Right for the Job: Over-Qualified or Under-Skilled?

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Mismatch affects a significant share of workers in OECD countries

Average, Min and Max incidence in OECD countries – percentages, 2005

Over-qualification  Under-qualification  Over-skilling  Under-skilling
Qualification mismatch varies by socio-demographic characteristics

<table>
<thead>
<tr>
<th>The over-qualified are:</th>
<th>The under-qualified are:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Younger</td>
<td>Older</td>
</tr>
<tr>
<td>Less experienced</td>
<td>More experienced</td>
</tr>
<tr>
<td>Immigrants</td>
<td>Women</td>
</tr>
<tr>
<td>Post-secondary non-tertiary or tertiary graduates</td>
<td>With low or no qualifications</td>
</tr>
</tbody>
</table>
Skill mismatch only explains a small portion of qualification mismatch

Percentage of workers mismatched by qualification, OECD countries in ESWC, 2005

<table>
<thead>
<tr>
<th></th>
<th>Over-qualified</th>
<th>Under-qualified</th>
<th>Matched</th>
</tr>
</thead>
<tbody>
<tr>
<td>Over-skilled</td>
<td>36.4</td>
<td>30.5</td>
<td>31.6</td>
</tr>
<tr>
<td>Under-skilled</td>
<td>14.2</td>
<td>12.1</td>
<td>13.2</td>
</tr>
<tr>
<td>Matched</td>
<td>49.5</td>
<td>57.4</td>
<td>55.1</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>
Determinants of mismatch: heterogeneity among workers and jobs

- Some over-qualified are of low ability for their qualification and some under-qualified are of high ability;
- 40% of over-qualified work outside their field of study;
- The over-qualified hold more demanding jobs than the well-matched in same occupation:
Some labour market events increase the likelihood of qualification and skill mismatch

- Involuntary job separations increase the likelihood of over-qualification and over-skilling, particularly in recessions;

- Youth who leave education in recessions are more likely to become over-qualified in their first job.
All forms of mismatch affect wages, on-the-job search and job satisfaction

Compared to equally-qualified well matched workers:

- Over-qualified and over-skilled earn less, are more likely to look for another job and are less satisfied;
- Under-qualified earn more, are less likely to look for another job and are more satisfied;
- **BUT** qualification mismatch has smaller effects when unobserved heterogeneity is controlled for;
- **AND** Over-skilling has a smaller effect on wages than over-qualification;

Fewer than 1 in 5 workers exit over-qualification or over-skilling every year and about 1 in 20 become mismatched again later on.
Mismatch is a multi-faceted phenomena, more than one solution envisaged:

- Recognition of non-formal and informal learning;
- High-quality career guidance;
- Raise literacy and numeracy of poor performers in education;
- Internships and summer jobs;
- Activation measures, life-long learning and on-the-job training.
Analysis has limitations:

- Small sample size;
- Skills mismatch only self-reported;
- Cannot identify which skills contribute to mismatch.

Future work:

- PIAAC;
- Job displacement project.
Thank you