



Human capital allocation and overeducation: A measure of French productivity (1987, 1999)

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Abstract

In the last four decades, France has experienced an increase in the numbers of students in further education. In this context, we have chosen to quantify the phenomenon of overeducation using a salary-based approach and to measure the impact of the general lengthening in the duration of studies on private sector productivity. The decomposition of the aggregate Luenberger productivity indicator into technological change and efficiency change reveals an increasing imbalance between salaries and required qualifications. Moreover, while overeducation has become less marked for intermediate and higher occupations, mismatches have increased in the case of the least skilled jobs.

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1. Introduction

In France, the total number of persons in education has increased at an unprecedented rate during the last four decades. This change is explained by the extension of compulsory education, a diversification of the training available within the educational system and a reduction in selectivity. In 2000, graduates accounted for 36% of those leaving the educational system as opposed to 15% in 1980.

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This increase in student numbers, combined with the employment crisis of recent decades, has transformed the operation of the labour market: statistical observation leads to the conclusion that the youngest generations of individuals leaving the educational system, who are continually better and better educated, find it increasingly difficult to find employment that matches their educational level. Today, the new cohorts of graduates, encountering increased competition when looking for employment, compensate for their lack of professional experience by a surplus of qualifications. One possible interpretation would therefore consider professional experience as a substitute for initial training in order to be a potential candidate for employment: the resulting mismatch can be considered as an adaptive process in the search of an adequate job (Sicherman, 1991). This clearly raises the issue of overeducation, i.e. employees whose level of qualification exceeds that required for the job they do.

Put another way, the concept of overeducation relates to inefficiency in the use of the potential workforce. We shall measure overeducation on the basis of the wage downgrading of those leaving the educational system by applying a production frontier model. Among the advantages of this method is that it can be used to evaluate the efficiency of the different forms of human capital allocation. This study aims to answer a key question: what are the changes in productivity in respect of the increasing qualifications of labour force?

On the basis of two surveys conducted by the Centre d'Etudes et de Recherches sur les Qualifications (Céreq), this paper analyzes changes in the productivity and overeducation of young graduates between 1987 and 1999. The paper unfolds as follows. The next section introduces a brief account of traditional measures of overeducation, of the production frontier model and of productivity indicators. Section 3 provides details of the data used and presents the findings. Finally, Section 4 concludes.

2. Overeducation and production frontier

Determining what constitutes a “normal” training–employment relation remains a difficult task which is not made any easier by the inflation of qualifications and technical progress. However, the relation between educational mismatch and earnings seems not to be sensitive to the applied measurement method (Hartog, 2000).

2.1. Measures of overeducation

There are two main ways of measuring overeducation: the “subjective” approach and the “objective” approach (Groot and Maassen Van Den Brink, 2000), which employ the normative and statistical method.

The subjective method is based on how individuals feel about their work, using what are called self-assessment techniques. The various surveys use very different questions to evaluate this feeling. However, the weakness of this approach remains its dependence on the objectivity of the respondent and the formulation of the questions. Under these conditions, two types of bias work against each other: firstly, overeducated individuals may have a negative opinion of their work and overestimate their overeducation extent; secondly, “the inflation of qualifications” leads employees to overestimate the need for qualifications, thus internalizing the feeling of overeducation (Giret and Lemistre, 2004), without there being any real change in the tasks to be conducted by the employee.

The objective approach involves comparing an analysis of the skills that are in principle necessary for a given job and the type of occupation for which the qualification prepares the

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