

IAB-Colloquium zur Arbeitsmarkt- und Berufsforschung

Overeducation, Earnings and Job Satisfaction in the Graduate Labour Market

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This paper provides the first available estimates of the impact of overeducation and overskilling on wages and job satisfaction based on AlmaLaurea pre-reform university graduates in 2005. The analysis focuses on jobs attained 5 years after graduation. Overeducation is low relative to similarly advanced economies, and persistent over the years after graduation, in as much as there is a strong impact of past experiences of overeducation on the probably to be currently overeducated. Analysis of the determinants of overeducation / overskilling suggests that it tends to be *ceteris paribus* more frequent among children of parents with lower educational levels and coming from professional and technical schools. The degrees that cause overeducation more frequently include: Arts, Languages, Physical Education. Also working while studying and having started the university later than the curricular years is associated to overeducation / overskilling more frequently. Specific on-the-job training schemes and advanced post-graduate studies provide a cushion against the risk of overeducation. We find a conditional wage penalty of about 10% of the median wage for the “to get” (overeducation) and of about 6.7% for the “to do” (overskilling) definition of overeducation. We also assess the impact of overeducation on job satisfaction finding that it reduces job satisfaction by the same amount of wages, namely one out of ten points. We also study the determinants of “genuine” overeducation defined à la Chevalier (2003) as including those overeducated graduates who are also dissatisfied with their job. The determinants of genuine overeducation are similar those of apparent education, with few exceptions. The low share of overeducation / overskilling and the small penalty in terms of wages and job satisfaction has demand and supply-side explanations that we highlight in the paper.

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