



# Study for nothing? Literature overview of labour market opportunities for individuals with tertiary education

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*Abstract: In western countries more and more percentage of the population enters into tertiary education. On both national and individual level positive consequences of this tendency are numerous -; such as increased level of qualification(s) and higher level of foreign language proficiency. However, employers are still not satisfied. There is a considerable mismatch between the skills and competencies offered and those demanded. Present paper endeavours to find the origin(s) of this gap and proposes ways to fill them up.*

*Keywords: higher education, labour mismatch, skills*

## 1 Introduction

Unemployment is an always present phenomenon of the 21st century. However the labour market constantly offers jobs that are left vacant because labour demand and supply are not well matched. Although unemployment rates among those with higher than secondary education are relatively low, job mismatch and unfilled vacancies are still present.

The mismatch on the labour market might be caused by two factors. Traditionally the divergence of demanded and offered educational level was the basic source of unemployment. Undereducated workers could not find jobs that matched their level of formal education. Danacica (2010) could even point out a significant difference of 17,1% between the probability of becoming employed with tertiary education and primer education. However, in the past 20 years the situation has become more complex, with the emergence of a contradictory phenomenon. The new problem does not lie in lacking basic education, but in being overeducated for jobs on the labour market (Mavromaras et al., 2010). According to Sicherman's (1991) data overeducated workers are paid less than if the job was just right for their educational niveau, but more

than their matched co-workers, who had the proper (lower) level of education. For that reason those overeducated, though not being paid “suitably”, were compensated. According to Tsai’s (2010) findings the situation is even better: due to non-random assignment of workers to jobs the pay loss caused by over education in most cases disappears.

The second type of labour market mismatch lies in the divergence of acquired and required skills. One possible explanation arises due to imperfections of the labour market such as imperfect information, low level of labour mobility and market rigidities. However, it is more likely that the disparity subsists because employee skills are not homogenous within a certain group of formal qualification/education and some, applicable for a given job on the basis of their qualifications, are still not adequate for the same position on the basis of their skill set.

On the basis of Green’s and McIntosh’s (2007) data over-education and over-skilling are barely correlated (coefficient 0,2). Although the average level of most skills rises along with the population’s educational level, the skills present on the labour market in many cases are not sufficient for adequate work (at least according to employers). In line with this, the main tendency is still being under skilled. What is more, the composition of skills emerging from EU universities and other post secondary educational institutes further widens the gap between the offered and requested skill set, hardly supporting the emergence and existence of a real demand-driven labour market (European Commission, 2008).

Present paper aims to elaborate on the mismatch between acquired and required skills in order to give clues to higher educational institutes and also to the business sector on how to approximate demand and supply.

## **2 Skills on the international labour market**

Hungary, as most European countries along with the USA is dissatisfied with its educational system. The main point is not illiteracy as it is for 26% of the global adult population (SIL International, 2011) but the ratio of citizens in higher education. Although Hungary does not aim as high as the USA College Board - Commission on Access, Admissions and Success in Higher Education (College Board, 2010) aspiring at least 55 % of Americans to hold a postsecondary degree by 2025, still, the Hungarian government - along with the EU guidelines - also has a dedication to enhance the number of Hungarians with higher than secondary education.

In the past three decades graduates with higher than secondary education have been the biggest and fastest growing education group in Western labour markets; and the trend is not deteriorating. According to the US Census’ Bureau, the number of Americans under the age of 25 with at least a bachelor's degree has grown 38 percent since 2000. According to EU estimates (CEDEFOP, 2008) those with high qualifications increased their employment share from 22.9 to 27.9 percent in the past ten years. The tendency, according to the very same calculations, continues. Therefore, the expected share of

those with higher than secondary education will reach 31.3 by 2020 (in the EU member states) in general.

The number of qualified workforce on the labour market is increasing, and with it increases the average level of qualifications accessible for companies hiring new employees. According to OECD research “Education at a Glance 2008” (OECD, 2008) unemployment rates are generally lower for individuals with higher than secondary education. However, enrolling more and more teenagers into higher than secondary education does not only have unequivocal gains. When there were fewer graduates, a higher educational degree used to be of real value. Nonetheless both graduates and HR representatives argue that higher educational degree does not hold the value any more it used to have. Students graduating from higher than secondary educational institutes are not the employees companies are in search of. Despite the ever increasing number of unemployed with higher than secondary education the number of unoccupied jobs for qualified workforce did not diminish drastically (Galasi, Nagy, 2006). Therefore increasing the proportion of graduates on the labour market does not automatically lead to high skill–high wage work force.

The situation is not a Hungarian phenomenon but can be perceived in most western countries (Baden, 2011). The EU even launched a ‘New Skills for New Jobs’ program to develop a better match between skills and labour market needs. The state of affairs is disastrous in the USA as well. According to NACE’s data (2011) 72% of fresh graduates are overconfident while not possessing the necessary skills for positions they apply for. What is more, they lack the motivation, and the understanding of how to conduct a thorough job search. According to St. Louis State’s (2012) research data it is an understatement that fresh graduates are lacking.

<b>Shortcomings of Recent Hires</b>	<b>% of research participants</b>
Lack of communication or interpersonal skills	59.7
Poor work ethic	54.8
Lack of critical thinking and problem-solving	53.8
Lack of general knowledge about business or industry	50.5
Lack of writing skills	42.5
Lack of teamwork and collaboration	38.1
Lack of technical skills specific to the job	37.5
Lack of willingness and ability to learn	37.4
Lack of basic math skills	31.0
Inability to understand written and graphical information	26.6
Lack of computer skills	11.1
Other	25.4
None of the above	4.0
All of the above	3.7

Table 1  
Shortcomings of new hires  
Source: Workforce 2012

More than 50% of the new employees do not meet the standards for basic skills - such as communication, interpersonal relations, critical thinking and problem solving - the company is searching for. What is more, they are also lacking general knowledge about their main fields of specialisation.

The mismatch of skills demanded by the labour market and offered by applicants is prevalent in most European countries (Garcia-Aracil, Van der Velden, 2008). In case of some researched characteristics, such as 'Broad general knowledge', 'Field-specific theoretical knowledge', 'Learning abilities' and 'Foreign language proficiency' the disparity found was positive, the acquired level of above mentioned features was higher than the labour market would have required it. For other characteristics the required levels were higher than those offered. (For more details see Table 2.)

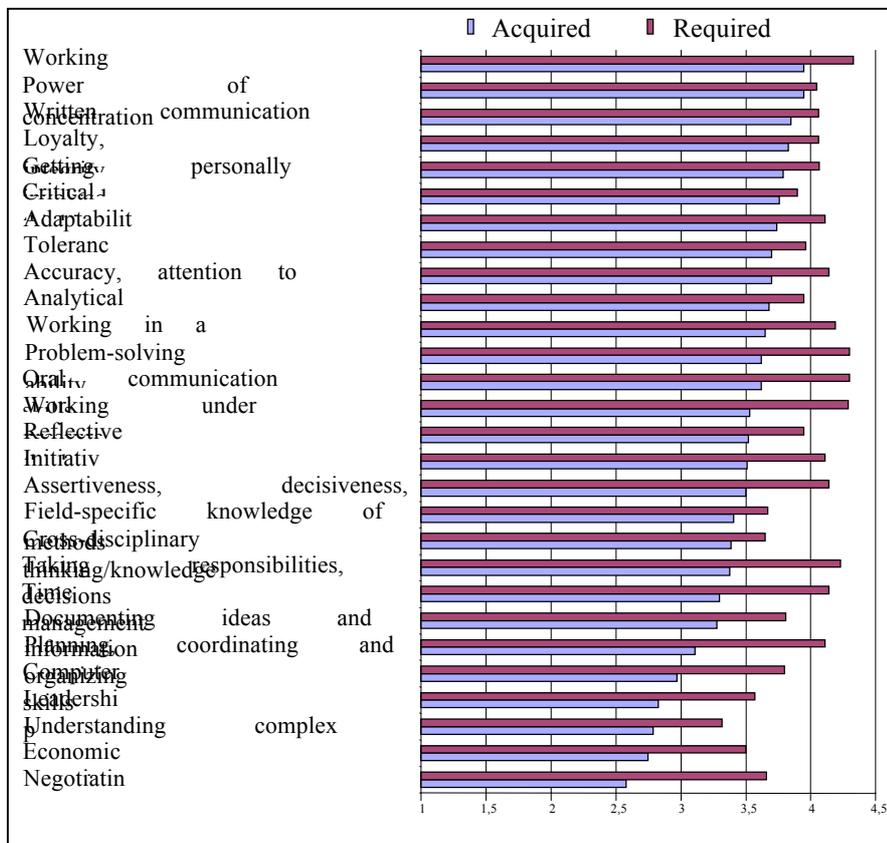


Figure 1  
The mismatch of skills required and acquired on the European labour market  
Source: author's edition

The American and European findings are unfortunately corroborated by Hungarian ones as well. According to Farkas's (2007a, b) findings students at Budapest Tech are deficient in each and every skill with 1-1,5 points on a 7 point Likert scale compared to the expected level of the competencies at hand. The biggest difference in levels of acquired an required competencies was found in practical implementation of theoretical knowledge, work ethics, foreign language proficiency and learning skills. Owing to the MKIK (2005) data employers also complain about insufficient knowledge of foreign language(s), high salary expectations and unwillingness of mobility. Héra (2006) found that those freshly graduated are not only deficient in the field of work experience, but their professional knowledge and motivation is also lacking. According to Csiszárík et alii's (2009) research results Hungarian 'employee-to-be's are mostly lacking in mathematical entrepreneurial and language skills.

What is more, according to the findings of the international Adult Literacy and Life Skills Survey (ALL Survey) 28% of the Hungarian population is lacking in each and every basic skill researched, such as prose literacy, document literacy, numeracy and problem-solving (OECD, 2012). At the same time almost the same percentage of the Hungarians excel at them. Along with these findings the Hungarian labour market can be regarded as a tolerant one, since new hires are already made on the basis of a single skill of sufficient level. Moreover, there is no significant difference between the opportunities of high-skilled individuals and those with only one skill of adequate niveau.

### **3 What shall be done?**

Why is the skill set of fresh graduates so different from what the labour market is seeking? Is it an outcome of the ever changing market needs or is it a transitory phenomenon to be dissolved with time on its own, or is it something that escalates and is worthy of policymakers' and higher educational institutes' major interest?

In order to create a supply of potential knowledge workers to enter high-skill jobs policymakers across Europe and America decided to change the former elite higher education to a mass system. Creating the opportunity of higher education for a wider audience – including individuals from lower socio-economic background and other parts of society previously not addressed – also shifted the responsibility of meeting job requirements to the individuals.

The main target area of mass education was business and management (Wilton, 2008). It might have happened because there is a clear connection between the generic and managerial skill set sought by employers and that taught at business and management institutions. However, there seems to be a tension between what employers claim to seek and their recruitment activity.

There is a possibility that business and management higher education fails to provide the adequate skill set employers require. According to data provided by Farkas (Farkas,

2008; Farkas, Nagy, 2008) the expectations of employers and the image thereof by potential employees are strongly decoupled. Students in tertiary education heavily overestimate the value of mathematical, theoretical and analytical skills. Some other researchers argue that the business and management higher education as such is a mule of a sort. Compared to academically long established sciences such as mathematics or law it has a relatively short history and the education lacks the 'depth of sciences'. Conversely, compared to IT or engineering it is deficient in 'sufficient' practical knowledge.

On the other hand, there is a probability that higher educational institutes simply fail to make their programmes - regarding general and field specific business knowledge and the developed skill set of students - to the recruiters transparent. This alternative is corroborated by Purcell et al.'s (2005) findings. According to their research employers tended to prefer individuals with degrees from older higher educational institutes; from ones whose teaching practice and its outcome they were already familiar with.

No matter how old and established a higher educational institute is, it has to be prepared to meet the ever changing needs of the labour market. Most employers indicate that, parallel to the more complex challenges their employees are facing, their expectation regarding their employees-to-be have increased. The majority (60%) of American executives believe that graduates aiming to pursue self-improvement and long-term career success need both a broad range of skills and knowledge that apply to a range of fields and positions and in-depth knowledge and skills that apply to a specific field or position (AACU, 2010). The remaining participants either voted for a focus on either in-depth (20%) or broad (20%) skills and knowledge. However, only one fourth of the research participants believed that higher educational institutes are doing a good job of preparing graduates for the workplace.

In the same AACU study when assessing the labour market value of emerging educational practices 66 percent of employers treasured curricula with internship or community-based field project the most. According to the majority's (62%) opinion it would be beneficial for business and management students to complete a significant project before graduation that, beside demonstrating their in depth knowledge of their specialisation, also would account for their acquisition of analytical, problem-solving, and communication skills. Some employers (57%) also requested higher educational institutes to help students develop the skills to research questions in their field and develop evidence-based analyses. The fourth most relevant practice addressed (48%) was the opportunity to gain knowledge of debate; how to formulate and express their own opinion about (ethical) issues at hand.

However, not only higher educational institutes are to blame for the level of skills of individuals on the labour market. As discussed in an Accenture research (Büning et al., 2011) the majority of workers (55%) feel to be pressured to always develop additional skills to succeed in their current and future jobs, but only 21% of the companies do not fail to provide the necessary training in order for workers to do so. Nevertheless, companies should not only be willing to provide training for their employees, but ought to be clear about their own job requirements. In the same survey 53% of unemployed

individuals do not know what skills are in demand for specific positions and neither do they understand the trends on the labour market. What is more, even those employed do not know what is requested from employee candidates. According to their workers only 49% of the employers researched provided a clear understanding of the skills needed for different roles and career paths in their company.

### **Conclusions**

A key to long-term economic success is aligning workforce skills with the needs of employers. This calls for continued efforts to increase the links between education and business and further in depth analysis of the skills required (and still lacking) from the labour market. Most higher educational institutes are already working to update and improve their curriculum however students have to add their sides of the equation as well in order to stand up for the needs of the 21<sup>st</sup> century's labour market. It would also be advantageous to strengthen the links between qualifications and job skills, so that educated job seekers would not have to be rejected due to skill insufficiency.

However, the blame should not only be on higher educational institutes. Most employers have the knowledge as well as the capacity to (further) train their manpower in order to deepen their company/field specific knowledge and skills. Such company practices, additional to supporting life long learning of employees, may lead to higher satisfaction, commitment and engagement of the personnel. Responsibility also goes to 'employee-to-be' s. It is already well known (Majláth, 2008) that declared and followed values are divergent. Which means that although those in search of a proper employment opportunity are aware of the demand of employers' and their lack therein; they do not take the time and effort it takes to narrow the gap between the have and must have level of skills

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