



# EUROPEAN POLICY BRIEF



## Mismatch: Skills and Education

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### INTRODUCTION

The various transitions that young people make between school and work and the decisions that they take regarding their human capital development have substantial implications for future life prospects. The research reports published under Work Package 5 inform policy under a number of key aspects of young people's lives. The research undertaken here seeks to inform policy with respect to the following key aspects of young people's lives (a) the nature of human capital development in third-level institutions (b) transitions from education to work and (c) the relative exposure to employment mismatch and separation in employment.

### EVIDENCE AND ANALYSIS

#### a) The nature of human capital development in third-level institutions

Two aspects of human capital development are considered (i) the implications of the composition of higher education delivery on subsequent labour market outcomes (McGuinness et al. 2015a & b) and (ii) the impact of part-time working among students on the general labour market (Beblavý et al. 2016). With respect to course composition, there is clear evidence that a higher concentration of work-related components such as research projects, work placements, the acquisition of facts/practical knowledge and project/problem-based learning can reduce the probability of graduate mismatch in first employment. The research shows that there is a strong inverse relationship between the aggregate number of vocational course components in a degree programme and the probability of mismatch in first job. The pay-off to increasing the practical aspects of programme delivery appear largest in degree courses generally classified as more academic in nature suggesting that practical learning approaches and placements should be adopted in most, if not all, degree programmes. In terms of the impact of part-time working, the evidence indicates that students labour market are dispersed across the low- to medium-skilled segment of the labour market and is not exclusively concentrated in the least skill-intensive jobs/occupations. The findings support the 'complementarily view' of the coexistence of student employment and low-skilled employment rather than the crowding out theory.

## **(b) Transitions from education to work**

In terms of routes into the labour market, the research shows that higher education work placements with the potential to develop into permanent posts and the provision of higher education job placement assistance have very substantial impacts in reducing the incidence of graduate overeducation. The research supports the view that by strengthening links with employers and investing more heavily in career-support functions, universities and third-level institutions can play an important role in matching graduates with jobs. The research also shows that the use of private employment agencies significantly heighten the risk of subsequent mismatch. Therefore, higher education institutions can play an important role in terms of educating students in the job search methods to undertake and avoid.

## **(c) The relative exposure to employment mismatch and separation in employment.**

Dealing firstly with young people's relative exposure to transition between the states of inactivity, unemployment and employment, we found that young people "churn" through the labour markets relatively more frequently than their prime-age counterparts. Specifically, young people are more likely to become unemployed (from employment) but are also more likely to move from unemployment to employment (relative to prime-age workers). The patterns are consistent across countries although there are some variations in the rates. With respect to the individual characteristics that influenced labour market transitions, higher levels of schooling were a key factor influencing the likelihood of exiting unemployment to employment. The result suggests that young people's relative exposure to job loss is particularly high during recession.

In terms of within employment mismatch, the evidence suggests that while overeducation rates in Europe are converging upwards over time, the general pattern of overeducation is linked across many countries suggesting that the phenomena responds in a similar way to external shocks and, consequently, is likely to react in similar ways to appropriate policy interventions. However, the evidence suggests that overeducation within peripheral states evolves somewhat differently relative to the rest of Europe, suggesting that a separate policy response is likely to be appropriate. While the overall results are complex for the determinants of youth overeducation a number of impacts are consistently present for all or most country groupings. Specifically, youth overeducation is highly driven by the composition of education provision, and will tend to be lower in countries with more developed vocational pathways. Furthermore, youth overeducation tends to be heavily related to the level of aggregate labour demand, proxied in the model by variations in the participation rate and GDP per capita. Finally, youth overeducation tends to be lower the higher the employment share of part-time workers suggesting that the phenomenon may be partly driven by labour market flexibility.

## **POLICY IMPLICATIONS AND RECOMMENDATIONS**

### **(a) Human capital development in third-level institutions**

The findings emphasise the importance of practical learning within degree programmes and suggest that students can further develop their human capital through part-time work while studying without imposing additional costs on low-skilled workers. In terms of university provision, the research demonstrates that there are large positive impacts associated with learning elements, such as, research projects, work placements, the acquisition of facts/practical knowledge and project/problem-based learning. Furthermore, the research also demonstrates that a graduates likelihood of experiencing either overeducation or over-skilling on entering the labour market is lower the higher the number of practical learning elements within their degree programme. The payoff to practical learning tends to be highest within degree programmes traditionally considered to be academic in nature. Given that the negative impacts of worker mismatch are known to be substantial and long-lasting with respect to earnings, job satisfaction, and career progression, the research suggests that the formulation of workplace and practical skills, specifically through elements, such as, work placements etc., should be a key component of all European degree programmes, irrespective of field of study.

The importance of work relevant human capital formation is highlighted in this research suggesting that the acquisition of practical work-based learning through part-time employment, in combination with study, also has the capacity to enhance the quality of job match in first employment. The finding that students can acquire such skills without imposing additional costs on low and medium skilled workers is also positive. However, there is not sufficient evidence to conclude that the impacts of part-time work on students total human capital formation is strictly positive, as it likely that an increase in part-time work may also have some negative impacts on classroom based human capital formation. More research is needed to inform policy on the net effects of part-time work on subsequent total skill acquisition and labour market outcomes.

#### **(b) Transitions from education to work**

The research generates important lessons for higher education institutions in terms of degree structure, but also with respect to routes into the labour market. The authors McGuinness et al. (2015b) show that acquiring a job with the aid of a university substantially reduces the incidence of labour market mismatch in first employment. By strengthening links with employers and investing more heavily in career-support functions, universities and third-level institutions can play an important role in matching graduates with jobs by eliminating many of the informational asymmetries that can lead to graduate mismatch. Higher education institutions can play an important role in terms of educating students in the job search methods to employ and those to avoid. For instance, the research clearly shows that the use of private employment agencies significantly heighten the risk of subsequent mismatch, perhaps due to the fact that such organisations are primarily motivated by achieving a job placement and have little incentive, or capacity, to ensure the quality of any match. However, a limitation of the study is that it focuses on a relatively narrow period following graduation and more research is certainly required into the more long-run impacts of the role of job search on labour market outcomes.

#### **(c) Exposure to employment mismatch and separation in employment**

The findings indicate that in many countries young people face (i) a higher risk of exposure to overeducation throughout the economic cycle and (ii) a higher risk of job loss during recession. Given that young people are less likely to have their qualification fully recognised within the labour market and are most likely to be fired during a downturn in the economic conditions. The research suggests that policy has a role to play in reducing transitions into overeducation and unemployment, both of which have potentially devastating impacts on future labour market outcomes and progression, amongst young workers. With respect to youth overeducation, the initial findings show that the unrestricted expansion of higher education supply and increased labour market deregulation tend to stimulate rates of overeducation. The principal policy implication from the study is that, in order to prevent the growth in overeducation, governments should take more full account of the prevailing structure of labour demand within an economy before formulating policies around higher education expansion or increasing labour flexibility.

With respect to the higher incidence of job loss amongst young workers, the findings suggest that policy needs to be more focused on protecting the position of young workers in the labour market during recession. While job losses are inevitable when growth declines, it is both inequitable and inefficient to have higher concentrations of unemployment amongst the youngest sections of society. The research points strongly towards the needs to strengthen employment protection for young people in order to align it more fully with the rights enjoyed by older workers. Furthermore, the research by Flek & Mysíková (2016) also implies that at the outset of any recession, activation policy should be heavily focussed on developing strategies to incentivise employers to retain younger workers in order to stop any future rapid rise in rates of youth. Finally, again with respect to activation policy, the research suggests that policy instruments that are triggered at a particular point in a claimants unemployment spell, such as the Youth Guarantee, should be designed to take account of variations in the pattern of unemployment durations across countries.

### **RESEARCH PARAMETERS**

The objectives of Work Package 5 were to critically review the mismatch in supply and demand, the reasons and drivers for the low levels of employment among young people, as well as the recruitment strategies and decisions taken by employers.

## PROJECT IDENTITY

<b>PROJECT NAME</b>	Strategic Transitions for Youth Labour in Europe (STYLE)
<b>COORDINATOR</b>	Prof. Jacqueline O'Reilly, University of Brighton, Brighton, United Kingdom J.O'Reilly@brighton.ac.uk
<b>CONSORTIUM</b>	<ul style="list-style-type: none"><li>• Centre for European Policy Studies, Brussels, Belgium</li><li>• Copenhagen Business School, Copenhagen, Denmark</li><li>• Cracow University of Economics, Cracow, Poland</li><li>• Democritus University of Thrace, Komotini, Greece</li><li>• Economic &amp; Social Research Institute, Dublin, Ireland</li><li>• EurActiv, Brussels, Belgium</li><li>• Grenoble School of Management, Grenoble, France</li><li>• Institute for Employment Studies, Brighton, United Kingdom</li><li>• Institute for the Study of Labour, Bonn, Germany</li><li>• Koç University Social Policy Centre, Istanbul, Turkey</li><li>• Metropolitan University Prague, Prague, Czech Republic</li><li>• National University of Ireland Galway, Galway, Ireland</li><li>• Norwegian Social Research, Oslo, Norway</li><li>• Slovak Governance Institute, Bratislava, Slovakia</li><li>• Swedish Institute for Social Research, Stockholm, Sweden</li><li>• TARKI Social Research Institute, Budapest, Hungary</li><li>• University of Brighton – BBS CROME, Brighton, United Kingdom</li><li>• University of Graz, Graz, Austria</li><li>• University of Oviedo, Oviedo, Spain</li><li>• University of Oxford, Oxford, United Kingdom</li><li>• University of Salerno, Salerno, Italy</li><li>• University of Tartu, Tartu, Estonia</li><li>• University of Tilburg, Tilburg, Netherlands</li><li>• University of Trento, Trento, Italy</li><li>• University of Turin, Turin, Italy</li></ul>
<b>FUNDING SCHEME</b>	FP7 Framework Programme for Research of the European Union – Collaborative project. SSH - ACTIVITY 8.1: GROWTH, EMPLOYMENT AND COMPETITIVENESS IN A KNOWLEDGE SOCIETY, Area 8.1.2 Structural changes in the European knowledge economy and society - SSH.2013.1.2-1 Overcoming youth unemployment in Europe.
<b>DURATION</b>	March 2014 – August 2017 (42 months).
<b>BUDGET</b>	EU contribution: €4 999 056.
<b>WEBSITE</b>	<a href="http://www.style-research.eu">www.style-research.eu</a>
<b>FOR MORE INFORMATION</b>	Contact: John Clinton, University of Brighton – J.M.Clinton@brighton.ac.uk
<b>FURTHER READING</b>	<p>Beblavý, M., Fabo, B., Mýtna Kureková, L. and Z. Žilinčíková (2015), <a href="#">Are student workers crowding out the low skilled youth</a>, STYLE Working Papers, WP5.3. CROME, University of Brighton, Brighton.</p> <p>McGuinness, S., A. Bergin and A. Whelan (2015a), <a href="#">A Comparative Time Series Analysis of Overeducation in Europe</a>, STYLE Working Papers, WP5.1. CROME, University of Brighton, Brighton.</p> <p>McGuinness, S., A. Bergin and A. Whelan (2015b), <a href="#">Report Recruitment Methods</a>, STYLE Working Papers, WP5.4. CROME, University of Brighton, Brighton.</p> <p>Flek, V. &amp; Mysíková, M. (2016), <a href="#">Youth Transitions and Labour Market Flows</a>, STYLE Working Papers, WP5.2. CROME, University of Brighton, Brighton.</p>