

The Labour Market Impact of Skills Mismatch: A Global View

ILO: School-To-Work Transition Survey

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OUTLINE

- ILO School-To-Work Transition Survey: Basic info and measurement of mismatch
- Incidence of mismatch in low- and middle-income countries
- Labor market impacts of skills mismatch
 - Earnings
 - Job satisfaction
 - Desire to change employment situation
- Conclusions

ILO SCHOOL-TO-WORK TRANSITION SURVEY (SWTS): BASIC INFO

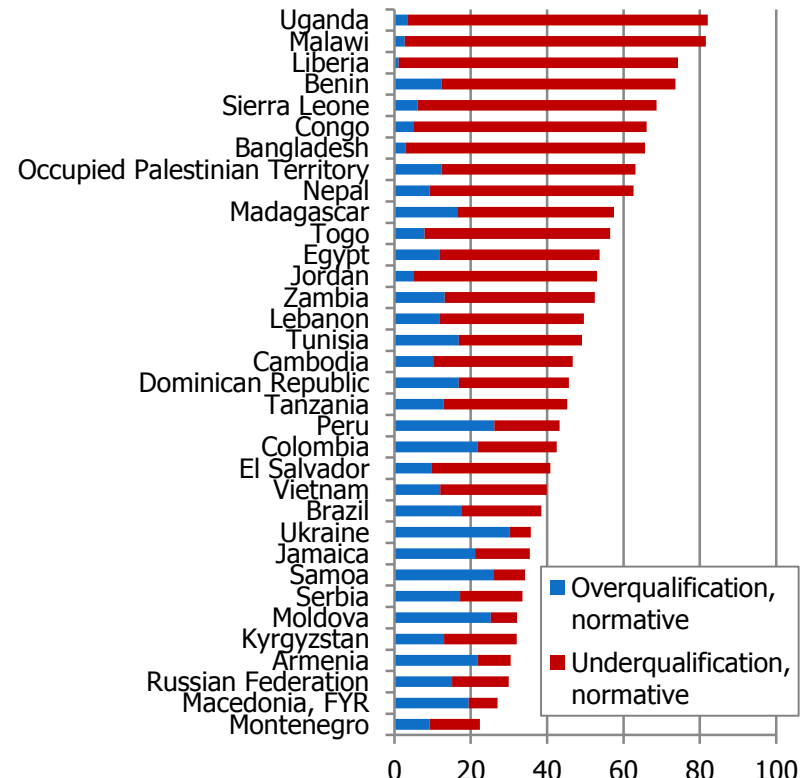
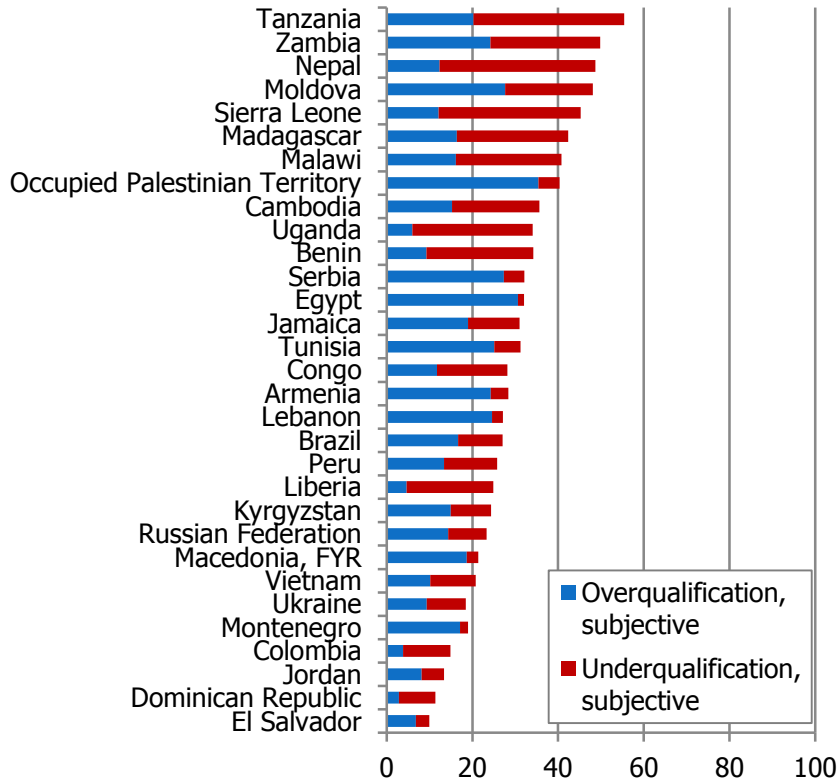
- ▶ Carried out in 34 low- and middle-income countries between 2012 and 2015
- ▶ Target population is youth aged 15 to 29 years
- ▶ Geographic coverage: national sample in most countries; Colombia and Peru – urban population; Cambodia – 10 provinces; Russia – 11 regions
- ▶ Contains a rich set of variables related to family background, educational attainment, employment history and current employment status of youth
- ▶ Our sample consists of employees and own-account workers excluding those who were in formal education at the survey time
- ▶ Used only last year available: 2012 in 2 countries, 2013 in 7 countries, 2014 11 countries, and 2015 in 14 countries
- ▶ Initial sample includes 32,689 young workers from 34 countries

SWTS: MEASUREMENT OF MISMATCH

Method	Definition
Subjective	"Do you feel your education/ training qualifications are relevant in performing your present job? " "Yes, they are relevant", a worker is classified as well-matched; "No, I feel overqualified", a worker is classified as overqualified; "No, I experience gaps in my knowledge and skills/ need additional training", a worker is classified as underqualified
Vertical, normative	1) Correspondence between ISCO broad occupational groups education and required education; 2) comparison of actual and required education
Vertical, mixed	Mixed measure based on normative and subjective methods: 7 categories, including apparently and genuinely overqualified/ underqualified/ matched and mixed
Horizontal, normative	1) Correspondence between ISCO occupational groups and required field of study; 2) comparison of actual and required field of study

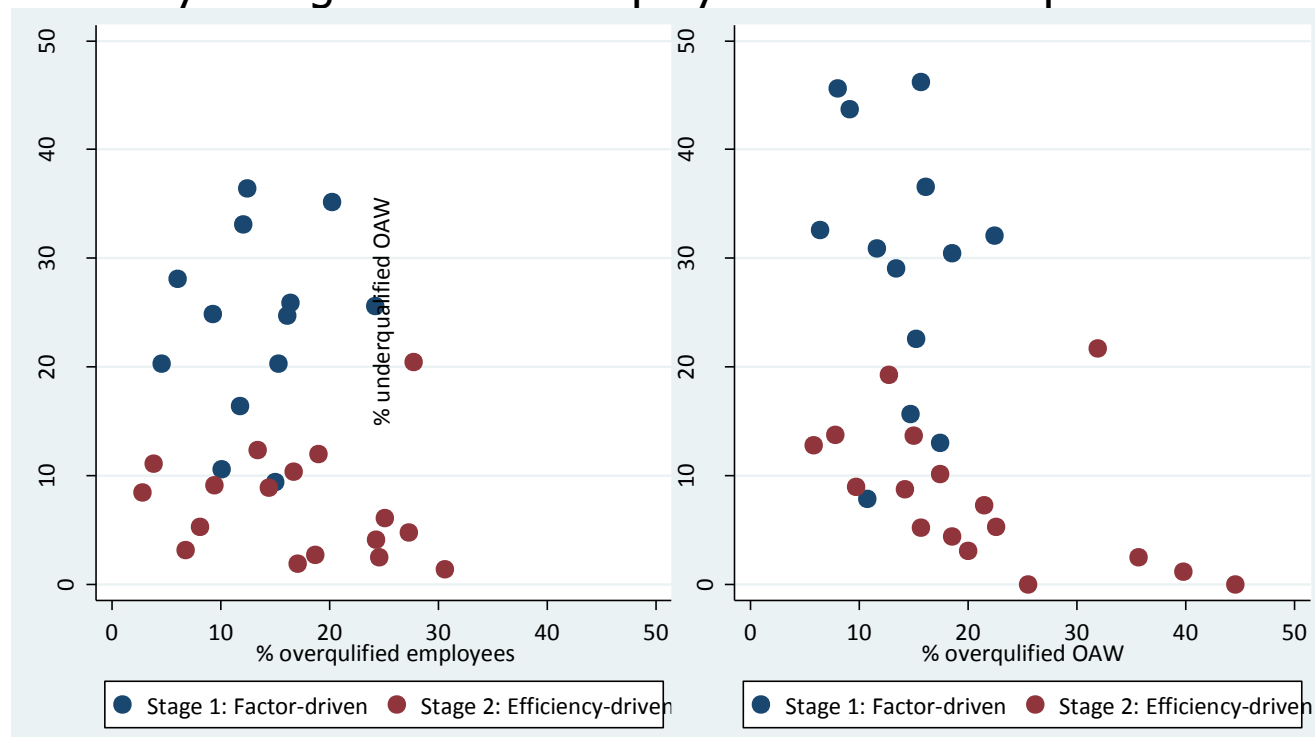
INCIDENCE OF MISMATCH IN LOW- AND MIDDLE-INCOME COUNTRIES (EMPLOYEES)

Qualification mismatch among young workers, which is mainly driven by high levels of underqualification, is very high in Sub-Saharan Africa and East Asia and in developing low-income countries.



INCIDENCE OF MISMATCH IN LOW- AND MIDDLE-INCOME COUNTRIES

In poorer factor-driven economies, youth often lacks the minimum skills required by the labour market and suffers from underqualification. In efficiency-driven economies, the adjustment lag between skill demand and skill supply results in high rates of youth graduate unemployment and overqualification.



LABOR MARKET IMPACTS OF SKILLS MISMATCH: HOURLY WAGES

Variables	Model 1	Model 2	Model 3
Primary education and below	-0.085*** (0.015)	-0.091*** (0.015)	-0.133*** (0.020)
Secondary and post-secondary vocational education	-0.019 (0.019)	-0.018 (0.019)	-0.022 (0.019)
Tertiary education	0.093*** (0.018)	0.098*** (0.018)	0.122*** (0.020)
Overqualified, subjective		-0.063*** (0.017)	
Underqualified, subjective		-0.021 (0.021)	
Overqualified, normative			-0.040** (0.017)
Underqualified, normative			0.059*** (0.017)
Number of observations	10,586	10,381	10,446
R ²	0.951	0.952	0.951

LABOR MARKET IMPACTS OF SKILLS MISMATCH: JOB SATISFACTION

Variables	Model 1	Model 2	Model 3
Primary education and below	0.394*** (0.087)	0.266*** (0.092)	0.074 (0.111)
Secondary and post-secondary vocational education	-0.107 (0.104)	0.063 (0.109)	-0.155 (0.106)
Tertiary education	-0.286*** (0.107)	-0.099 (0.111)	-0.036 (0.112)
Overqualified, subjective		-1.214*** (0.075)	
Underqualified, subjective		-0.683*** (0.104)	
Overqualified, normative			-0.589*** (0.090)
Underqualified, normative			0.257*** (0.092)
Number of observations	9,346	9,162	9,214
Pseudo R ²	0.120	0.149	0.125

LABOR MARKET IMPACTS OF SKILLS MISMATCH: DESIRE TO CHANGE EMPLOYMENT SITUATION

Variables	Model 1	Model 2	Model 3
Primary education and below	-0.415*** (0.067)	-0.301*** (0.070)	<i>-0.161*</i> (0.084)
Secondary and post-secondary vocational education	0.172** (0.082)	0.031 (0.084)	0.187** (0.083)
Tertiary education	0.491*** (0.082)	0.340*** (0.085)	0.293*** (0.088)
Overqualified, subjective		1.323*** (0.070)	
Underqualified, subjective		0.380*** (0.089)	
Overqualified, normative			0.405*** (0.076)
Underqualified, normative			-0.275*** (0.070)
Number of observations	9,642	9,451	9,507
Pseudo R ²	0.125	0.156	0.127

CONCLUSIONS

- ▶ The results with respect to the scope and impacts of qualification mismatch are very sensitive to the measure of mismatch used.
- ▶ Overqualification among young workers in low- and middle-income countries tends to be associated with low wages, poor working conditions and high levels of job insecurity, dissatisfaction with a job and the willingness to change it.
- ▶ Self-reported underqualification is also associated with high job dissatisfaction and the willingness to change it.
- ▶ In contrast, underqualified workers defined according to the normative approach are more likely to be satisfied with their jobs and less likely to seek alternative employment than those who are matched to jobs in terms of qualifications.
- ▶ SWTS dataset has many missing values/ variables in some countries that reduces the sample substantially.
- ▶ Serious econometric issues (endogeneity bias, measurement error) need to be solved.

THANK YOU!

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