

WORKERS’ QUALIFICATION AS A FACTOR FOR LABOR MARKET DISEQUILIBRIUMS

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Abstract: *The paper focuses on the qualification mismatch being observed at the contemporary labor markets. By utilizing a review of the relevant literature, the study presents the main demand- and supply-side determinants of that labor market disequilibrium by placing an emphasis on the education-related factors.*

Keywords: *education, overqualification, education-job mismatch, continuing vocational education and training, lifelong learning*

Introduction

A crucial issue related to sustainable growth of the developed economies is that of human capital’s qualification and quality. It is widely recognized that these economies face a higher average level of education accompanied by an increasing education-job mismatch [1, 2]. Though both undereducation and overeducation have been observed, the latter appears to be prevailing in the contemporary economies, including Europe. According to the recent data [3], the degree of overqualification is, on average, 22% across the EU economies ranging between 7% for Luxembourg up to 32% in Greece and Cyprus, and 36% in Spain.

The qualification mismatch represents a state of a labor market disequilibrium, specifically a situation in which the education demanded for a given occupation differs from the education supplied by individuals employed at that occupation. The factors which influence it might be divided into two general groups – those related to the demand of specific education/qualification, and those related to education/qualification supply. In this regard, the current paper aims at reviewing the main supply- and demand-determinants of mismatch by drawing attention mainly to those associated with education and training of the workforce.

Education-related supply-side factors for qualification mismatch

By utilizing a literature review, the next two sections summarize the main findings of the studies on the issue being discussed here. We first focus on the supply-side factors. A major reason for overqualification is the widening access to education all over the world and the inclusion of additional educational degrees, such as secondary education, in the compulsory education in some countries. All other things being equal, this leads to a higher supply than demand of qualified labor, at least in terms of the educational degree possessed by the labor force.

It is claimed that graduates from fields such as Economics, Law, Art and Humanities are exposed to a higher risk of overeducation. This has been observed especially for younger people as well as females who, in general, possess a higher educational attainment, and are more likely to be employed at temporary/short-term or specific job positions [4].



In the developed countries higher education is expected to stimulate the innovation capacity while the less developed world rather adopts these leading innovative technologies from abroad by imitations. Thus, the distribution of the graduates by field of study could enhance that tendency.

Overeducation is long-term problem [5]. A key reason is the accelerating exit from the labor market of older workforce since it has, generally speaking, a lower average educational attainment than the younger people entering the labor market.

It is worth mentioning also the quality of education being acquired by individuals. The deficit of up-to-date qualification related to a certain educational degree is a precondition for an increase of education-job mismatch. The difference between the knowledge and skills which a worker with given education is supposed to have and what one has actually acquired depends on a mix of personal and institutional factors. The former includes personal characteristics, understanding, behavior such as the motivation to learn, aspiration for self-expression, etc.

On the other side, the quality of the national educational system also matters. It appears that graduates from vocational programs experience a lower degree of mismatch than those graduated from academic programs with a general orientation [6]. Additionally, more effective in the early career years are the programs combining specific orientation with learning in a real business environment. However, in a long run, these advantages disappear due to the depreciation of knowledge and skills being acquired. With regard to that, the participation in lifelong learning plays a key role. The lack or insufficient continuing vocational education and training could deepen the degree of mismatch as the contemporary labor resources need a lifelong improvement of their knowledge and skills in order to stay on the cutting edge. At the same time, work-based education and training is a potential tool for reducing the extent of skill mismatch [7].

The educational attainment of immigrants also impacts mismatch. Better education in the home country than that in the host economy could lead to employment requiring higher educational degree than that being completed by the immigrant. This is a condition for an increase of undereducation. Additionally, the quality of the scientific research is negatively correlated with the likelihood for mismatch of both males and females [8].

Among the education-related factors we should also add the distribution of graduates by educational degree – elementary and lower secondary education (ISCED 0-2), upper secondary (ISCED 3-4) as well as higher (ISCED 5-8) education. In the short run, the supply by educational degrees should reflect the labor market needs. But, in the long run, a reverse causality might appear since the mismatch could also affect the structure of the economy and the labor market.

On supply-side the mismatch depends also on the growth rate of the labor force, the unemployment policy as well as the size of the labor market.

Education-related demand-side factors for qualification mismatch

While the labor market supply of certain education/qualification depends on individuals, its demand is defined by the businesses. In this regard, a key tendency affecting that demand is the job polarization which occurred in the developed world during the 80s [9,10]. In a nutshell, it represents the diminishing share of the medium-level jobs, associated with fulfillment of routine tasks, on behalf of high-level jobs requiring cognitive skills or low-level jobs associated with manual tasks. The reason is the decreasing need of codified jobs performing routine operations. Therefore, in the advance countries, the workforce has been gradually moving down the

occupational ladder to jobs requiring lower than acquired education, which, on its side, increases the rate of overeducation. The so called routinization hypothesis is denoted as a main reason for polarization [10]. The outsourcing of the medium-level jobs to foreign countries with cheaper labor also contributes to these processes [11].

Though the discussion of additional demand-side factors for mismatch is beyond the scope of this paper, it should be noted the role of the business cycle stage at which the economy, respectively the companies, operate. During economic booms there is a higher likelihood for overeducation since the companies face labor shortages. Therefore, they are more inclined to hire workers with lower than the required qualification. The share of temporary contracts, labor market regulations and the power of trade unions, the share of small and medium-size enterprises, the level of technologies also contribute to the rate of mismatch.

Conclusion

The current study aims at summarizing the main education-related factors for the qualification mismatch. It appears that in the developed world, predominantly, it is a negative consequence of the rising average educational level of the population. In today's times of technological changes and ageing population, the education-job mismatch might also be caused by outdated skills and knowledge of the workforce. The continuing vocational educations and training provides a solution to this persistent labor market issue as it gives opportunities for a lifelong improvement of workers' qualification.

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