

Skill mismatch in EU Enlargement and Neighbourhood Countries

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Social inefficiency of mismatch

- Mismatch defined here as labour market phenomenon conditioned by education system inefficiencies
 - Disproportion between supply and demand for labour by skill level ('vertical mismatch')
- Does not consider 'horizontal' mismatch
- Costs of mismatch
 - Fiscal costs (unemployment, foregone tax revenue)
 - Absenteeism
 - Loss of productivity and competitiveness

Measures of mismatch

- Coefficient of variation
- Variance of unemployment
- Proportions of employment and unemployment
- Beveridge curve
- Mismatch by occupation
- Relative wages by skill level

Countries included

- Transition countries in Western Balkans
 - Croatia, Montenegro, Serbia
- Neighbourhood countries in transition
 - Moldova, Ukraine
- Emerging market countries
 - Turkey, Egypt

Main findings (1)

- Gender differences
 - Inferior matching of women in emerging market countries

Figure 1: CoV mismatch by gender – Moldova

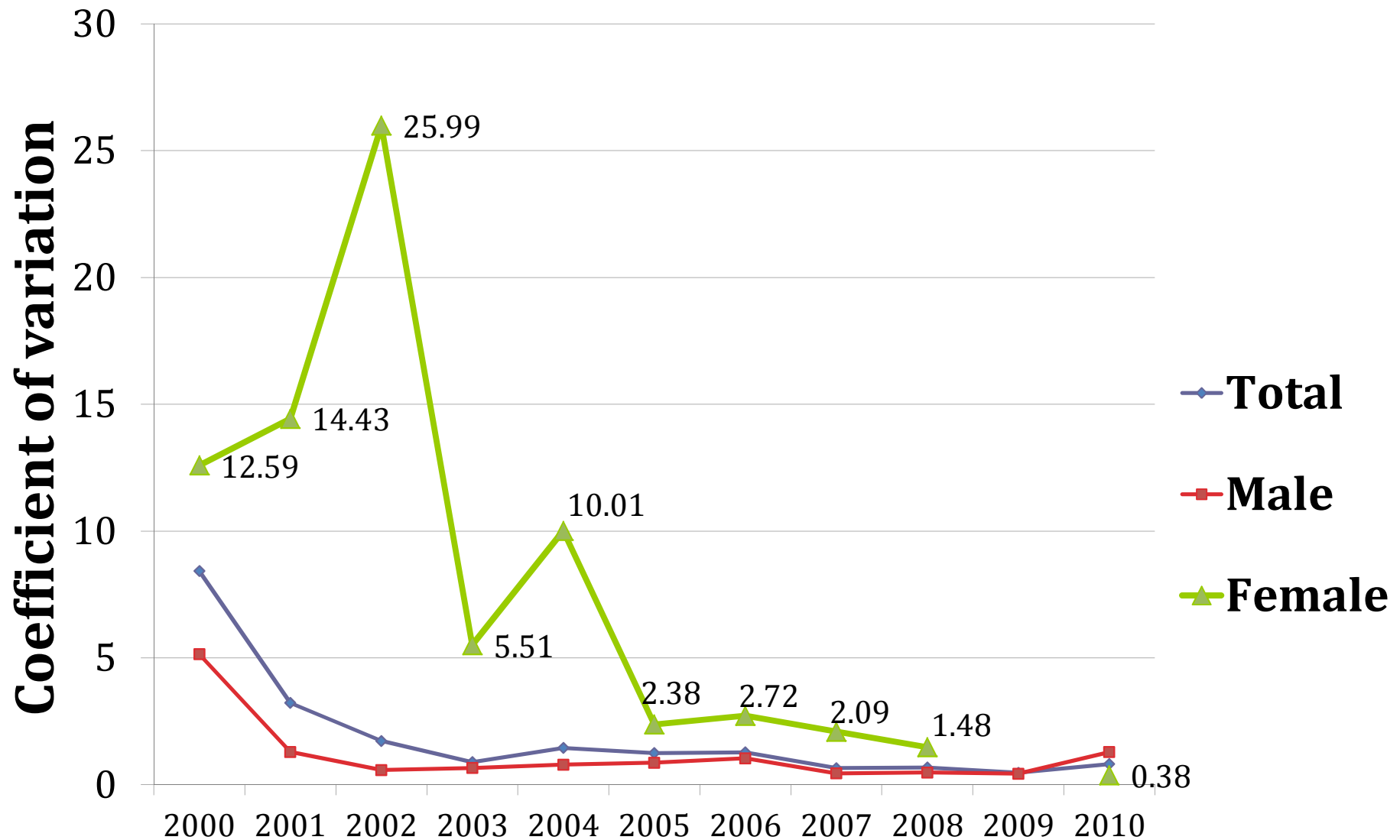


Figure 2: CoV mismatch by gender, Turkey

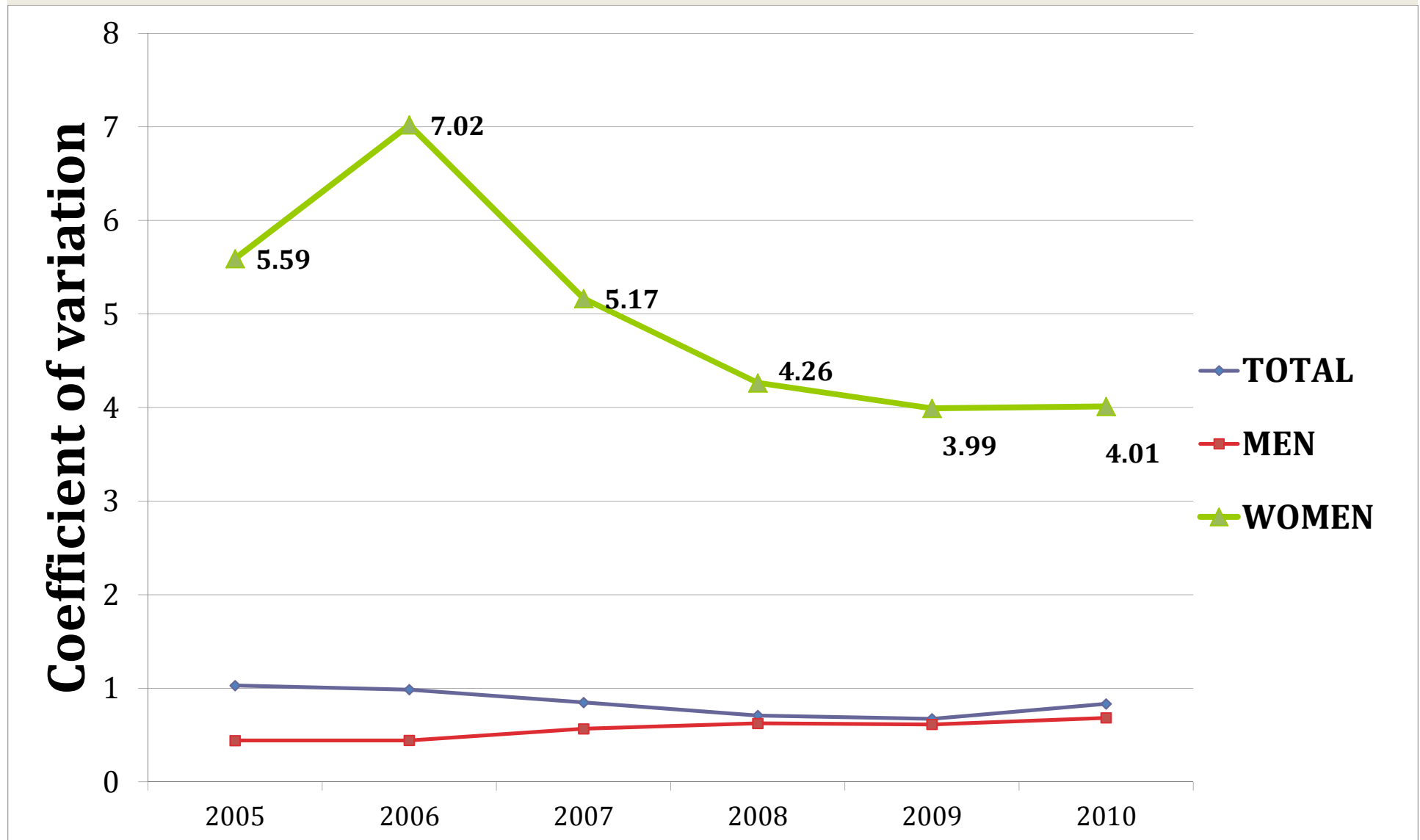


Fig 3: CoV mismatch by gender, Egypt

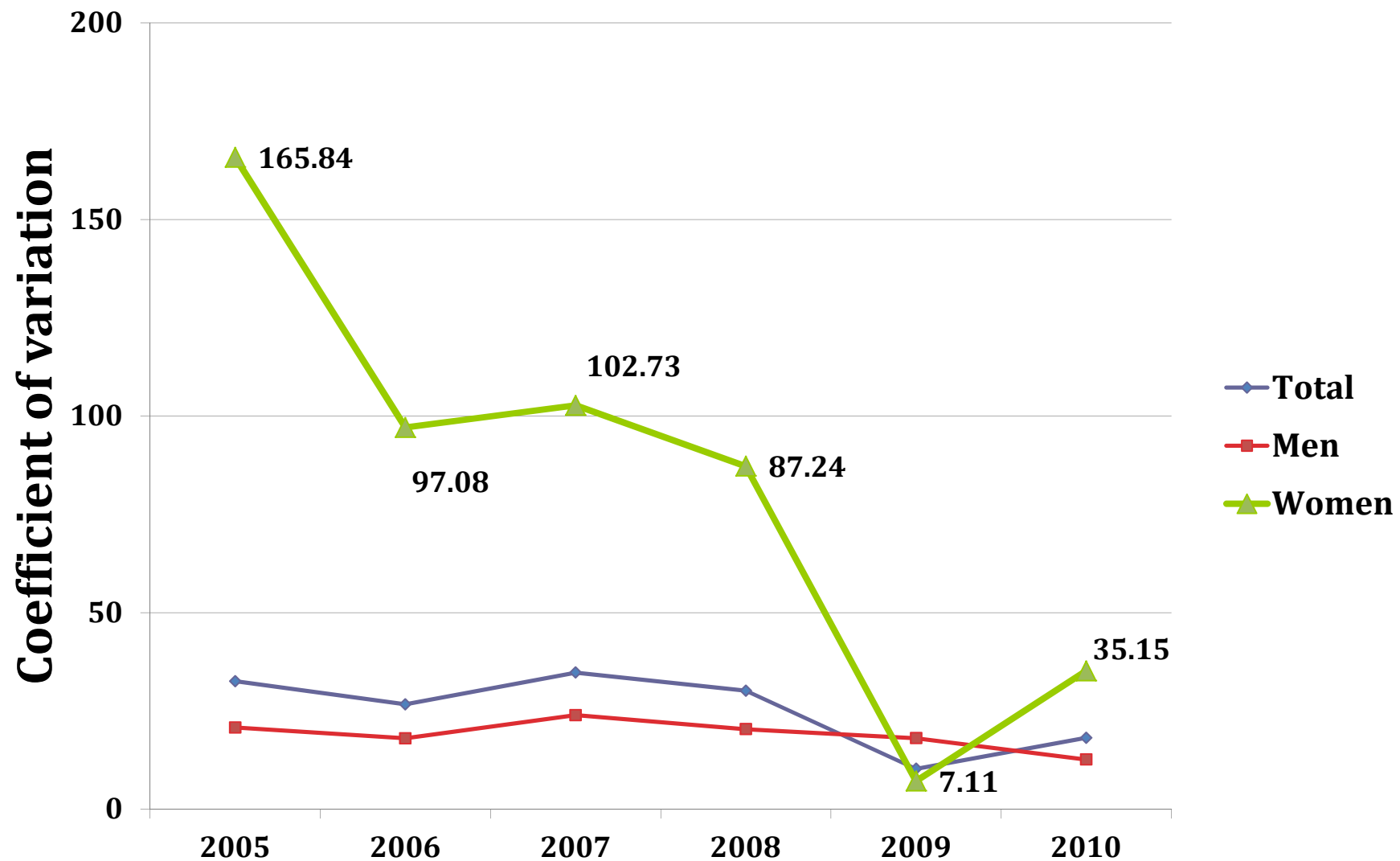


Fig 5: Variance mismatch by gender, Ukraine

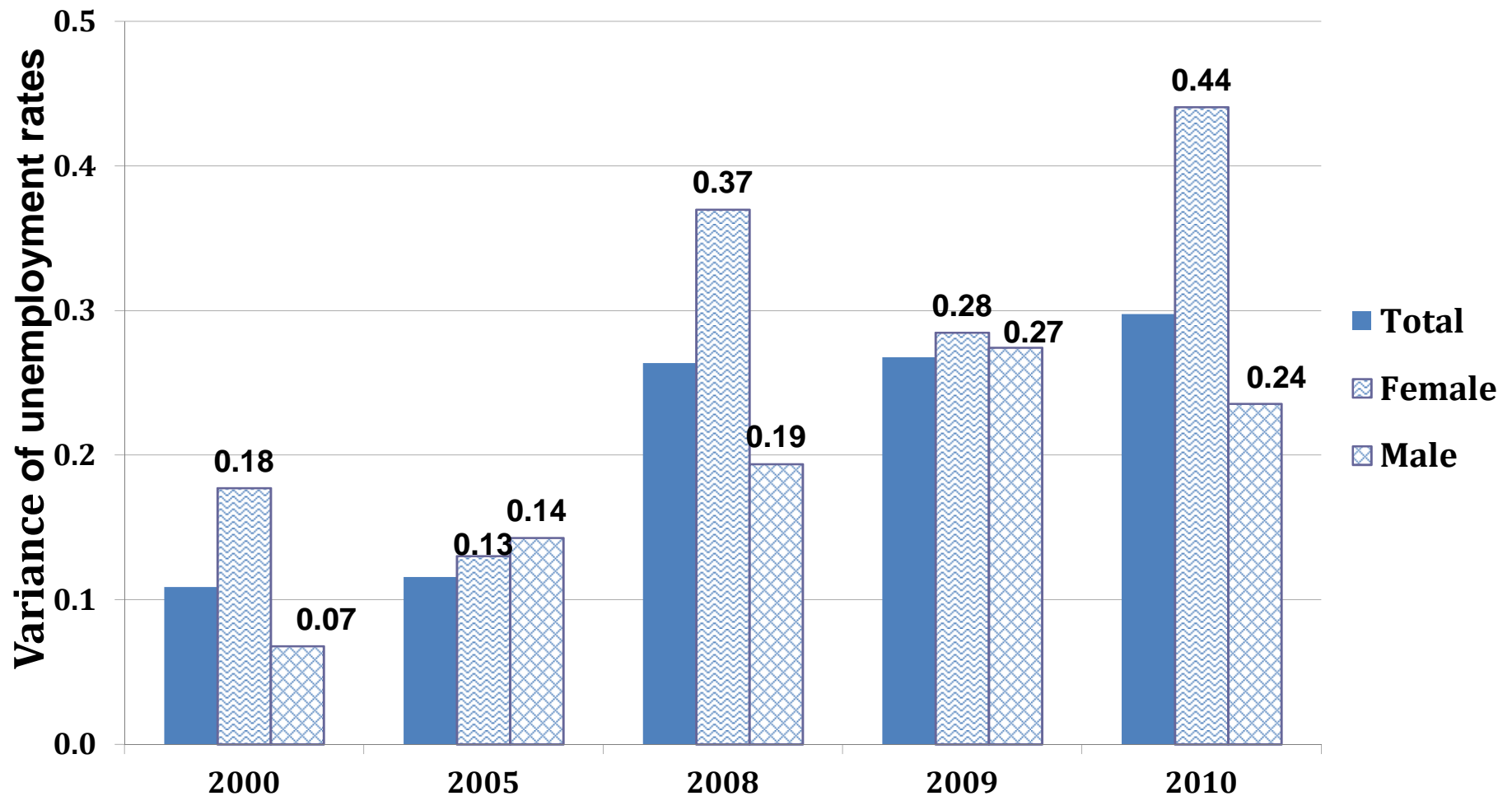
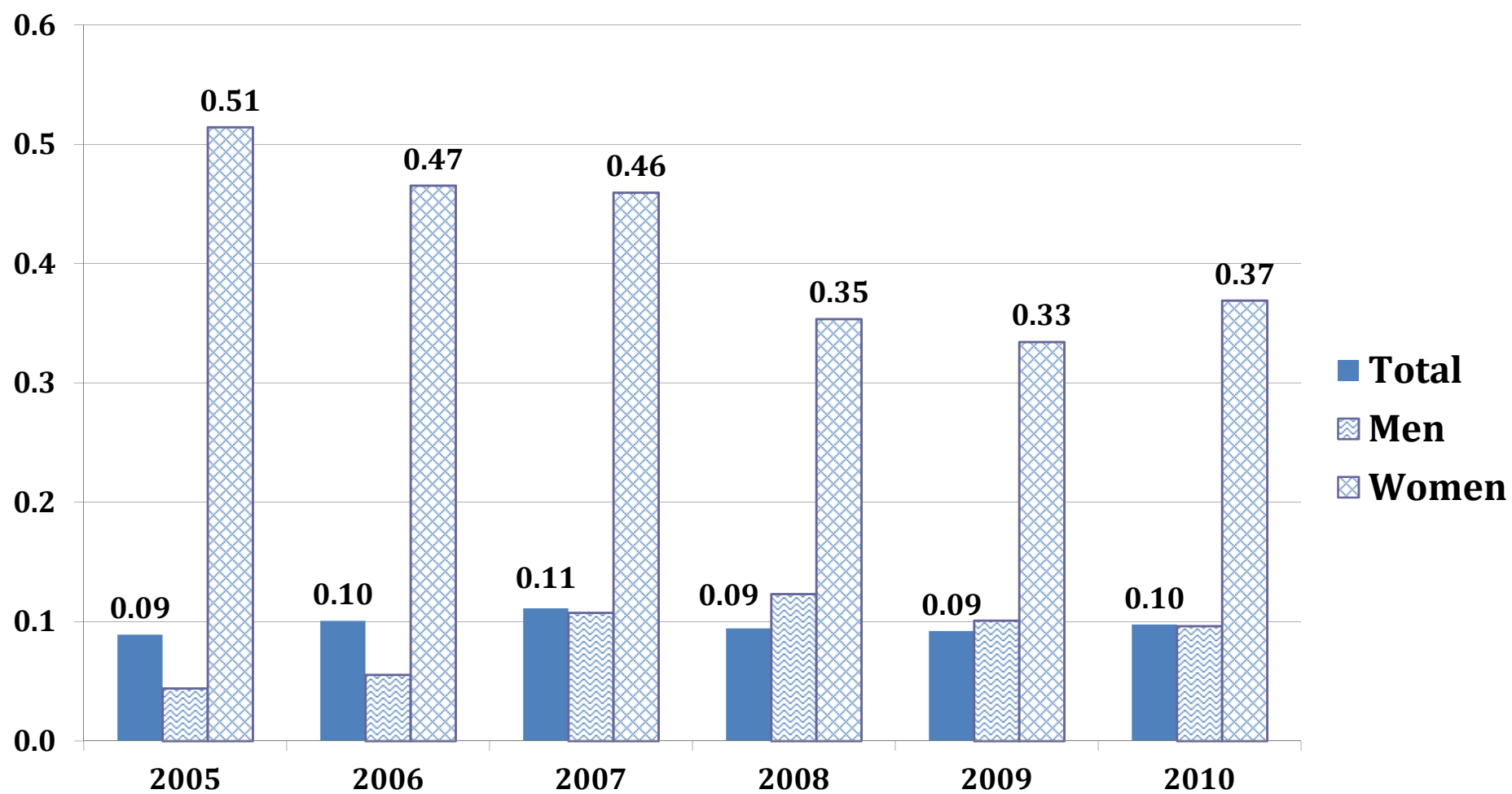


Fig 6: Variance mismatch by gender, Turkey



Indicator	CoV	Variance	Beveridge
Croatia	Relatively stable	Increase 2002-09	Inward shift; ended during crisis
Montenegro	n/a	Decrease (poor data)	Inward shift 2006-08
Serbia	Increased 2005-06 then stable, declined 2010	Increased 2005-08; then fell to previous level	Outward shift followed by inward shift
Moldova	Declined 2006-07	Stable 2005-08; then declined	Inward shift 2004-08 ended during crisis
Ukraine	Increased 2000-08	Increased 2000-10	Inward shift 2005-08 ended during crisis
Turkey	Declined 2005-09; increased 2010	Declined 2005-10	Outward shift 2005-10
Egypt	Very high; declined 2005-09; then increased 2010	Very high; declined 2005-09; then increased to former level	n/a

Patterns of mismatch

- Transition countries: mismatch increased up to 2008
 - Reflects employer behaviour during boom period in countries where skilled labour is scarce
 - Employers were willing to take on unmatched workers
 - In downturn employers released mismatched workers first
- Emerging markets: mismatch declined up to 2008 due to decline in female mismatch
 - During boom, employers relaxed discriminatory hiring against women who filled better-matched jobs rather than 'women's jobs'
 - During crisis employers reverted to discriminatory practices

Main findings (3)

- Education qualifications and mismatch
 - Highly educated workers better matched in transition countries
 - In emerging markets university graduates poorly matched; less well educated are better matched

Fig 9: Proportional mismatch by gender and education, Moldova

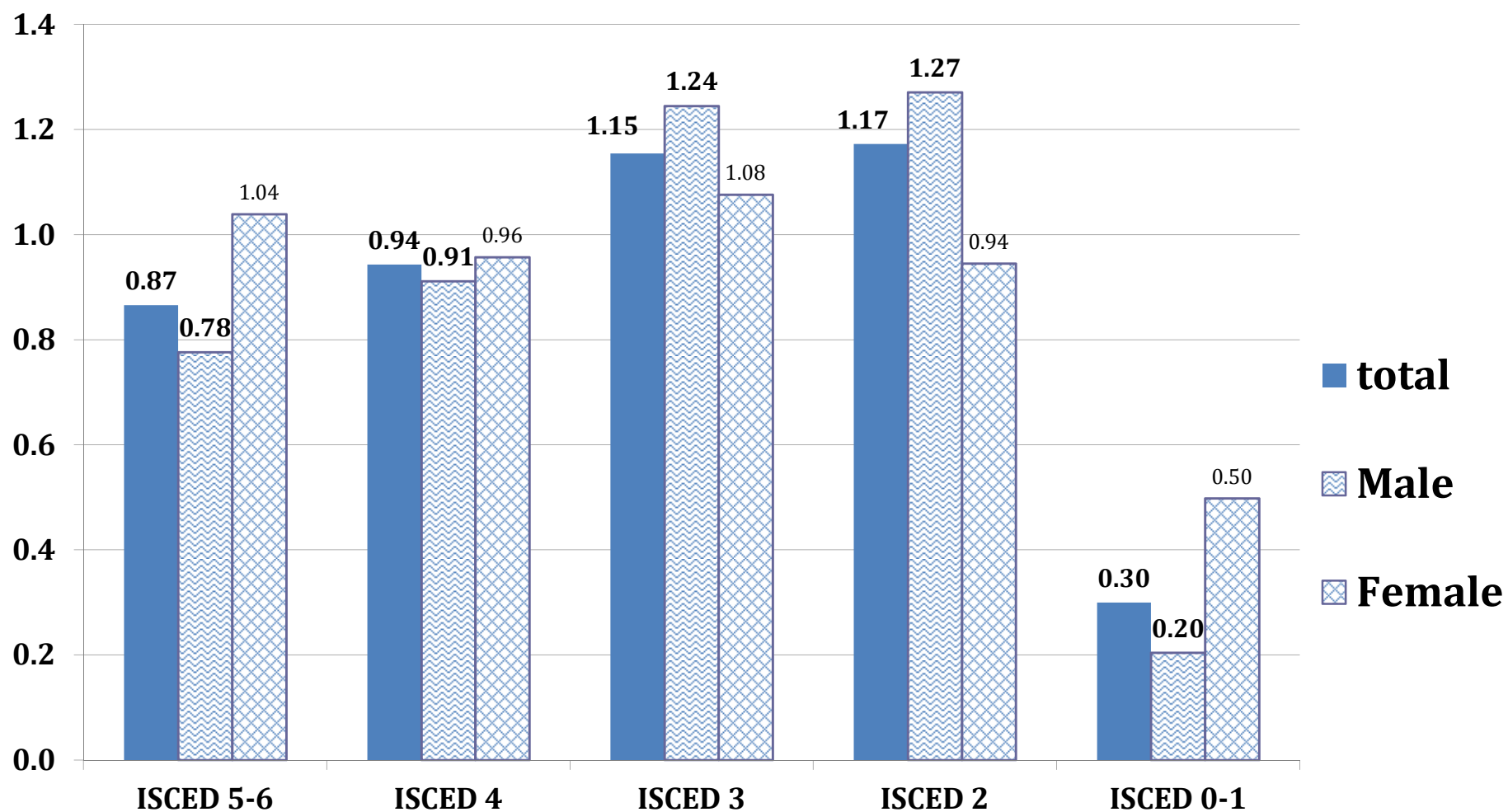
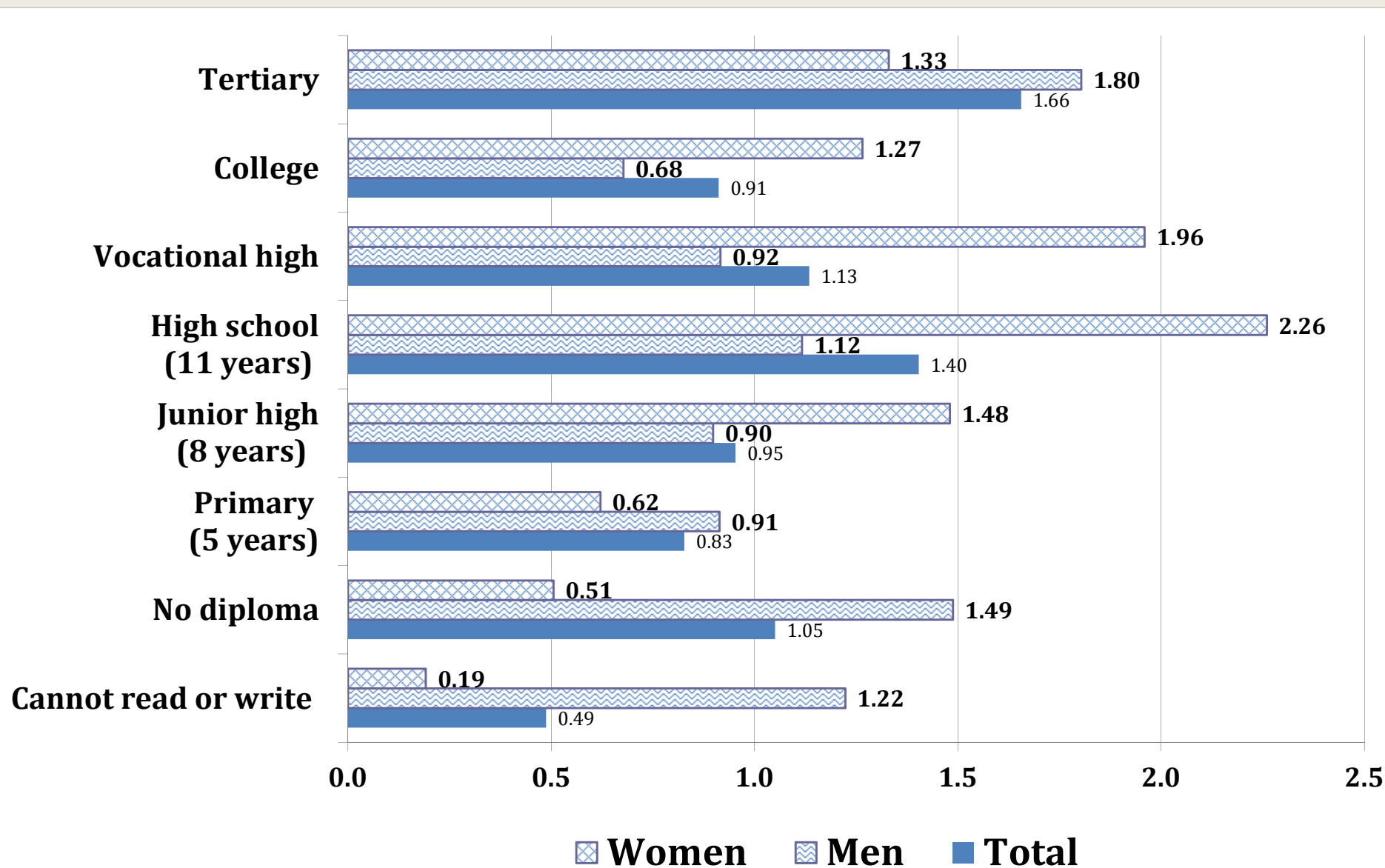


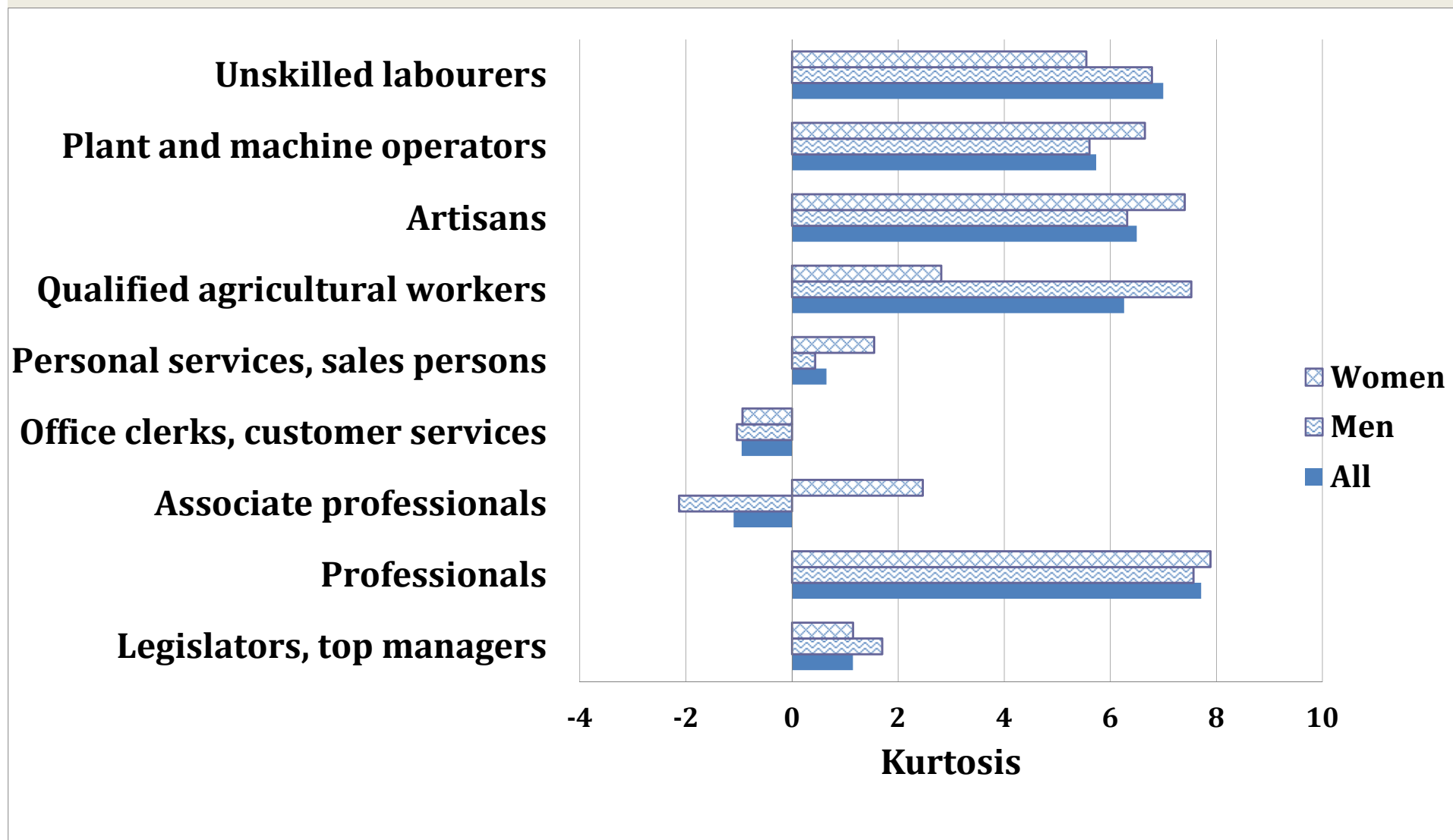
Fig 10: Proportional mismatch by gender and education, Turkey



Main findings (4)

- Occupational matching
 - Turkey: mismatch highest among office clerks, customer services; associate professionals; but also high among legislators and top managers; least among professionals

Fig 11: Matching by occupation, Turkey



Other main findings (5)

- Age groups
 - Younger and older workers poorly matched especially in Turkey and Egypt
- Spatial dimension of mismatch
 - Mismatch higher in rural areas (Moldova)
 - But also urban college graduates (Ukraine)
- Relative real wages have been increasing
 - Growing demand for skilled labour
 - Since crisis onset, relative wages for skilled have fallen (Ukraine) but not in Turkey

Conclusions (1): Transition economies

- In transition economies, education is often inappropriate to needs of modern economy
 - Vocational and high school graduates often have inappropriate skills and qualifications
- Restructuring and technological change has increased demand for university graduates
 - Employers cannot find enough highly qualified workers (especially in Ukraine and Moldova – BEEPS data)
- But there is also evidence of 'over-education' and 'bumping down' in transition economies
 - suggests socially inefficient matching process

Conclusions (2): Emerging markets

- Level of mismatch greater than in transition countries,
 - though falling, mainly due to improved matching of women, although large gender differences remain
- Very high mismatch among more educated workers
 - Especially young skilled workers and university graduates
- Issue is not so much 'skill-biased technical change' but rather high population growth
 - Education system produces more highly skilled young men than labour market is creating jobs to absorb them
 - Large informal sector provides jobs for unskilled

Policies: transition countries

- Reform of high schools and vocational schools
- Expand but regulate tertiary education to ensure quality
- Incentivise employer in-house training
- Address mismatch of older workers through public investment in retraining, lifelong learning and adult education

Policies: Emerging markets

- Address mismatch among young highly educated workers as priority
- Ensure highly skilled young women are included in labour market with matched jobs
- Upgrade industrial base to provide more skilled jobs for unemployed graduates
- Integrate into EU economy by guiding European FDI into diversified local economies