

Returns to over-education in Sri Lanka

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Over-education is a situation in which workers are more qualified than the entry requirements of their current jobs. In this sense, this is very much similar to the under employment situation. Existence of high and prolonged unemployment, especially among educated young people or over investment in education by state or by individuals can cause this situation. From the social point of view this can be a waste of resources and it will also be a possible cause of social unrest. In Sri Lanka, unemployment rate, especially of young educated people remained at two-digit level for over two decades. Further, the free education system and political pressure on education policy reforms has always led the public sector to expand higher education facilities.

In this paper, we used the means-standard deviation method using four digit level ISI classifications as the reference group. All the workers whose reported length of schooling lies within one standard deviation from the group average are considered as exactly educated. Those who lie above one standard deviation range are over-educated and others are under educated.

Using quarterly labour force survey data from the Department of Census and Statistics we found that on an average nearly 10 % of Sri Lankan workers are over qualified for their present jobs and another 10 % of workers are under qualified. Our interpretation of this situation is that high and prolonged unemployment problem has encouraged the youth to accept job offers which require lower entry qualifications than their qualifications. Further, the same has motivated them to invest in many alternative education qualifications which presumably increase their competitive advantage in the labour market. A relatively high under education situation (10%) is interpreted in terms of changes in education market and data deficiencies. We also estimated the rate of return to education and found that average returns for over education is below the average return to exactly educated worker. However, marginal return for over education is higher than the marginal return for exact education. With regard to under education the opposite is true.

Key words: Over-education; Underemployment; Resource utilization; Social unrest; Economics of education