

Skill mismatch and overeducation in transition economies

Substantial skill shortages coexist with overeducation, affecting both young and old workers

Keywords: overeducation, skills development, transition countries

ELEVATOR PITCH

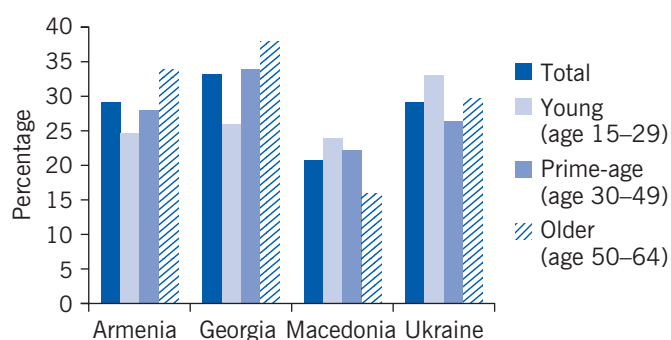
Large imbalances between the supply and demand for skills in transition economies are driven by rapid economic restructuring, misalignment of the education system with labor market needs, and underdeveloped adult education and training systems. The costs of mismatches can be large and long-lasting for workers, firms, and economies, with long periods of overeducation implying a loss of human capital for individuals and ineffective use of resources for the economy. To make informed decisions, policymakers need to understand how different types of workers and firms are affected by overeducation and skill shortages.

KEY FINDINGS

Pros

- + High educational attainment of the population is an attractive feature for foreign investment and innovation.
- + Some degree of skill mismatch is inevitable in an era of rapid technological change and globalization.
- + Overeducated workers may represent an opportunity for productivity gains for firms and regions.
- + Overeducation is not a concern if it is a short-term mismatch that affects mainly young people.
- + Successful skill development calls for cooperation of education systems, labor market institutions, employers, and individuals.

The percentage of overeducated workers (self-reported) in urban areas varies by age



Source: [1].

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Cons

- High levels of formal education do not necessarily translate into high levels of up-to-date productive skills.
- The inadequacy of workers' skills affects firm performance, technological investments, and competitiveness.
- Long periods of overeducation imply a loss of human capital for individuals and ineffective use of resources for the economy.
- Older workers risk being trapped in jobs with low educational requirements because of skill obsolescence.
- Improving career guidance and the quality and relevance of formal education is necessary but not sufficient for reducing skill mismatches.

AUTHOR'S MAIN MESSAGE

Policymakers should be concerned not only with increasing the stock of human capital, but also with enhancing its quality and allocating it efficiently. Innovative firms need assistance in matching job-seekers with employment opportunities, while other firms need help in adopting new technologies, creating skilled jobs, and investing in worker training. Improving overall workforce quality could attract advanced technologies and stimulate local labor markets. It is also crucial to equip older displaced workers with up-to-date skills through adult training so that they are able to stay in productive employment longer.