

THE ETF WORK ON SKILLS MISMATCH IN PARTNER COUNTRIES: SOME ISSUES AND PRELIMINARY FINDINGS

**A SHORT NOTE FOR SPEAKERS IN THE CROSS-COUNTRY EVENT
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Introduction

Skills mismatches¹ reflect changes in the labour market, some at rapid pace and it is interconnected with human capital. Surplus of human capital is typically measured in terms of over-education or over-skilling.² However, surplus of education may also be related to horizontal (or field of study) mismatch, whereby workers are employed in jobs that are not relevant to the skills and knowledge accumulated by them in formal education.

ETF has conducted a pilot initiative aiming at investigating the feasibility to measure the incidence of skills mismatch in few partner countries (during 2017/18)³. Based on this strand of work and after further refining the measurement framework⁴, an ETF team⁵ has framed and estimated the vertical and horizontal mismatch in most ETF partner countries⁶ during 2020/21. Some preliminary findings are presented below and will be discussed in an international event on 25th November 2021.

This short note presents few issues from our work and provisional results for two indicators used to measure the incidence of vertical mismatch. Each indicator has its strengths and weaknesses, and this must be clearly laid out in the context of ETF partner countries (EU Neighbourhood and Central Asia). As such, it's essential to assess which data is required to compute indicators before make up any recommendations to countries, as no methodology can be more reliable than the underlying data.

ETF approach for measuring skills mismatch in partner countries

We focused our work on several research questions, such as: What are the most common types of skills mismatches in the partner countries? What are the available datasets, to what extent they are accessible, reliable or comparable internationally? Is it feasible defining and collecting a set of key comparable indicators on the incidence of skills mismatch across partner countries? What are the key shortcomings in calculating these indicators? What could be the main policy implications of mismatch, given the socio-economic context of each country? How ETF and its partner countries can take further steps to securing a regular assessment of mismatch occurrence and dynamics over time?

The ETF has opted for Labour Force Survey-based estimations, mainly for securing a high degree of harmonisation, comparability and validity of the results. This is important as mismatch estimates are sometimes challenging and could lead to limited acceptance, especially among the policy makers. For us, data availability, comparability and the use of international standardised classifications have been the main criteria to be followed when suggesting/engaging in computing new metrics for studying the mismatch. Also, easiness of interpretation for the computed indicators was also a priority.

¹ Specifically, skills mismatch can be used to describe vertical mismatch (usually measured in terms of over-education, under-education, over-skilling and under-skilling), horizontal mismatch (usually fields of study and work are compared), skills gaps (the extension to which workers lack the skills necessary to perform their current job), skills shortages (usually measured in terms of unfilled and hard-to-fill vacancies) and skill obsolescence (skills can become obsolete due to ageing, through technological or economic change which renders certain skills unnecessary or through the underutilisation of skills).

² The policy literature tends to favour the word 'over-qualification' instead of 'over-education' on the grounds that it is always best to have more educated people than less. There is a similar aversion to the term 'over-skilling' as it is believed that having more skills on the whole is a good thing.

³ Serbia, Montenegro, North Macedonia, Moldova, Georgia, Egypt, and Morocco.

⁴ ETF mismatch framework is made of ten indicators: three core measuring vertical and horizontal mismatch, three contextual and four optional. Only two indicators measuring the vertical mismatch are included in this note.

⁵ Including experts from Economix (Germany) led by Prof. Ben Kriechel.

⁶ Albania, Armenia, Belarus, Bosnia and Herzegovina, Egypt, Georgia, Israel (tbc-work in progress), Jordan, Kosovo*, Kyrgyzstan, Moldova, Montenegro, North Macedonia, Palestine, Serbia, Tunisia, Turkey and Ukraine.

Labour market imbalances: what role for skills mismatch? First findings from the ETF work.

Provisional data⁷ for some twenty partner countries shows that, in 2019, at least one in four tertiary graduates have held jobs requiring lower levels of formal qualifications in a vast majority of countries, but the incidence was as high as one in three graduates in Georgia, Turkey or Ukraine, approaching half of tertiary graduates in Tunisia. ETF provisional data also shows that the mismatch incidence for upper/post-secondary graduates (ie medium qualification level) is lower than that of tertiary graduates. Young tertiary graduates shows higher incidence of over-skilling in all countries with data available: in 2019, some two-thirds were mismatched (ie have held jobs requiring lower levels of formal-ISCED-qualifications) in Tunisia, about half of them in Kyrgyzstan, Serbia or Turkey, some 40% in Albania, Georgia or Kosovo and one-third in Montenegro, North Macedonia, Moldova, Palestine or Ukraine.

Some countries, such as Albania, Kosovo, Moldova, Palestine or Turkey, displaying lower shares of higher-skilled workers in the workforce (ie holding a tertiary education attainment level in ISCED), have seen a sizeable and rapid increase in the size of this group in the past years. However, this increase has not always led to better employment prospects, and in some countries, holding a university degree does not always mean being employed and/or job-matched (ETF, 2020)⁸. This shows that education systems face many challenges in responding to changing demands for skills. It can also suggest that many higher-skilled graduates have to accept positions below their formal (ISCED) qualifications. High unemployment levels and limited opportunities on the labour market force especially higher-educated individuals to accept such positions.

In 2019, at least one in four workers was over-educated⁹ in most countries with data available¹⁰; this proportion reached one-third of workers in Armenia, Tunisia or Turkey. The incidence of over-education is typically higher for young workers in the vast majority of countries, peaking at some 40% of youths in Tunisia or Turkey and affecting only one in ten young people just in three countries: Albania, Bosnia and Herzegovina and North Macedonia. The relatively high level of worker's over-education could suggest that graduation does not necessarily always lead to a matched integration in the labour market and could signal a human capital loss. There could be many reasons behind this situation and more country specific analyses are necessary to identify the determinants and most effective solutions to prevent or counteract such imbalances. What emerges clearly is that education systems are only in part generating such imbalances through insufficiently forward-looking enrolment policies, poor quality and relevance of educational programmes or failures in addressing social inclusiveness goals. Career guidance and career education from early schooling onwards, effective matching services and work-experience gaining programmes during transition phase from school to work are also essential.¹¹

⁷ ETF (forthcoming), *Skills mismatch: measurement and policy implications in selected ETF Partner Countries*.

⁸ ETF (2020), [*Unlocking youth potential in South-Eastern Europe and Turkey: Skills development for labour market and social inclusion*](#).

⁹ Over-educated are those usually holding jobs for which the modal value (ie the one identified most frequently) in a job/occupation distribution in their country is typically below their (ISCED) level of education.

¹⁰ Albania, Armenia, Belarus, Bosnia and Herzegovina, Egypt, Georgia, Israel (tbc-work in progress), Jordan, Kosovo, Kyrgyzstan, Moldova, Montenegro, North Macedonia, Palestine, Serbia, Tunisia, Turkey and Ukraine.

¹¹ ETF (2021), M. Badescu and C. Mereuta, *Skills mismatch: Measurement and policy implications in selected countries*, in [*Changing skills for a changing world: Understanding skills demand in EU neighbouring countries*](#).

Some remarks from us. We look forward to hear yours, too.

Measuring and understanding the magnitude and interrelationship of various forms of skills mismatch always requires a combination of indicators and analysis of results from different methods.

We have noticed that any exclusive focus on one or another indicator on the mismatch incidence, may sometimes lead to misleading or incomplete interpretation of findings.

We notably found that any findings on the incidence/determinants of mismatch should be always well contextualised by considering the underlying conditions specific to transition and developing countries. The ETF measurement framework also includes few contextual indicators that we always discuss with countries (ex. employment/unemployment/inactivity, youths not in employment/education/training-*NEETs*). This allows a better framing of the mismatch.

Finally, we believe that policy recommendations on skills mismatch should always strive for relevance, by mentioning the specific type of mismatch in question and how policies are expected to address it.