

Human Capital, Growth and Inequality – a Comment

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In recent months we have seen the publication of reports highlighting the extent of both overeducation (Foley and Brinkley, 2015; Holmes and Mayhew, 2015) and skill shortages, (Vivian et al., 2016). Both are maladies of which we are fond of complaining. Yet the coincidence of both is curious. Ken Mayhew has provided an admirable assessment of the evidence, to which I have a couple of observations to add.

First, over-education is a very slippery concept. The report by Holmes and Mayhew (2015) generated some degree of alarm owing to the finding that around 60% of graduates in the UK are in non-graduate jobs. My own recent work (Johnes, 2016), based on PIAAC data, suggests that just over 50% of UK workers self-report as being overeducated in relation to the requirements of their job. Yet - and here

is the rub - of those, no fewer than 97% are employed in jobs that require skills in reading and writing articles or reports, or in preparing graphs and tables, or in using algebra or more advanced maths or statistics. These overeducated people may not be using all of their skills all of the time, and no doubt this makes them feel overqualified for their roles. But they do seem to be using at least some of those skills some of the time. This observation is reinforced by the fact that numerous studies (from Duncan and Hoffman, 1981 through Johnes, 2016) have found that the 'surplus' education of 'overqualified' workers is rewarded through higher remuneration - though it is rewarded less than 'required' education. The extra skills that overeducated workers possess seem therefore to be of value, even though it might be the case that they could be of even greater value if used in more challenging work.

Secondly, Mayhew notes that the rate of return on education received by the average student has remained high in relation to that of alternatives, but that this does not necessarily mean that marginal students are making good investments. While research on this issue is in its infancy, detailed evidence from Walker and Zhu (2013, p.59) suggests that the net present value of higher education in the UK varies surprisingly little across the distribution of graduates. I have some sympathy with the argument that resources should be switched into vocational education, but would be very wary of doing so on the strength of the evidence provided here.

References

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