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Overeducation and wage penalty: the evidence from Poland

Like most Eastern European Countries, Poland has experienced a boom in tertiary education in the last decades. While during the last 20 years tertiary educational attainment in age group 30-34 has increased from slightly above 10% to over 40% of the population, the demand for highly educated workers has not increased proportionally. This has led to mismatches between educational level and occupations performed by many of the employed. According to OECD estimates, in 2016 9.2% of workers in Poland had qualifications above those required for their job.

We provide an empirical evaluation of the wage effects of overeducation in Poland on the level of 2-digit occupational groups. We concentrate on a particular group of employees, namely Services and Sales Workers, which belongs to the major group 5 of International Standard Classification of Occupations (ISCO-08).

Our research hypotheses are as follows:

- (1) The rise in the ratio of workers with tertiary education leads to overeducation of the labour force as the demand for labour does not adapt as fast.
- (2) Overeducation has a negative impact on wages.

To verify these hypotheses we use a detailed database concerning Polish labour market. Using an extended Mincer wage regression model, the estimation results confirm those found in the existing literature. While wage penalties are found in case of overeducation, being undereducated implies positive wage premia.