

Is overeducation with underpayment a lifelong problem?

Alex Kratochwill

Many workers have more education than is required for the job they hold, but this education disconnect is generally thought to dissipate as workers climb a career ladder. New longitudinal research shows, however, that some overeducated workers continue to receive lower wages over the long term.

A National Bureau of Economic Research working paper by Brian Clark and Arnaud Maurel from Duke University and Clément Joubert from University of North Carolina at Chapel Hill titled “[The career prospects of overeducated Americans](#)” uses data from the National Longitudinal Survey of Youth 1979 and Current Population Survey to look at overeducation’s effects on employment and wages over time. To analyze these effects, the researchers tracked almost 5,000 college graduates for 12 years after they entered the workforce.

Their study shows that over one-third of college graduates are working in what the researchers call “overeducated employment,” with secretaries and sales occupations accounting for the largest shares of overeducated workers. Additionally, women and minorities without college degrees had higher percentages of overeducation when compared with men and Whites. However, among workers with at least a college education, women and minorities were no more likely than their male and nonminority coworkers to be overeducated.

Although many overeducated workers do eventually settle into a position for which their education level is a good match, overeducation still remains very high more than 10 years after the individual has entered the workforce.

Employees who are overeducated shoulder two kinds of costs: they paid for unnecessary education with their time and money and they earn less than they expected given their level of education. Employed overeducated individuals are penalized with a 2.6–4.2-percent wage penalty that persists for 4 years even though each additional year of education typically increases wages by almost 10 percent.

It should be noted that some workers place more importance than do others on nonpecuniary aspects of their job, such as location, flexible hours, benefits, job satisfaction, and safety factors, and therefore are willing to take a job that has lower educational requirements and lower pay. Nonetheless, underemployment remains a problematic issue for many high school and college graduates.