinent literature, with the US where overeducation occurred on a large scale and where it had a number of adverse effects across the entire economy having been used as an example. It seems important to understand and analyse the reasons for the emergence and perpetuation of this phenomenon on the Polish labour market and to indicate its implication.

Purpose of the article: The paper aims to present and discuss overeducation in terms of selected economic theories, identify its causes in Poland and further to determine the economic and social implications of the persistence of the phenomenon in the long run.

Methodology/methods: The paper consists of a theoretical part developed based on selected Polish and English-language literature. The empirical material used in the paper comes from latent data originating in domestic and EU statistical databases, and is further partly sourced out from the author's own research, and data collected by other researchers.

Findings: Based on the author's analysis, it can be concluded that overeducation is a complex phenomenon. It is possible to identify several reasons for its occurrence and long-drawn persistence on the Polish labour market. Some of the reasons have to do with the dynamic growth of the labour market and the educational services sector, society's desire to gain higher education, structural mismatches in the labour market and a common education policy at the EU level. Overeducation has far-

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reaching consequences, both for the entire economy and the single participant of the labour market alike. The fact of its occurrence determines the processes taking place in the labour market, especially those related to employment.

Introduction

In EU countries, especially in Spain, Greece, Portugal, Croatia, Sweden, The United Kingdom and Italy (Rękas, 2015, pp. 103-110), where there is a high unemployment among young people with higher education the phenomenon called *overeducation* has been observed for many years (Arak, 2103, p. 9). This means that a highly qualified person works at the position not requiring such high qualifications. Where there is a long-drawn persistence of the phenomenon, this is a signal for the economy that the labour market functions incorrectly. Structural mismatches connected with the fact that job offers do not match the existing labour supply cause income inequality, which from the perspective of the economy as a whole is disadvantageous. The paper aims to present and discuss overeducation in terms of selected economic theories, to identify the phenomenon and its scale in Poland and further to determine the economic and social implications of the persistence of the phenomenon in the long run. Two hypotheses have been adopted in the research:

Hypothesis 1: Overeducation is connected with overrepresentation of people with higher education on the labour market.

Hypothesis 2: Overeducation leads to inequality on the labour market.

Lack of appropriate workers who do not meet the expectations of the employers may be manifested in two ways. In the first case employers look for workers with particular skills for a particular job — without success — this is a skill shortage situation (McGuinness, Bennett, 2006, pp. 265 - 279). In the second case the persons working on a particular position have too low skills or skills other than required for this position — this is called a skill gap (Hogarth, Wilson, 2001).

The phenomenon of skills mismatch may be horizontal or vertical. This means that in case of horizontal mismatch employers expect from workers the skills, necessary at work, other than the ones they actually have. Vertical mismatch is connected with the situation when the persons employed at a particular position or in a particular profession have too low or too high skills.

A significant source of skill mismatch is the level of education. Quite often in economic reality the situations when a job-holder has qualification above that which would be required for a specific job are observed — overeducation, also called excessive education, is then faced (Budría,

Moro-Egido, 2009, pp. 329-345). In the opposite situation, when the employees's education is lower than required by the employer undereducation is observed (BKL, 2011 pp. 109–111).

In the next part of the paper overeducation will be discussed based on selected economic theories.

Research Methodology

The paper consists of a theoretical part developed on the basis of selected Polish and English-language literature. The sources of information have been purposely selected in order to use them especially while discussing the causes of occurrence and persistence of overeducation on the labour market in the long run. The empirical material used in the paper comes from latent data originating in domestic and EU statistical databases, and is further partly sourced out from the author's own research, and data collected by other researchers. The data from the Eurostat Data Base from several years as well as data from GUS - Polish national statistical data bases have been used.

Sources of overeducation

Overeducation is an interesting phenomenon due to its specificity and complexness. At present it is constantly present on the labour market in many countries all around the world (Verhaest, Omey, 2010, pp. 608-625). Overeducation means that educated graduates possess excess educational qualifications relative to those the jobs they take up require (McGuinness, 2006, pp. 387–418). This also means a situation where there is no conformity between the existing professional structure and market needs and the structure of graduates leaving various higher education institutions of different profiles. There is an excess of university graduates on the labour market who due to devaluation of the diploma take up a job below their qualifications because they have faster and easier access to such a job (Melosik, 2013, pp. 36-37).

Overeducation is connected with structural mismatches on the labour market. It means that overeducation is the result of the discrepancies between the job offers and the educational structure of workers. Observing the educational structure in Poland after 1990 a considerable asymmetry regarding the level of education of the society may be noticed. In the above mentioned period the number of people with secondary and vocational education systematically decreases, whereas the number of people with higher education dynamically increases.

Within over two decades the number of people with higher education has increased from 403824 thousand in 1990/91 to 1469386 thousand in 2014/15, that is by over 363%. In the discussed scope, the enrolment ratio at the level of higher education studies has increased from 9.8% to 37,8% (GUS, 2014, pp. 26, 29). In consequence, overrepresentation of people with higher education on the labour market has occurred. This has generated problems connected with efficient entering of graduates on the labour market. The transition process has been prolonged and at the same time, which is much more worrying and disadvantageous for the economy, it has not been successful. (Piróg, 2013, pp. 131-138; Piróg, 2015, pp. 103-118). Despite this the rush to gain higher education is going to be sustained, since the graduates — future employees — will compete for a limited pool of well paid jobs. This is known in literature as a “job competition theory” (Thurow, 1972, pp. 66–81). According to the theory there are not enough well paid jobs for everyone who has the highest skills. Those who will not get these jobs will be employed in less well paid and less demanding professions. This entails further consequences connected with shifting worse educated workers to perform simple works. Such a scenario is possible due to the employers’ preferences regarding recruitment. If they have such a possibility they choose persons with higher education (BKL, 2011, p. 134) based on the belief that they will be more efficient and training them will be shorter and less expensive (Kiersztyn, 2011, p. 9). On the basis of this theory it may be stated that the situation of those unsuccessful is even more difficult because often while working below their qualifications they are not able to compete for the „attractive” jobs with the people who are just entering the market.

The second way to explain overeducation derives from the theory of N. Sicherman and O. Galor (1990, pp. 169-192) on job mobility. The authors of this theory form the thesis that the beginners on the labour market take up jobs below their qualifications and abilities on purpose. According to this theory overeducation is transient and short term. This is one of the natural processes that take place on the labour market, purposely initiated by graduates and it is one of the first stages of professional career.

In literature also the third attempt to explain the existence of the phenomenon of overeducation on the labour market may be found. It is based on the thesis that due to rich and complex educational offer higher education schools, especially the private ones, decrease the quality of they offer in order to compete for the students. In consequence, the service level is varied. These differences are verified on the labour market. The fact that some individuals permanently have low position on the professional structure may be explained by "psychological deficit" or "skills deficit" (Hurn, 1985, pp. 35-36).

In the analysed context the agreements regarding Europe 2020 in the field of education seem to be worrying. They apply to the activities aimed at increasing the percentage of persons with higher education to 40%. This indicator applies to people in the age of 30 - 34 in the society. Every member state treats this issue in an individual way, but from introducing Europe 2020 strategy a systematical growth of people with higher education has been observed in EU member states, including Poland, in many cases over 40% (Eurostat, 2015). At the moment in Poland this indicator is already at the level of 43.4% (Eurostat, 2016). Unfortunately, the labour market in many countries is not ready to absorb so many people with the highest qualifications. It may be stated that the activities taken up within Euro 2020 strategy in the field of education are among the sources of overeducation and they consolidate the phenomenon in EU member states, including Poland.

It results from the research that the risk of overeducation applies mostly to the graduates of higher education institutions. In Poland the situation in this field looked in the following way: on the basis of POLPAN research conducted in 2008 and 2013, intensification of the analysed phenomenon can be clearly observed. In the said period the percentage of people in the age of 21-25 with higher education, employed for unlimited period of time decreased from 38% to 19%, whereas there was a considerable increase in the percentage of people employed on the basis of civil-law agreements: from 11% in 2008 to 39% in 2013 (Kiersztyn, 2015, p. 5).

By using the data regarding the labour market accessible in Poland, that is POLPAN research, which gathers panel data, three alternative measurement methods may be demonstrated (Kiersztyn, 2013, pp. 78-91). Two of them are of objective character, they are based on the level of education of the examined persons and the professions performed by them. The third is of subjective character and is based on the opinion of job-holders on the level of using their skills in the place of work. On the basis of the above mentioned research, A. Kiersztyn states that in the period from 1988 to 2008 every fifth person employed in Poland was characterised by overeducation. Taking into consideration the age of the examined persons, this phenomenon applies mostly to the people in the age of 21-25. Every third person in this group of employees is characterised by overeducation. It should be also stated that in the discussed period, from 1988 the percentage of people with overeducation systematically increased among all job-holders. In 1988 it was 7.5%, in 1993 13.9%, in 1998 15.8%, in 2003 20.1% and in 2008 19.1%. As proved by the data from the last several dozen of years, the scale of this phenomenon is increasing.

Overeducation and labour market inequality

According to T. Gmerek (2001), social inequality is the consequence of the differences, not so much in the levels of education, but intelligence and talents. According to the theory proclaimed by the credentialists (Collins, 1979) investments in human capital, that is higher education, contribute to the increase in the number of people with university diplomas. The diplomas in turn have the function of the so called "currency in circulation" to obtain such goods as a good job. Due to "massification" of higher education diploma inflation has occurred, which in consequence has led to diversification of the value of diplomas and their exchange value. This in turn creates favourable conditions for social inequality. The adherents of this theory reject the thesis according to which the increase of the persons with university diplomas will automatically translate to the increase of social prosperity (Boylan, 1993, pp. 206-208). The example of US economy proves this, where from the 1970' the inefficiency of the labour market in the process of absorption of highly qualified employees is observed.

Overeducation persistent for a long period on the labour market entails both: economic and social consequences. The fact that people with higher education work on positions not requiring such high qualifications means that the people with lower qualifications work on positions requiring even lower skills or are unemployed, so income inequality applies to people with different level of education, which represents broadly understood labour supply on the market (Marcinkowska *et al.* , 2008, pp. 24-30).

On the basis of the above contemplations it may be stated that the hypotheses regarding overeducation posed at the beginning of the paper are true.

Conclusions

Overeducation on Polish labour market is a fact and it has a permanent character. It makes assets other than a university diploma significant in the process of looking for a job. From the point of view of efficient functioning of the economy the key barrier seems to be structural mismatching of the existing vacancies and the supply of work with specified and accessible competencies. Theories explaining in different ways the sources, conditions favourable for persistence of the discussed phenomenon in the long run. From the point of view of the topic discussed in the paper it seems that examining and demonstrating what educational structure would be appropriate or optimum for efficient functioning of the labour market in EU member states, especially in Poland is important. Such information would

be extremely helpful at drawing national education policy for all levels of education and it would give the possibility to fully use the existing resources in the economy, especially the human capital, in the future.

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