

Overeducation and the Irish Labour Market

HEA Forward looking forum

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Is mismatch a problem in the Irish labour market?



- Much less evidence available relative to other European countries.
- Lack of data due to the absence of mismatch questions within National datasets. Also, Ireland has not participated in key international comparative studies such as Reflex.

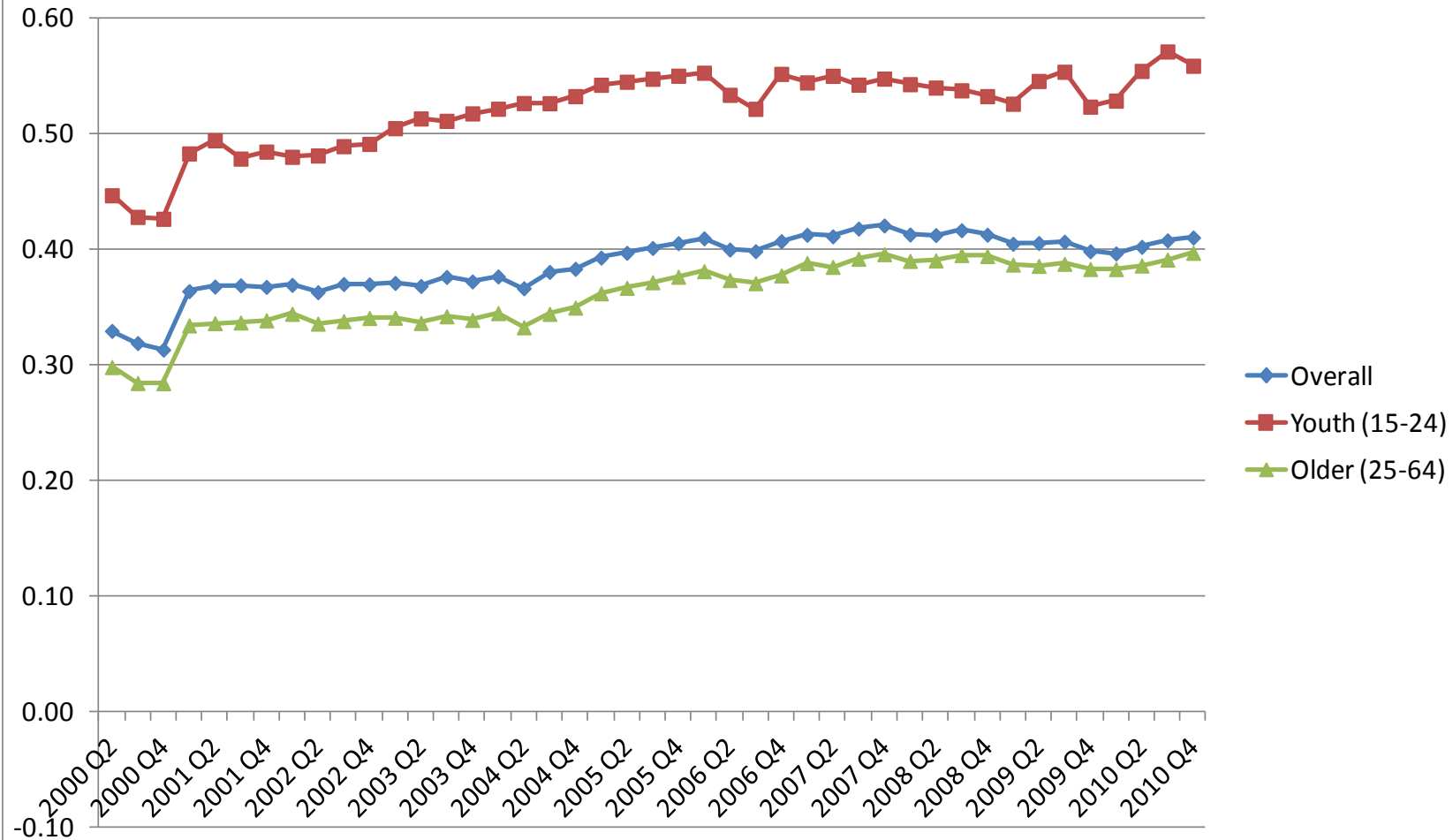


Existing Evidence	ESRI Estimate (2001-2011 average)	Estimates based on PIAAC from EC (2014)
Austria	0.19	0.23
Belgium	0.26	0.24
Bulgaria	0.11	
Cyprus	0.31	0.31
Czech Republic	0.08	0.12
Germany	0.18	0.22
Denmark	0.18	0.31
Estonia	0.24	0.26
Spain	0.30	0.34
Finland	0.14	0.17
France	0.17	0.17
Greece	0.28	
Hungary	0.13	
<i>Ireland</i>	<i>0.33</i>	<i>0.33</i>
Italy	0.24	0.24
Lithuania	0.25	
Luxembourg	0.17	
Latvia	0.19	
Netherlands	0.22	0.22
Poland	0.11	0.11
Portugal	0.18	
Romania	0.10	
Sweden	0.14	0.19
Slovenia	0.09	
Slovak Republic	0.08	0.10
UK	0.21	0.20

Source: McGuinness et al. (2015)

Overeducation Rates in Ireland from 2000 to 2010

Ireland - Overeducation Rates
(Restricting to full-time employees)

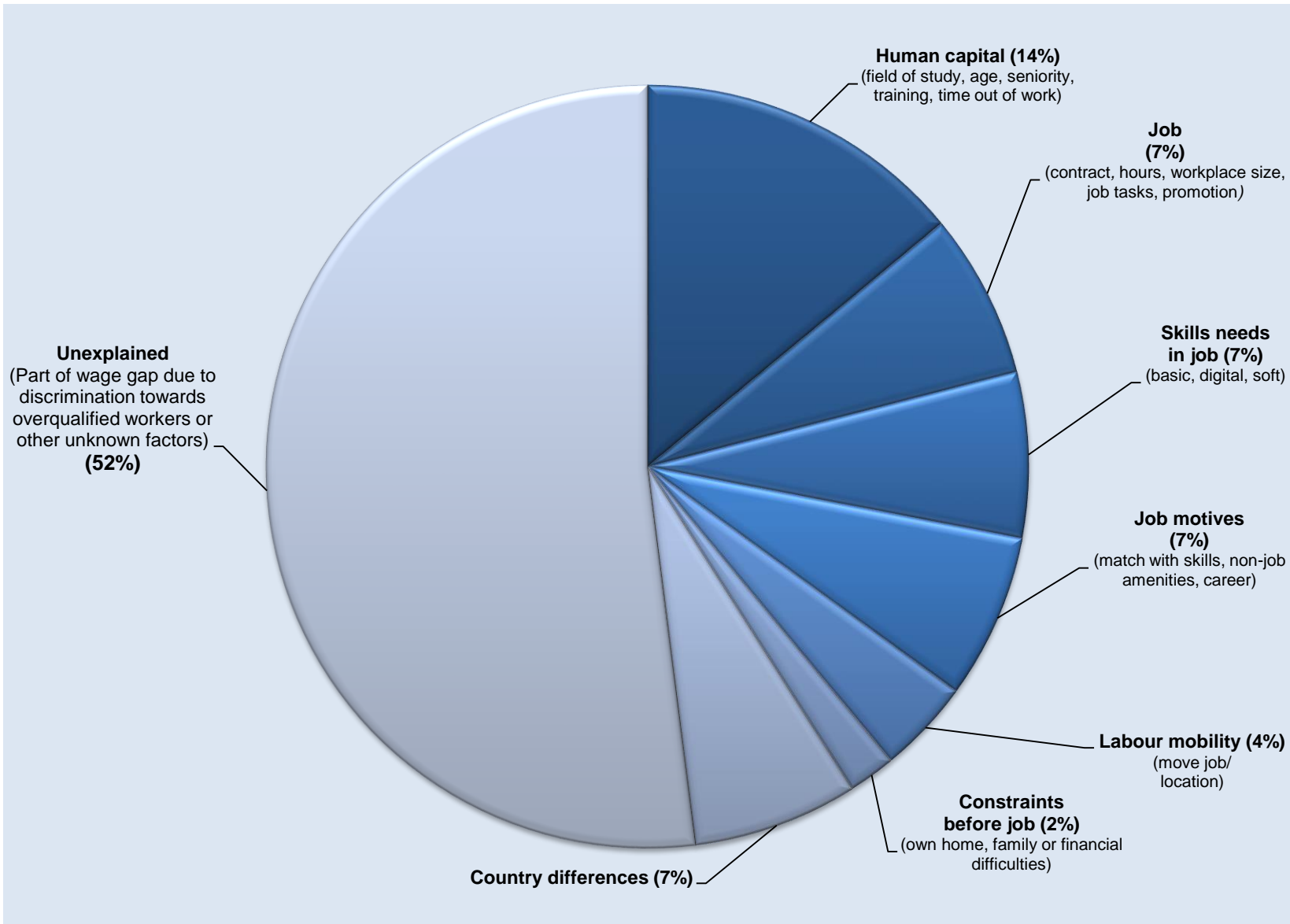


Potential Explanations?



- The overeducation penalty is a statistical artefact arising because lower levels of human capital among mismatched workers are not generally observed in the data (HCT consistent argument (Becker 1964)).
- The overeducation penalty arises because individuals are unable to earn their full marginal product as a consequence of productivity constraints related to the distribution of available jobs (Assignment theory and Job Competition model (Sattinger 1993; Thurow, 1975))
- The overeducation penalty merely reflects a compensating wage differential effects (McGuinness & Sloane, 2012), job mobility motives (Rosen, 1972), asymmetric information (Jovanavi, 1972).

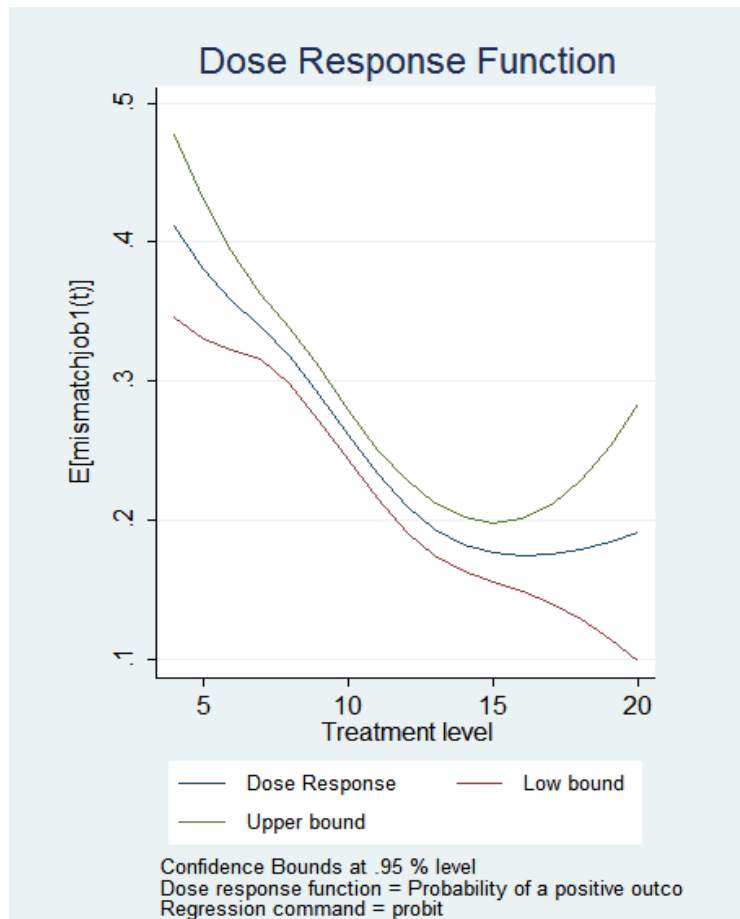
Evidence for EU 28



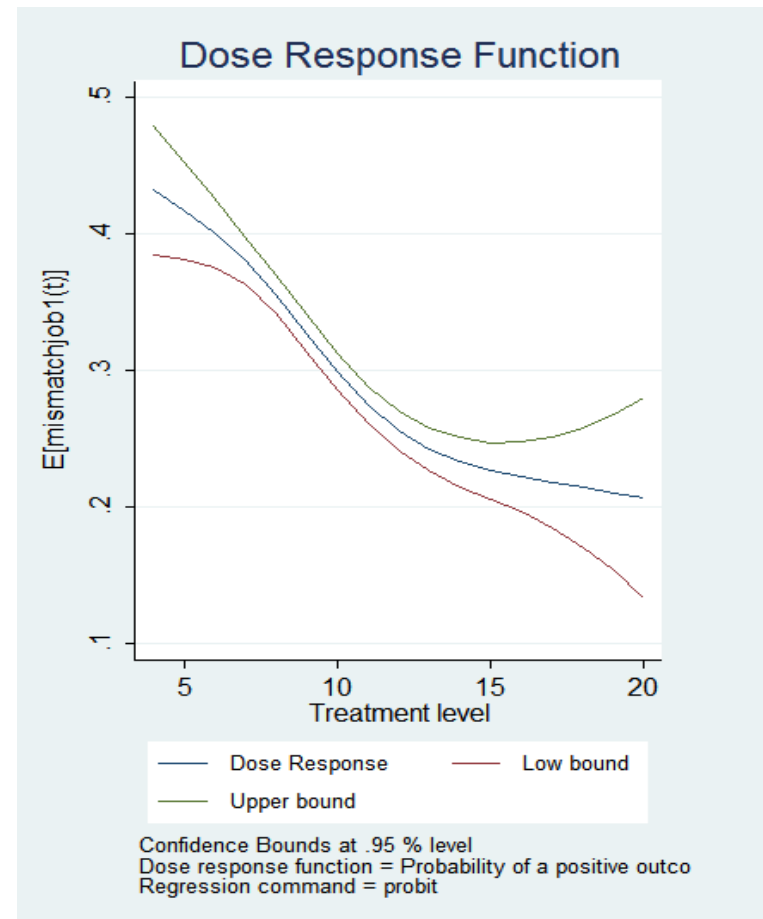
Impact of practical learning on graduate mismatch

– research projects, work placements, facts and practical knowledge, project/problem based learning

Males



Females



Impact of job search on graduate mismatch



- Using the base case as contacted the employer directly
 - being approached by the employer and the role of Higher Education (help from HE and HE work placement) are associated with the largest reductions in the probability of mismatch in first employment.
 - the use of public/private employment agencies or help from friends and family are shown to increase the probability of mismatch.
- We find differential impacts depending on the nature of mismatch.
- There is no strong evidence that the impacts of job search vary substantially with the time since graduation.