

# Human Capital Mismatch in the British Labour Market: Evidence after the Crisis

Yannis Galanakis  
University of Kent  
I.Galanakis@kent.ac.uk

Supervisors: Dr. Amanda Gosling  
Dr. Olena Nizalova

## Objective

The aim of this study is to provide a robust measure of Human Capital mismatch in the British labour market for the last 25 years.

## Data

- British Household Panel Survey (BHPS); waves 1-18; 1991 - 2008
- Understanding Society, the UK Household Longitudinal Study; waves 2-7; 2009-2016

## Skills vs. Occupations

Table: Allocation of occupations by skills intensity

Skills Level	Example of Occupations
High	Managers; Professionals
Middle	Associate Professionals
Low	Elementary Occupations

Note: 1-digit level of occupational aggregation based on International Standard Classification of Occupations ISCO-88. Middle also includes Clerks; Service and sales workers; Craft and related trade workers. Low also includes Agricultural employees; Plant and Machine operators and Assemblers.

## Does an individual hold the skills to be employed in a better job?

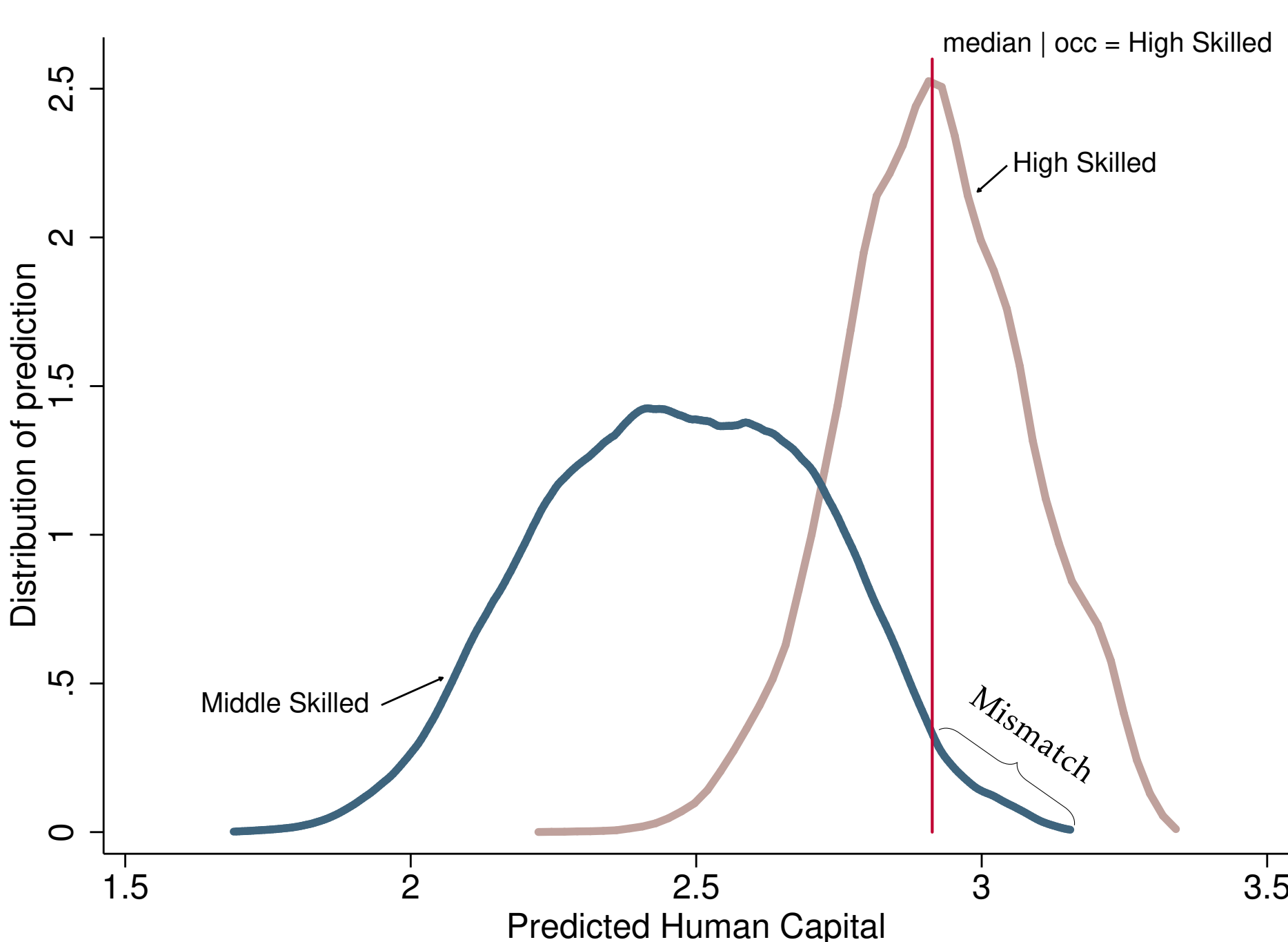


Figure: High-/middle-skilled employees

## What is Predicted Human Capital?

Predicted Human Capital ( $\hat{\beta}x$ ):

$$\ln[\text{wage}]_{i,t} = \alpha + \beta x_{i,t} + u_{i,t}$$

where

$x = \left\{ \begin{array}{l} \text{Level of education; age; marital status;} \\ \text{number of children; type of contract;} \\ \text{size of enterprise; employment sector;} \\ \text{occupation} \end{array} \right\}$

## Incidence of Mismatch

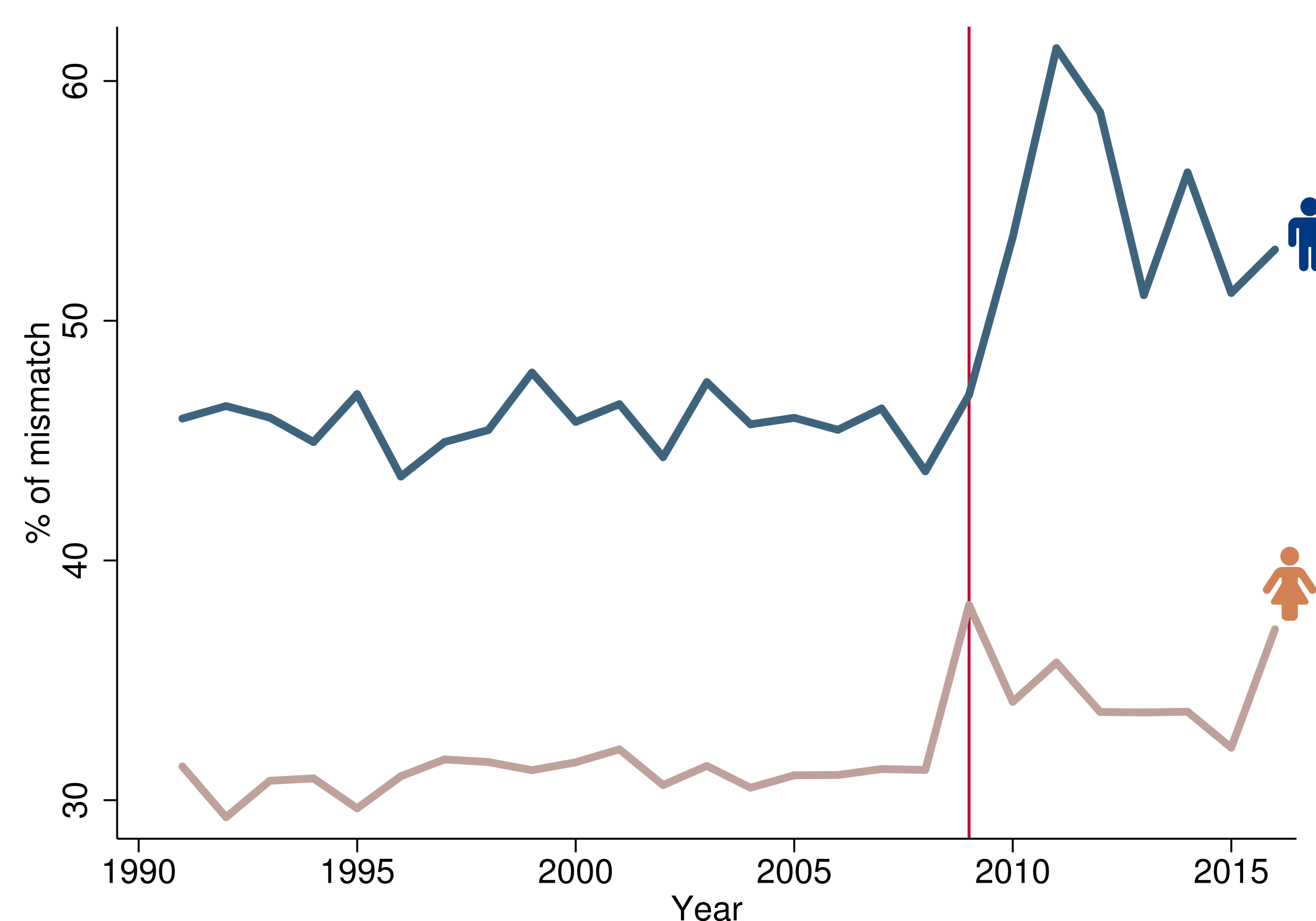


Figure: Mismatch by gender

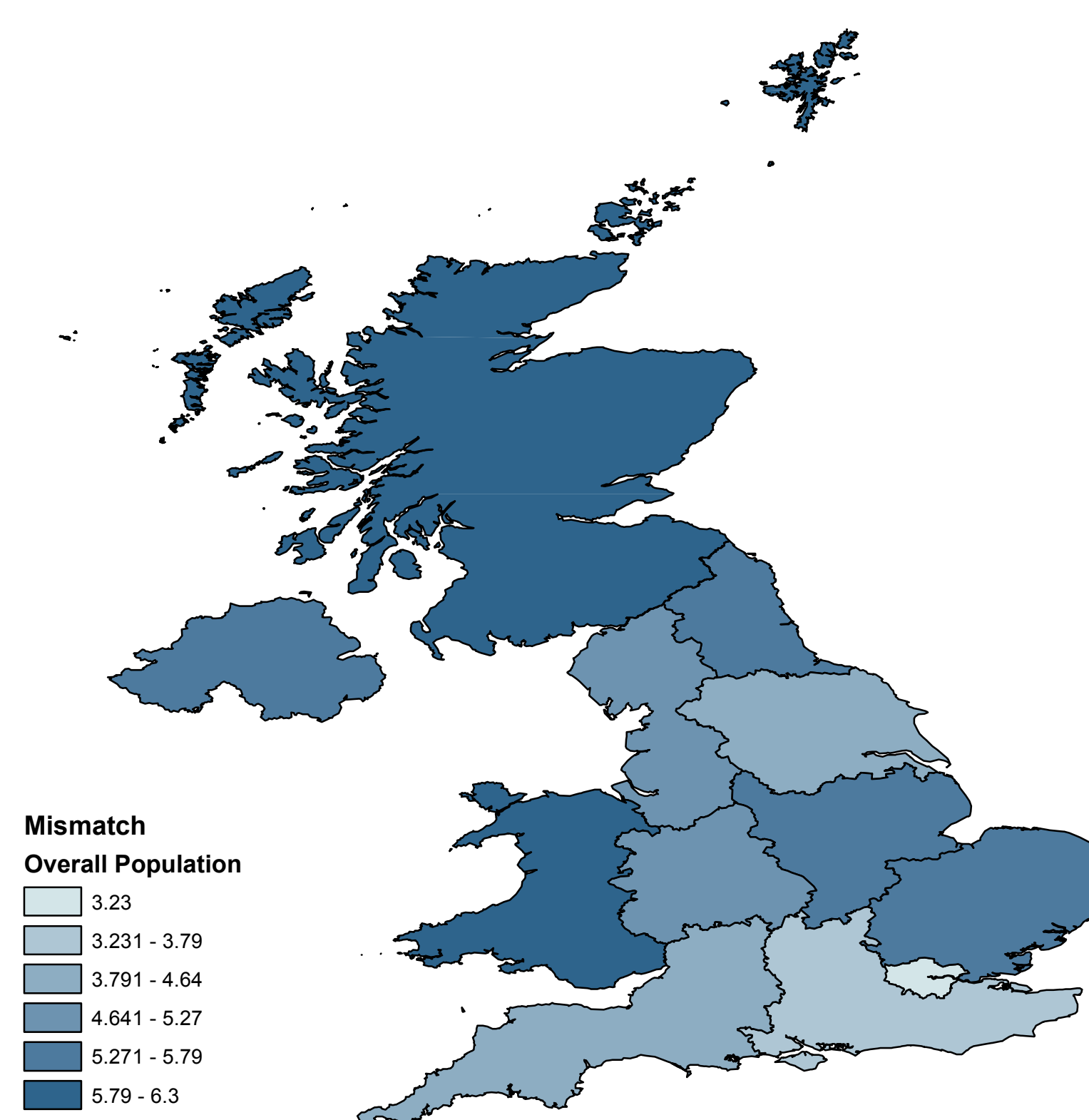


Figure: Mismatch by region

## Transitions and Occupational Mobility

Table: Occupational Mobility maintaining the previous period's status vs. relative skills' change (1991-2016)

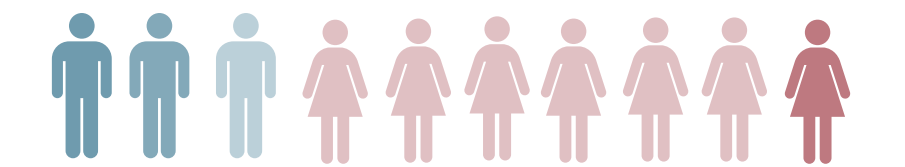
		Occ <sub>t</sub>		
		H	M	L
Occ <sub>t-1</sub>				
		High (H) N=38,638	Remained matched	11.48
	Remained mismatched	0.00	0.00	
	Was matched, now mismatched	0.00	0.00	
	Was mismatched, now matched	68.5	0.22	
	Total	3.34	0.50	
Middle (M) N=75,839	Remained matched	7.55	2.19	
	Remained mismatched	0.00	0.22	
	Was matched, now mismatched	41.82	0.27	
	Was mismatched, now matched	0.00	57.00	
	Total	3.95	2.19	
Low (L) N=22,125	Remained matched	2.83	16.49	
	Remained mismatched	0.00	0.00	
	Was matched, now mismatched	12.47	43.96	
	Was mismatched, now matched	0.00	0.00	
	Total	0.52	2.3	

Note: Figures as percentage of people moved to H, M or L between  $t-1$  and  $t$  periods. N stands for the number of observations. Occ stands for occupation

## Public vs. Private Sectors

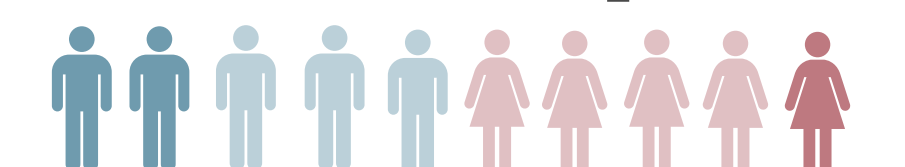
out of 10 employees  
1 woman and 1.5 men

are mismatched in the public sector



out of 10 employees  
1 woman and 2 men

are mismatched in the private sector



Do you think mismatch is a problem?

Yes

No

## Conclusions

- Increase in mismatch after the Great Recession with regional variations
- Mismatch distorts prices of skills
  - If the mismatch varies across individuals, it is hard to allocate people into skill groups
- Why mismatch can change over time?
  - Individuals find a better suited job
  - Individual occupational mobility occurs earlier than the increase of population skills

Do you have any comments?

@YannisGalanakis  
I.Galanakis@kent.ac.uk

