

THE REALITY OF GRADUATE OVEREDUCATION

Overeducation – the phenomenon by which individuals are in jobs for which they are overqualified – is a very real phenomenon associated with significant costs, according to new research by **Seamus McGuinness** and **Jessica Doyle**, presented at the Royal Economic Society's Annual Conference on Wednesday 23 March.

Many researchers argue that there is a real cost to being overeducated with, for example, overeducated graduates earning approximately 25% less than their 'well-matched' counterparts on immediately entering the labour market. Others argue that overeducation is less of a problem on the grounds that it tends to be only temporary in nature and /or reflect lower skill levels among overeducated workers.

This study examines data from a 1999 follow-up study of all Northern Ireland students who entered higher education in 1993. It finds that:

- Four to five years after graduation, 25% of male graduates and 27% of women graduates were overeducated, thus casting substantial doubt on the view that overeducation tends to reflect a temporary effect that exists only as long as it takes graduates to find their niche.
- Overeducated male graduates earned 11% less than their well-matched counterparts while the wage penalty for overeducated women was substantially higher at 23%.
- The central aim of the study is to examine the view that the lower pay levels among overeducated graduates merely reflect lower ability levels, and thus a lower payoff, relative to those graduates who are successful in finding graduate level employment.
- Given that earnings are a reflection of ability/productivity, we would necessarily expect lower ability graduates to be located in the bottom segments of the graduate wage distribution. And if overeducation is truly a reflection of lower ability levels, then we should also expect its presence to be restricted to be bottom 25% of the distribution.
- But for male graduates, overeducation was concentrated in the lower to mid ranges of the wage distribution, suggesting that it affects males of both lower and average ability, thus providing only limited support for the overeducation/ability hypothesis.
- Among women graduates, the effects of overeducation were found in all segments of the wage distribution, suggesting that women of all ability levels can potentially become overeducated.

The implications of the research are that it is not sufficient to characterise the overeducation phenomenon as reflecting either temporary labour market disequilibria or lower ability levels. Overeducation is a very real phenomenon associated with significant costs.

ENDS

Notes for editors: 'Overeducation and the Graduate Labour Market' by Seamus McGuinness and Jessica Doyle was presented at the Royal Economic Society's 2005 Annual Conference at the University of Nottingham on Wednesday 23 March.

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