

Better overeducated than unemployed?

Early career consequences of overeducation at labor market entry

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Research Questions



- Is it better for unemployed school leavers to **accept a job below one's level of qualification rather than remain unemployed** and continue searching for better jobs?
- Do the consequences of an overeducated labor market entry differ by educational level?

Motivation

- Long-lasting negative consequences of unemployment** at the beginning of one's employment career (e.g. lower job stability, wage penalty, psychological effects, etc.)
- Young people** disproportionately affected as they already occupy an **outsider position** in the labor market

Contribution

- Application of previously neglected **"downward comparison"** of overeducation with unemployment
- Triple-variable strategy for overeducation measurement** combining information on job requirement level, occupational status, and qualification level (Büchel and Weißhuhn 1997)

Labor market entry scenarios and their consequences



Theory and Hypotheses

Integration perspective

- Overeducation at labor market entry **signals employability and motivation**, allows **access to social networks**, helps one to **avoid the stigma of unemployment**, and **prevents the decay of human capital** (e.g. Baert et al. 2012; Korpi and Levin 2001; Gebel 2013).

H1a: Overeducation at labor market entry will lead to persistently better labor market prospects compared to remaining unemployed and continuing the job search.

Entrapment perspective

- Overeducation at labor market entry leads to **"overeducation scarring"**. **Mobility barriers** and the **"lock-in" effect** (due to job-specific human capital) prevent the attainment of adequate future employment (e.g. Arulampalam et al. 2001; Gangl 2003; Pissarides 1994).

H1b: Overeducation at labor market entry will lead to persistently worse labor market prospects compared to remaining unemployed and continuing the job search.

Effect heterogeneity

- Highly educated** young people generally have **better labor market prospects** due to **higher demand, productivity, and aspirations** (e.g. Breen 1997; Schmelzer 2011).

H2: Highly educated school leavers with overeducation at labor market entry will tend to encounter the entrapment rather than the integration perspective.

First Results

		probability to be employed in t=1-5					probability to be adequately employed in t=1-5				
		t=1	t=2	t=3	t=4	t=5	t=1	t=2	t=3	t=4	t=5
overeducation	0	0.87	0.88	0.89	0.87	0.91	0.67	0.63	0.64	0.65	0.66
	1	0.90	0.92	0.93	0.90	0.90	0.25	0.33	0.38	0.38	0.46
highly educated	0	0.85	0.88	0.90	0.87	0.89	0.52	0.53	0.56	0.57	0.61
	1	0.97	0.94	0.93	0.91	0.93	0.46	0.46	0.44	0.46	0.50
overeducation # highly educated	0 0	0.83	0.86	0.89	0.86	0.90	0.67	0.63	0.66	0.65	0.67
	0 1	0.98	0.94	0.88	0.89	0.92	0.65	0.63	0.58	0.65	0.63
	1 0	0.88	0.91	0.91	0.89	0.87	0.30	0.39	0.44	0.46	0.53
	1 1	0.96	0.95	0.97	0.94	0.95	0.15	0.21	0.26	0.21	0.31
Number of observations		463	484	422	372	337	477	417	363	323	296

Average predicted probabilities after logit; Statistically significant differences ($p < 0,1$) are marked in bold; Models control for sex, age, family status, nationality, region, father's education and occupational position, entry cohort, disability, and unemployment rate. Source: SOEP 1984-2012; own calculations.

Conclusions

- Overeducation at labor market entry **significantly decreases the probability of attaining adequate employment** in the early career and has **no significant impact on the probability to be employed** in the first five years of labor market participation.
- First results do not support expectations regarding effect heterogeneity by educational level.