

WHAT IS THE SCALE AND IMPACT OF GRADUATE OVERQUALIFICATION IN THE UK?

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1 Executive summary

The extent to which the UK economy is able to absorb the [huge increase](#) in graduate numbers has been the matter of substantial public, political and academic debate. This report contributes to this debate in two ways:

- 1 By looking at how graduate employment outcomes have changed over the last 30 years.
- 2 By examining the job quality experiences of graduates who feel they are overqualified for their roles.

Key findings

- 1 The increasing number of graduates in the labour market has outstripped the creation of high-skilled jobs, demonstrated by a significant increase in the proportion of graduates in occupational groups where graduate-level qualifications are not needed.
- 2 There has been a recent drop in the so-called 'graduate premium', which suggests that a saturation point has been reached for graduates in the labour market, with the economy no longer returning the additional value that has been long associated with a degree.
- 3 The job quality experiences of those graduates who feel overqualified for their roles are considerably poorer than for those graduates who feel their qualifications match their roles. This has an impact on job satisfaction, performance and individual wellbeing, which, in turn, is linked to organisational productivity.

Recommendations

While it is encouraging that the UK Government has recognised the need for a better balance in the education system, and a greater alignment between the supply and demand for skills, action is required across other policy areas as follows:

- 1 There is a need to provide better information, advice and guidance to inform learner choice and action. Previous CIPD [research](#) has shown that the vast majority of young people still feel that careers services only push them towards university, and they have little meaningful help to understand alternative vocational career pathways.
- 2 It is clear that a more balanced offer of a high-quality academic pathway alongside a high-quality vocational offer is needed. To encourage employers to invest in a range of vocational and accredited training pathways, the Government should reform the apprenticeship levy into a flexible training levy and ensure that a greater share of apprenticeship opportunities are available for young people.
- 3 For too long, skills policy in the UK has been fixated on increasing the supply of skills coming into the labour market. This has failed as an approach. To address stagnant productivity and stimulate the economy, a renewed focus on industrial strategy and inclusive growth is required.
- 4 Employers also have a key role to play. Improved recruitment and people management practices can help to reduce the level of overqualification and mitigate some of the negative consequences set out in this report. This could include rethinking entry requirements for roles, alongside a focus on job design, skills development and career advancement for existing employees.

2 Introduction

Since the 1990s, skills policy in the UK has been focused almost exclusively on increasing the supply of skills, with the assumption that the availability of a more highly qualified workforce would, in turn, generate the creation of more highly skilled jobs and lead to associated increases in productivity. Yet, this productivity miracle has failed to materialise. The UK now boasts one of the most highly qualified economies in the world, with graduates making up 42% of the workforce, but this has failed to narrow the productivity gap.

The extent to which the economy is able to absorb the [huge rise](#) in graduate numbers has been the matter of substantial public, political and academic debate, with questions raised about the extent of graduate overqualification and skills mismatch in the UK labour market and the impact on productivity.

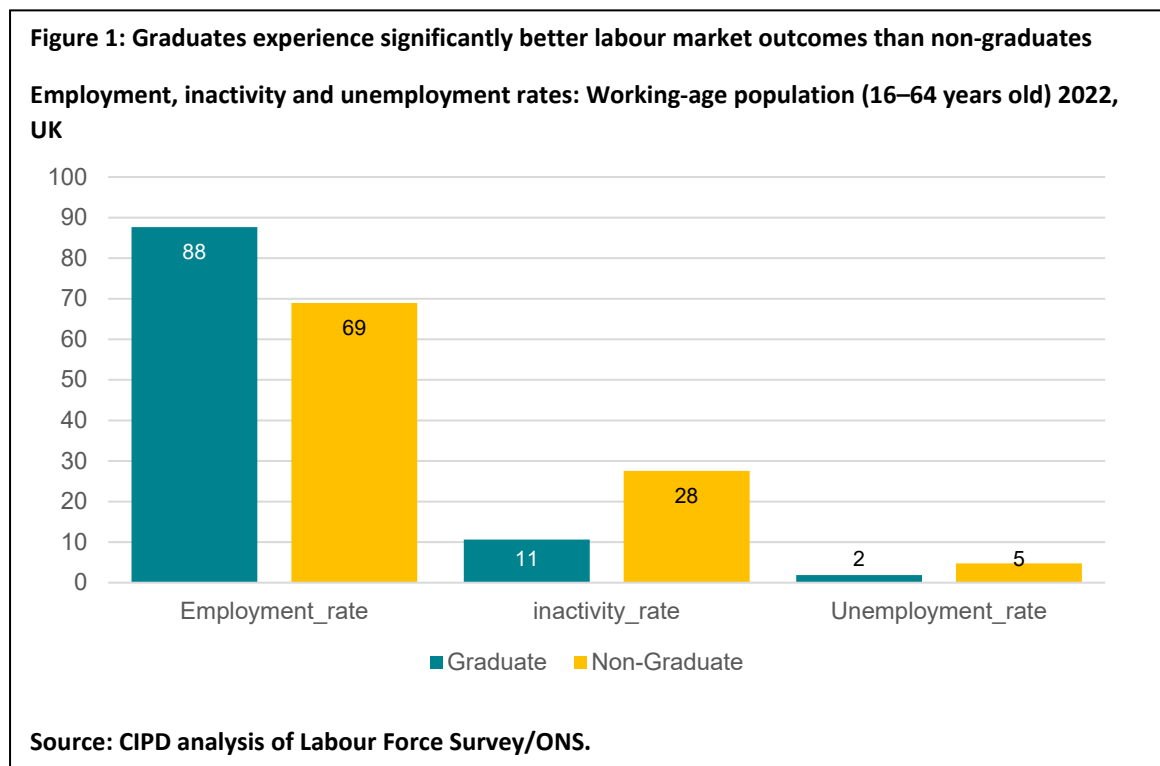
The purpose of this report is to provide additional evidence to this debate by analysing the Office for National Statistics (ONS) Labour Force Survey data from 1992 and 2022 as well as the CIPD's own [Good Work Index survey](#) data. The report compares how the proportion of graduates within different occupational groups (as well as individual occupations) has changed in the last 30 years. It then looks at the differences in job quality between graduates who feel their qualifications match their roles well and those who feel overqualified.

3 Graduates in the UK labour market

The expansion of the higher education system and increase in the number of young people going to university has been a prominent feature of the UK skills system for some time now. Many have argued that this policy has been a success, pointing to the fact that graduates tend to experience higher rates of employment and lower rates of unemployment than average and that most typically end up in highly skilled employment and command higher earnings – the so-called ‘graduate premium’.¹ In this section, we consider whether the evidence still supports this proposition.

Graduate employment and unemployment

Figure 1 shows that graduates typically experience higher rates of employment, lower levels of economic inactivity and lower unemployment rates compared with non-graduates. Yet, while graduates appear to occupy a favourable position in the labour market, it is also crucial to understand the type of work they do and the wages they achieve. This is particularly important given the [backdrop of high fees and rising student debt](#), especially in England, where it is estimated that students graduating from English universities in 2021 will have incurred an average of over £45,000 of student loan debt, compared with £27,600 in Wales, £24,700 in Northern Ireland, and around £15,200 in Scotland.

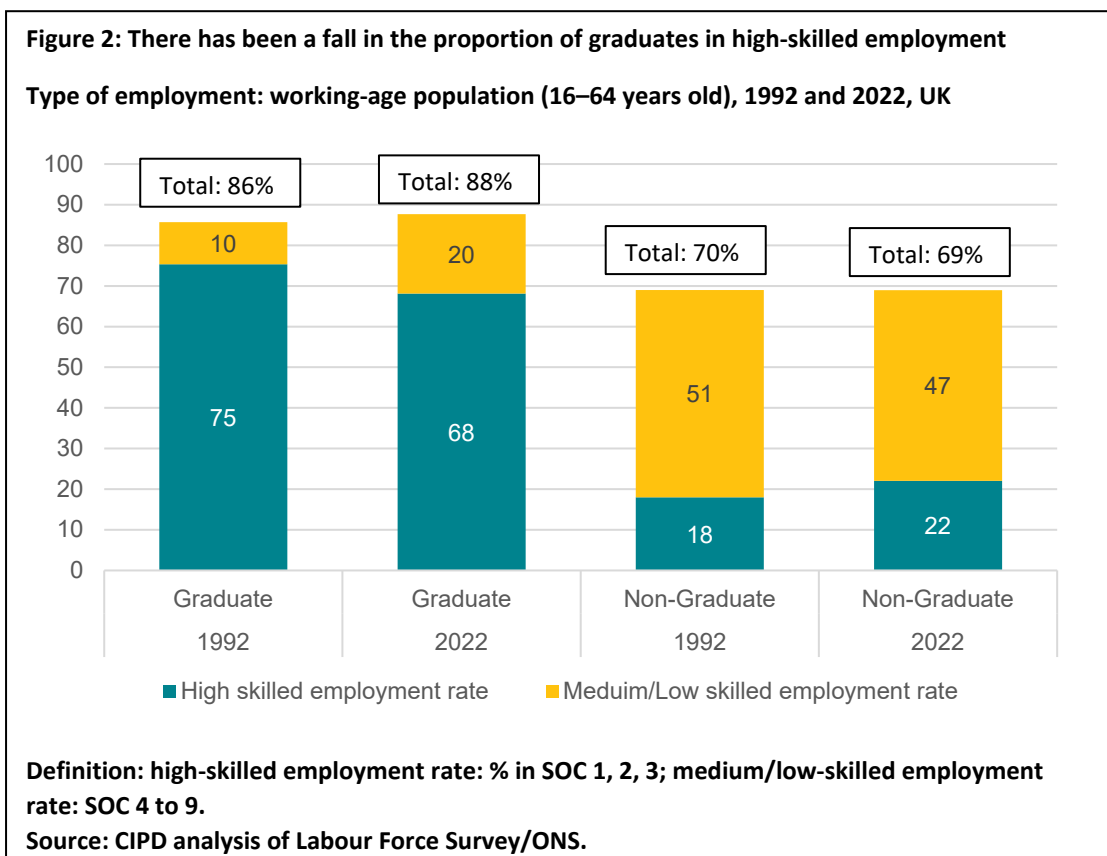


Graduate ‘high-skilled’ employment rate

While graduates still enjoy significantly better labour market outcomes than non-graduates in terms of employment and unemployment, the proportion who are able to access ‘high-skilled’ employment (or ‘graduate jobs’) has fallen.

Figure 2 compares Labour Force Surveys from 1992 and 2022. This 30-year period has seen the biggest jump in the graduate labour market share across the UK as a whole.

In 2022, 68% of working-age graduates were in ‘high-skilled’ employment, compared with 22% of non-graduates. In 1992, the figure for graduates in ‘high-skilled employment’ stood at 75%. Yet it is the growth in the share of graduates in medium- and low-skilled employment that stands out the most – this has doubled over the three decades from 10% in 1992 to 20% in 2022.



Graduate share in broad occupational classifications since 1992

Comparing Labour Force Surveys from 1992 and 2022, we find that, overall, the proportion of graduates across all occupational groups increases from 14% in 1992 to 42% in 2022. Figure 3 shows how the graduate share, broken down by the [nine main occupational groups](#), has evolved in the UK over the last 30 years, with increases seen across all broad occupational groups:

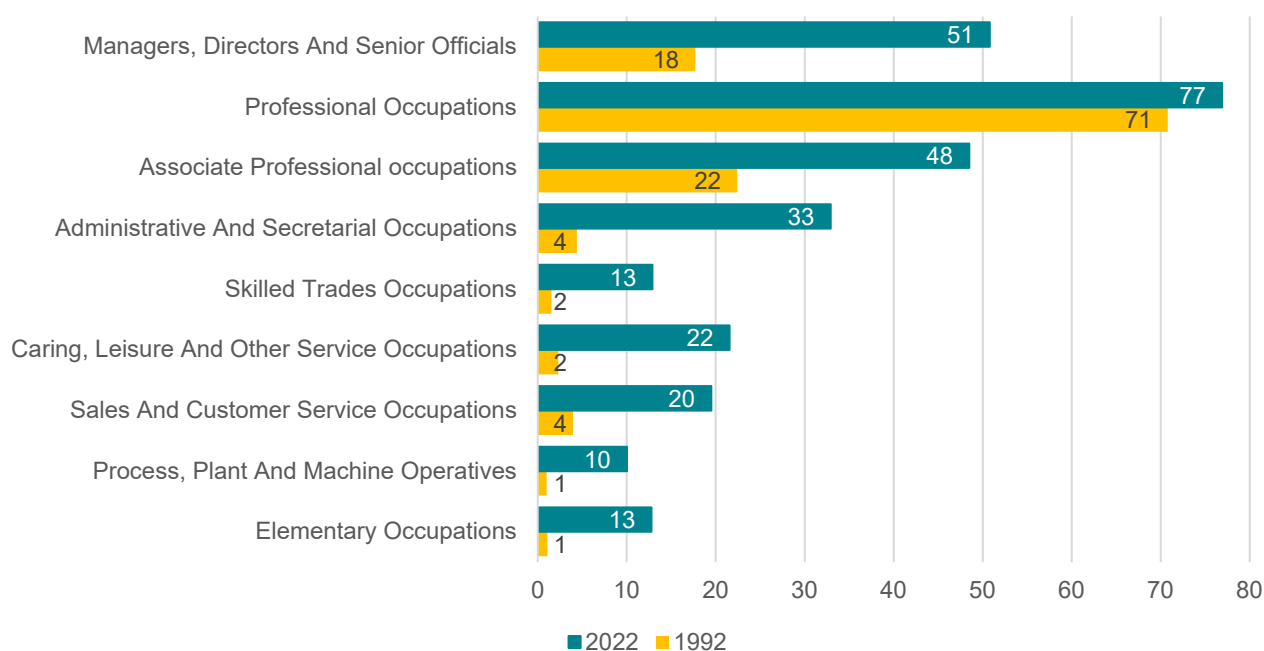
- In professional occupations, which have historically employed more graduates than non-graduates, the proportion has risen from 71% to 77% over the period.
- In managerial and associate professional occupations, there are now nearly as many graduates as non-graduates, while only about one in every five workers in these occupations was a graduate at the start of the 1990s.
- Thirty years ago, administrative and secretarial, caring, leisure and other services, and sales and customer services occupations had a near insignificant share of

graduates. This share has increased to 33% for administrative occupations, 22% for caring, leisure and other services, and 20% for sales and customer service occupations.

- The manual occupations – skilled trades and semi-skilled process, plant and machine operatives – have seen less dramatic rises, now with graduate shares of 13% and 10% respectively. And even in the lowest-skilled elementary occupations the graduate share has increased, from 1% in 1992 to 13% by 2022.

Figure 3: There has been a considerable increase in the proportion of UK employees with degrees across every occupational class over the last 30 years

(Change in the proportion of employees with degrees within nine main occupational classes between 1992 and 2022)



Source: CIPD analysis of the ONS Labour Force Survey.

Graduate share in selected occupations in the UK

The headline figures presented in Figure 3 mask considerable nuance. In this section, we focus in particular on selected occupations within ‘non-graduate’ occupational groups that have seen some of the biggest increases in the graduate share over the last 30 years.

Figure 4 provides further evidence of occupational filtering, with large numbers of graduates now employed in roles where graduate qualifications are clearly not required:

- In 1992, just 7% of book-keepers, payroll managers, wage clerks and national government administrative occupations were graduates. Thirty years later, the figures stand at 44% and 42% respectively.
- The graduate share for bank and post office clerks and personal assistants and other secretaries has also increased dramatically from 3% and 4% in 1992 to figures of 30% and 22%.

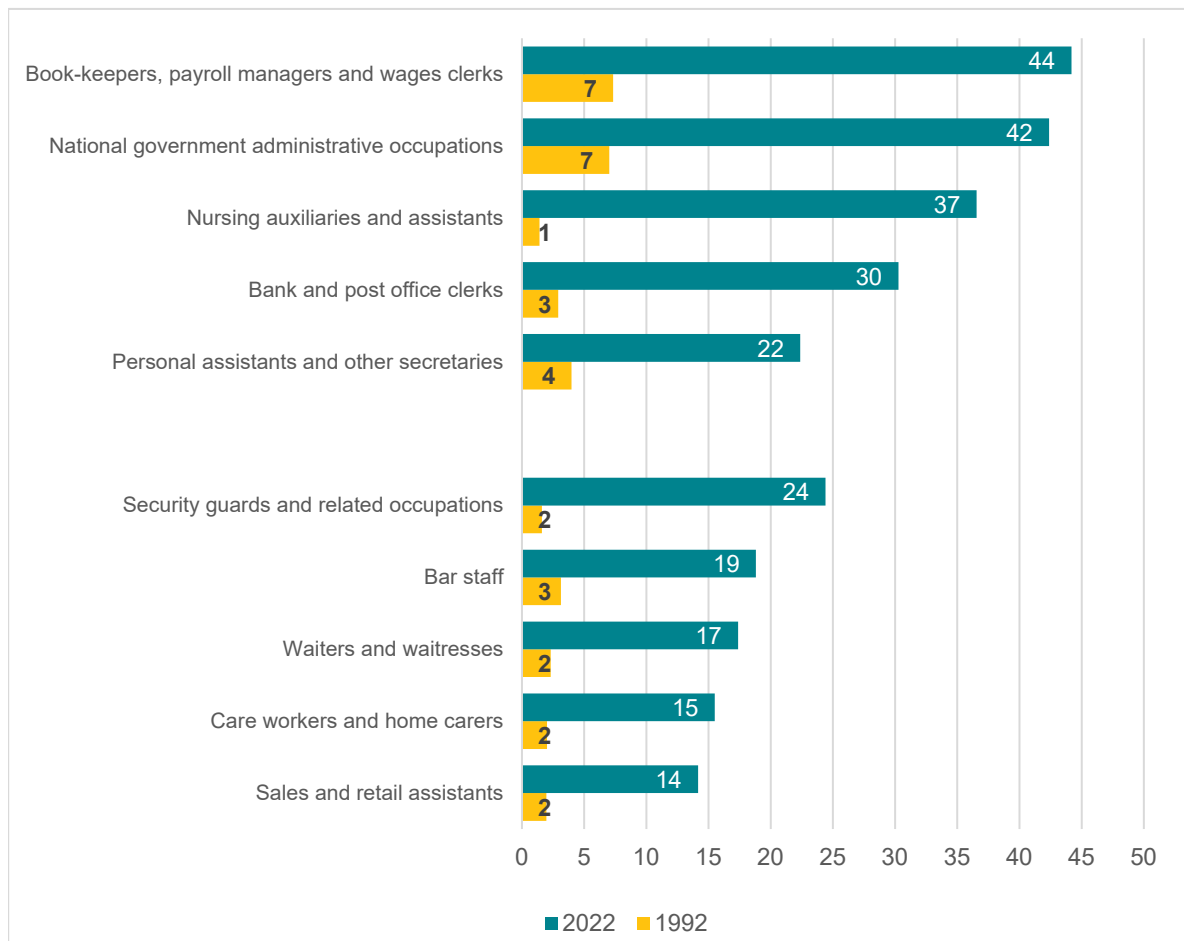
- Large increases in the graduate share have also been seen for security guards, bar staff, waitresses, care workers, and sales and retail assistants.

While it could be argued that ‘low-skilled’ work is often a temporary phase for graduates, and that, over time, they will move into higher-paid and higher-skilled employment, the high concentration of graduates within the roles set out in Figure 4 suggest that, for many, this is not the case.

Further, as we discuss in Section 4, evidence suggests that graduate overqualification is not a short-term state, with findings from other studies demonstrating that a poor initial match when entering the labour market has a long-term persistent negative impact on an individual’s labour market outcomes, and is unlikely to improve over time.²

Figure 4: The graduate share of selected ‘non-graduate’ occupations has increased dramatically over the last 30 years

Graduate share in selected administrative and clerical occupations and service occupations (%)



Source: CIPD analysis of the ONS Labour Force Survey.

Graduate earnings and the ‘graduate premium’

As highlighted earlier, [many have pointed to](#) the continued strength and stability of the ‘graduate premium’ as evidence that the increased supply of graduates in the UK labour market has been matched by increased demand in the economy for graduate-level skills. Yet, [recent evidence produced by HESA](#) suggests that this may no longer be the case.

Comparing two cohorts 20 years apart, HESA found that graduates born in 1970 earned around 17% more per annum than non-graduates at the age of 26. However, by 1990, this premium had dropped to 10%. It also found that the decline was even steeper for those graduates who achieved lower-class degrees, with an 11% drop in the graduate premium among those that received a 2:2. This meant that graduates with a 2:2 born in 1990 had an estimated graduate premium of just 3% by the age of 26. HESA concludes:

Our evidence suggests that the previously puzzling constancy of the graduate earnings premium over a long period of rising higher education participation may no longer hold, with the increasing relative supply of graduates within the labour market finally producing a decline in the average earnings of graduates relative to non-graduates.

These findings suggest that a saturation point has been reached for graduates in the labour market, with the economy no longer returning the additional value long associated with a degree.

Further, given that [young people from disadvantaged backgrounds](#) are more likely to be awarded lower-class degrees, the large reduction in the graduate premium undermines the potentially transformative effects of higher education. As the report authors warn:

With disadvantaged students more likely to qualify with a lower second class award or below, such a low premium may reduce the extent to which higher education can help improve the socioeconomic circumstances in adulthood for those who enter higher education from deprived households.

The extent to which degrees offer learners value for money is brought into even sharper focus given the current backdrop of high fees and rising student debt, particularly in England, where students face upwards of £45,000 student loan debt upon graduation. We consider the implications in a Scottish context in our companion [report](#).

Further, recent changes to how and when student loans will be repaid mean that the financial burden will fall on learners rather than the taxpayer. This is a result of a combination of factors, including the lowering of the earnings threshold and an increase in the time period for repayment from 30 to 40 years. [Analysis](#) from the Department for Education suggests that the previous arrangements saw the funding of the sector balanced roughly evenly between the taxpayer and graduates, with only 20% of graduates repaying their loans in full. Under the new arrangements, that estimate suggests that around half of all graduates are forecast to pay off their loans, with taxpayer subsidy falling to about 20p in the pound.

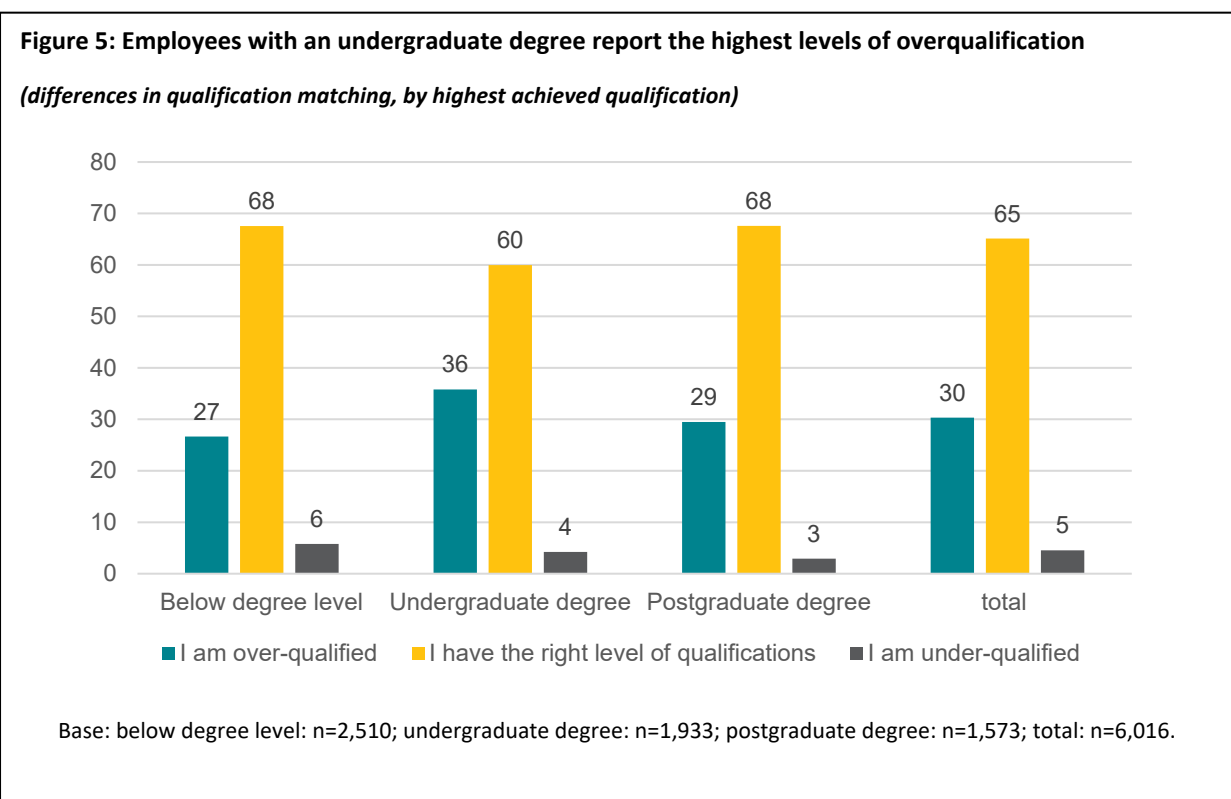
The Institute for Fiscal Studies has published a [report](#) that sets out the implications of the changes to the current system. This estimates that graduates with lower earnings will be hit the hardest by the changes, with an estimated lifetime loss of around £30,000, while the highest-earning graduates – who would have largely paid back their loans in full under previous arrangements – are estimated to be £20,000 better off as a result of a lower interest rate.

4 Overqualified graduates and job quality

This section provides a snapshot of the extent of qualification mismatch among UK graduates and compares overqualified graduates' experience of work with graduates who feel their qualifications are well matched to their roles. The research is based on the results from the CIPD's fifth annual [UK Working Lives survey](#) conducted in 2022, which draws on a representative sample of over 6,000 UK workers.

Who feels overqualified?

Rates of overqualification are highest among those with degree-level qualifications, with over a third (36%) of undergraduates reporting that they are overqualified for their current role, compared with 27% of individuals without degree-level qualifications (Figure 5). Female graduates are more likely to report that they are overqualified, compared with men, and rates also vary by other characteristics, as set out below.



Interestingly, overqualification rates are relatively stable across most age bands – for example, 38% of 18–24-year-olds report being overqualified, compared with 38% of those aged 35–44, and 42% of the over-55s. This supports the findings of other studies which suggest that a poor initial match when entering the labour market can have a long-term persistent negative impact on an individual's labour market outcomes, and is unlikely to improve over time.³

Graduates from less advantaged social backgrounds (social grade C2DE) are almost twice as likely to perceive that they are overqualified for their current job compared with graduates from more advantaged backgrounds (ABC1): 31% of graduates in social grade ABC1 say they are overqualified compared with 58% of those from social grade C2DE.

Characteristics of work for overqualified graduates

In Figure 6, we can see that graduates who think that they are overqualified for their role are less likely to be in full-time employment (54% compared with 74% of qualification-matched graduates). They are much more likely to be in part-time work (38%) compared with graduates who report that their qualifications are at the right level for their jobs (14%).

Figure 6: Overqualified graduates are more likely to work part-time

(% of graduates, by employment status)

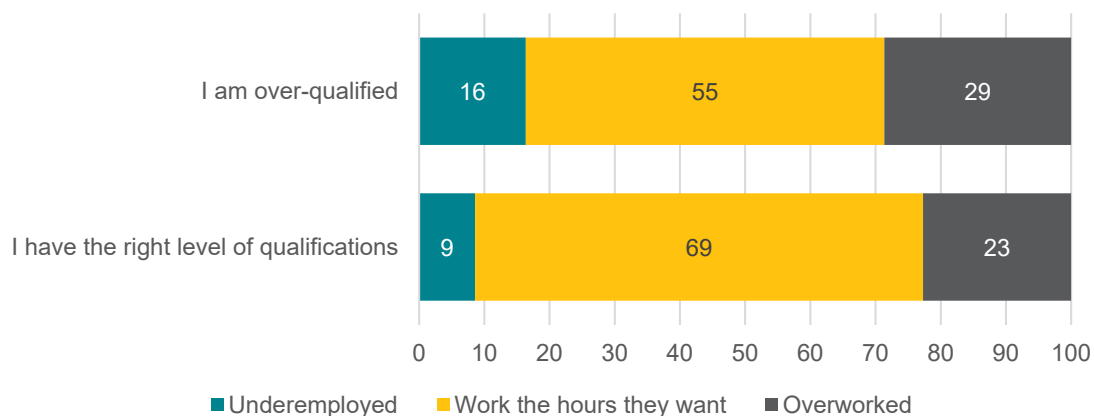


Base: I am overqualified: n=692; I have the right level of qualifications: n=1,159.

We know from past research that those working part-time are more likely to report being underemployed; that is, wanting to work more hours per week than they currently do. Indeed, Figure 7 shows that overqualified graduates are more likely to report underemployment. When looking at workloads (that is, work intensity), however, we find no statistical differences between overqualified and qualification-matched graduates, confirming that excessive workloads are not confined to particular occupations and are instead related to individual job design.

Figure 7: Overqualified graduates are more likely to be underemployed

(% saying they would like to work more/less/same amount of hours)



Base: I am overqualified: n=691; I have the right level of qualifications: n=1,154.

Occupational and sectoral distribution

It is clear from Figure 8 that graduates who perceive that they are overqualified are much more likely to be concentrated towards the bottom end of the occupational distribution than graduates who report that their qualifications are at the right level for their roles.

Almost 60% of qualification-matched graduates are in the top two occupational classifications, compared with just one in four of overqualified graduates. Conversely, overqualified graduates are much more likely to be concentrated at the bottom end of the occupational distribution, with one in four located in the bottom three occupational categories compared with just 5% of graduates who say that their qualifications are at the right level for their roles.

Figure 8: Graduates who say they have the right level of qualifications are concentrated in higher occupational classes

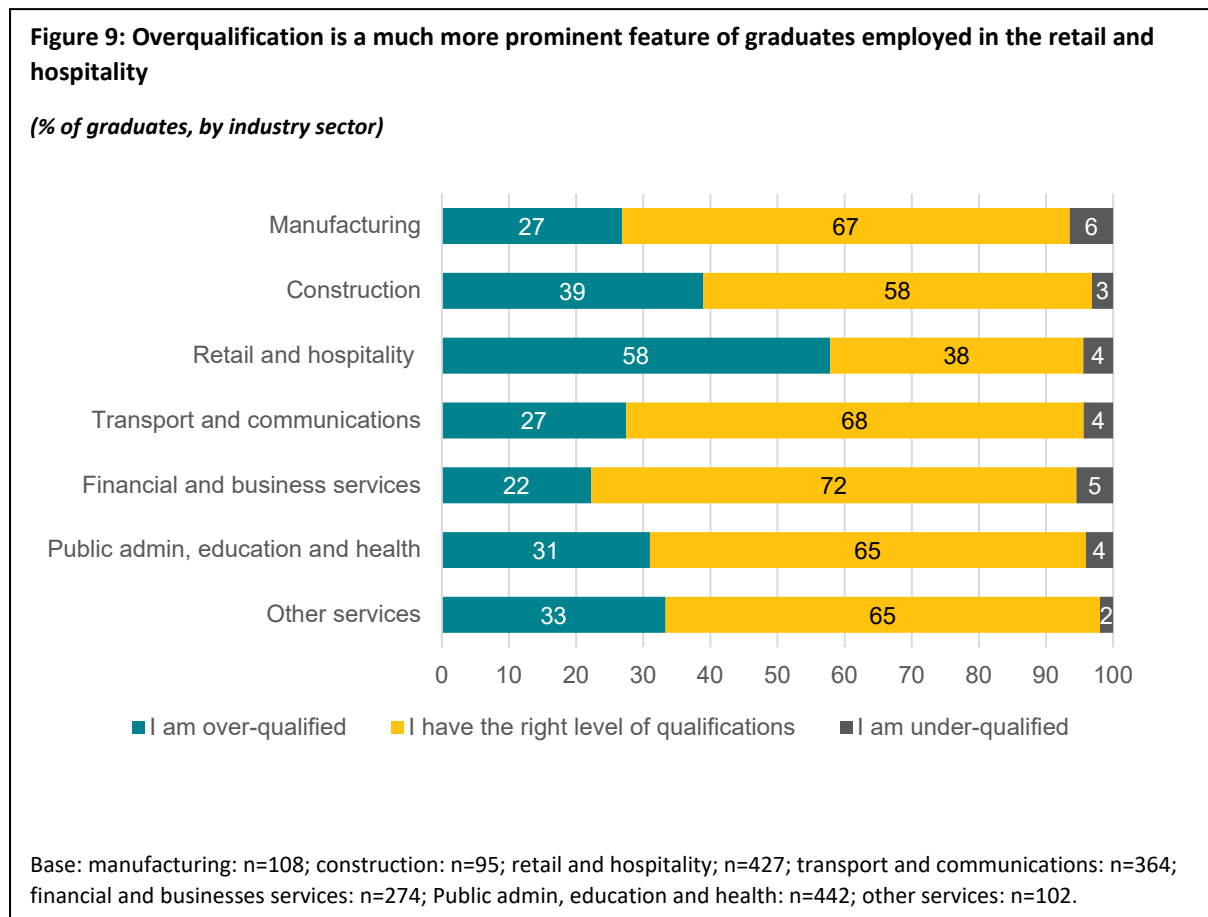
(% saying they are overqualified or have the right qualifications, by SOC20 occupational class)



Base: I am overqualified; n=691; I have the right level of qualifications: n=1,160.

Graduates who work in small organisations (fewer than 50 employees) are more likely to report that they are overqualified for their role (42%) compared with graduates who work in medium (50–249 employees) and large (250+) enterprises – figures of 30% and 36% respectively.

Rates of overqualification among graduates also vary by industry, as set out in Figure 9. Overqualification is a much more prominent feature of graduates employed in retail and hospitality, with 58% of graduates employed in this industry reporting that they are overqualified for their jobs. By contrast, almost three-quarters of graduates employed in financial and business services feel that they have the right qualifications for their jobs.



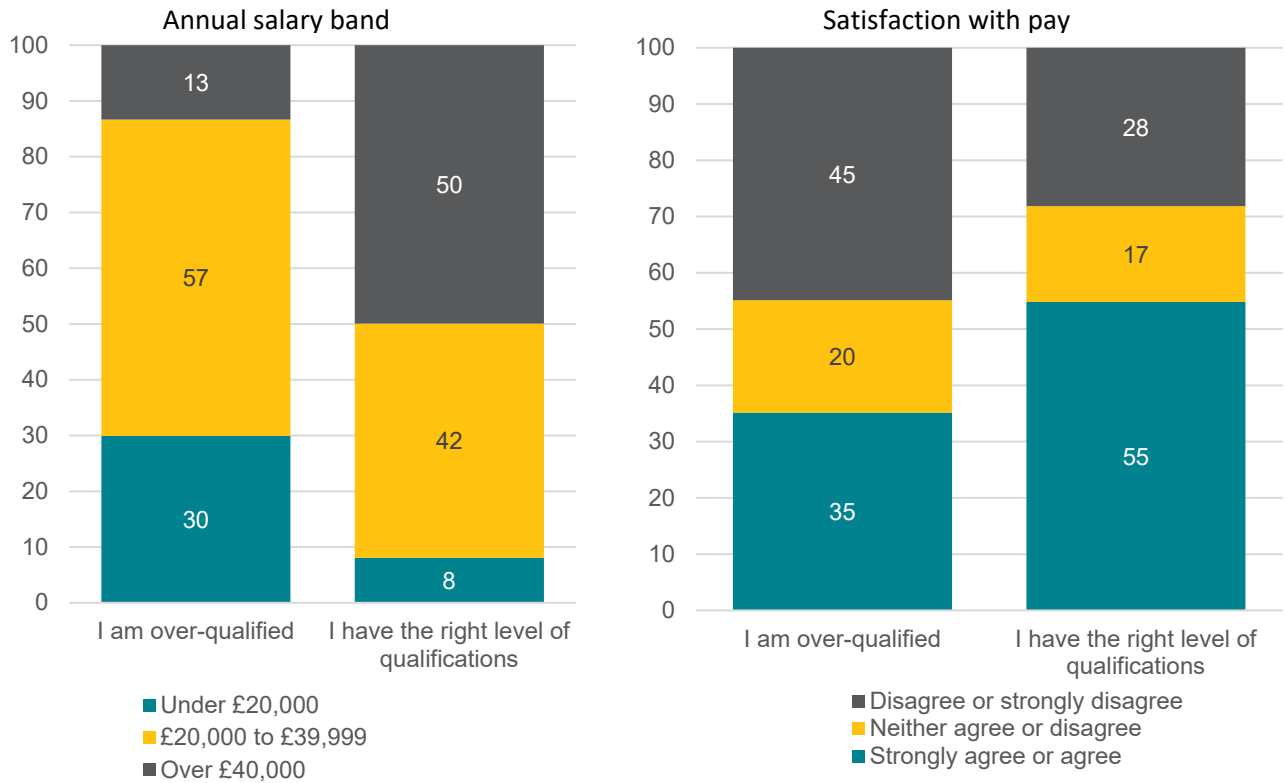
Overqualified graduates also tend to earn less, linked to occupational distribution, a higher concentration of part-time working and a higher incidence of underemployment. Graduates who feel they are overqualified for their role are much more likely to be concentrated in less well-paid roles. As Figure 10 shows, 30% earn less than £20,000 per annum compared with just 8% of those who state that their qualifications are well matched to their jobs.

This also then translates to subjective pay (whether employees feel they are being paid appropriately), with 45% of overqualified graduates disagreeing that they get paid appropriately compared with 28% of qualification-matched graduates.

These findings support previous research which has demonstrated that being overqualified has an impact on an individual's earnings and also on their future income potential.⁴ As well as a wage penalty, research has also found that being overqualified increased an individual's probability of future unemployment.⁵

Figure 10: Overqualified graduates have lower earnings and, linked to this, are more likely to feel they are not being paid appropriately

(salary band and % saying they agree or strongly agree that ‘considering my responsibilities and achievements in my job, I feel I get paid appropriately’)



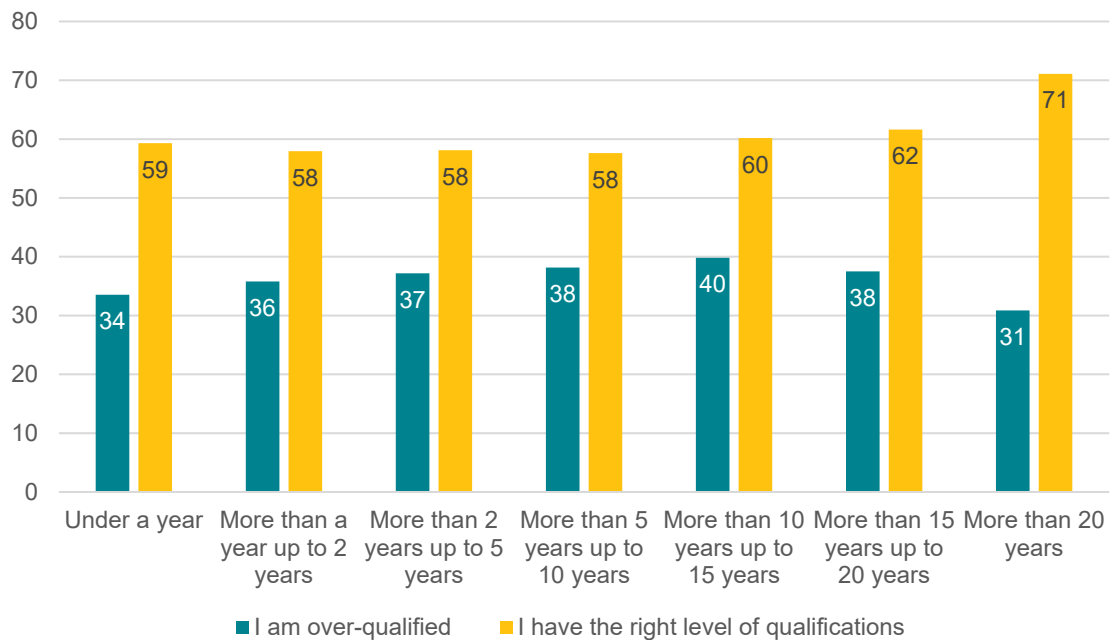
Base (earnings): I am overqualified: n=130; I have the right level of qualifications: n=213.

Base (subjective pay): I am overqualified: n=174; I have the right level of qualifications: n=328.

When looking at job tenure (that is, the length of time an employee has worked for their current employer), rates of overqualification remain relatively stable (see Figure 11). This finding lends weight to the results of previous studies which have shown that a poor initial match when entering the labour market can have a long-term persistent negative impact.⁶

Figure 11: Graduate overqualification remains relatively stable across job tenures

(difference in % saying they are overqualified or have the right qualifications between lengths of organisational tenure)



Base: under a year: n=349; more than a year up to 2 years: n=149; more than 2 years up to 5 years: n=468; more than 5 years up to 10 years: n=427; more than 10 years up to 15 years: n=221; more than 15 years up to 20 years: n=112; more than 20 years: n=285.

Job design and the nature of work

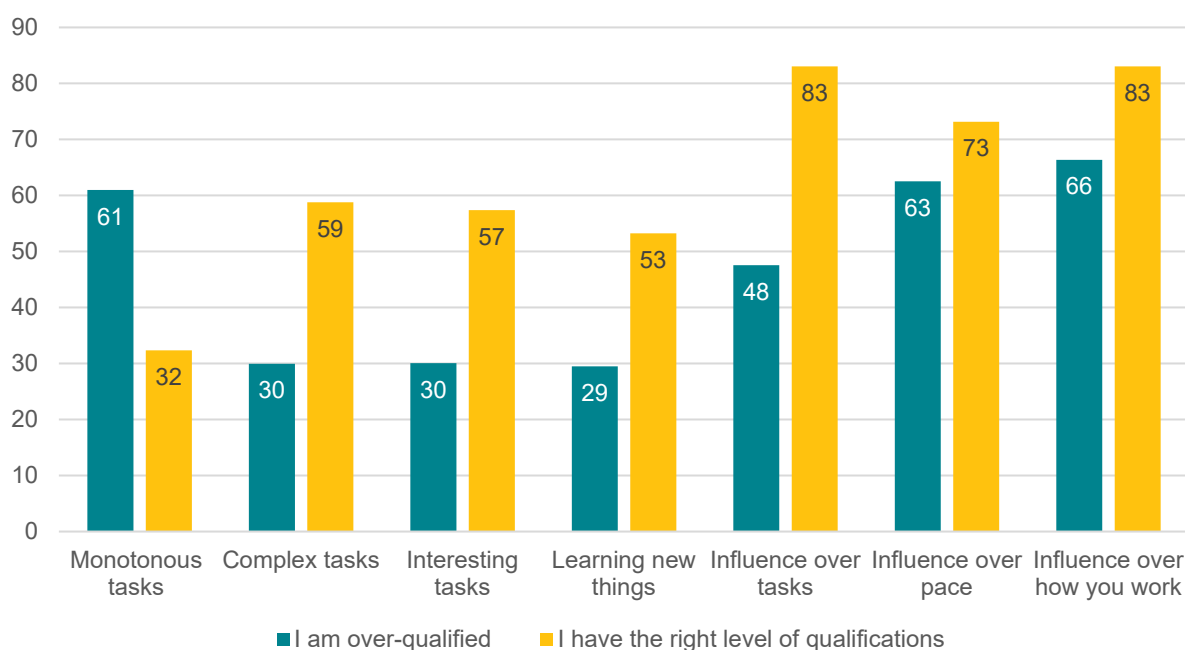
Figure 12 explores some of the differences in job design and work organisation between graduates who perceive that their qualifications are at the right level for their jobs and graduates who think that they are overqualified.

Overqualified graduates report much poorer levels of job design and autonomy across all metrics. For example, 29% of graduates who perceive themselves to be overqualified report that their job involved them always or often learning new things, compared with over half of well-matched graduates. They were also much less likely to report that their job always or often involved complex or interesting tasks. Conversely, overqualified graduates were much more likely to report that their jobs always or often involved monotonous tasks compared with graduates who felt their qualifications were at the right level for their jobs.

Similarly, overqualified graduates' jobs appear to be less autonomous, with a lower proportion reporting having any influence over tasks done, pace and how they do their work. They also report having less influence over the time they start or finish work (compared with 22% of well-matched workers) and 18% reporting that they had no influence in the tasks they do (versus 10% of well-matched workers).

Figure 12: Overqualified graduates report poorer job complexity and autonomy

(% saying that their job always or often involves...)



Base: I have the right level of qualifications: n=1,159; I am overqualified: n=692.

Overqualified graduates and their experience of work

Being an overqualified graduate has a negative impact on an individual's earnings, with previous research suggesting that a poor initial match when entering the labour market can have a long-term persistent impact on income, as well as increasing the likelihood of future spells of unemployment.⁷

Yet qualification mismatch can have a negative impact not just on individuals, but also on the organisations they work for. The survey results find that individuals who perceive that their qualifications are not well matched to their jobs are more likely to report lower levels of job satisfaction and that they intend to quit their jobs within the next 12 months. All this has the potential to increase recruitment costs as well as reduce workplace productivity.

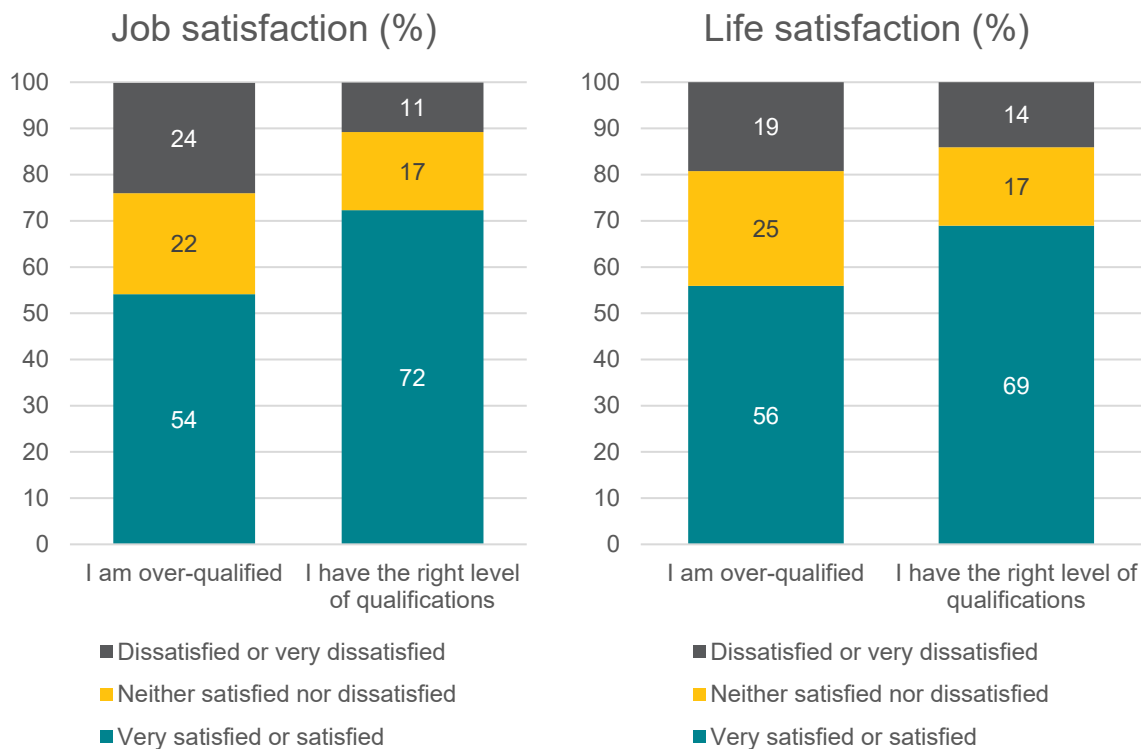
This section looks at differences between overqualified graduates and well-matched graduates on job and life satisfaction levels, intentions to quit, access to career progression, and training and development opportunities.

Job and life satisfaction

Individuals who report being overqualified have lower levels of satisfaction with their lives at the moment and much lower levels of job satisfaction, confirming the findings of previous research.⁸

Figure 13 shows the level of job and life satisfaction among survey respondents. Nearly three-quarters of well-matched graduates report that they are either very satisfied or satisfied with their current jobs. This compares with just over half of graduates who report that they are overqualified for their current role. Overqualified graduates also report lower levels of satisfaction with their lives compared with graduates who report that they have the right level of qualifications for their role.

Figure 13: Overqualified graduates have lower job and life satisfaction



Base (job satisfaction): I am overqualified: n=691; I have the right level of qualifications: n=1,160.

Base (life satisfaction): I am overqualified: n=691; I have the right level of qualifications: n=1,160.

Intentions to quit

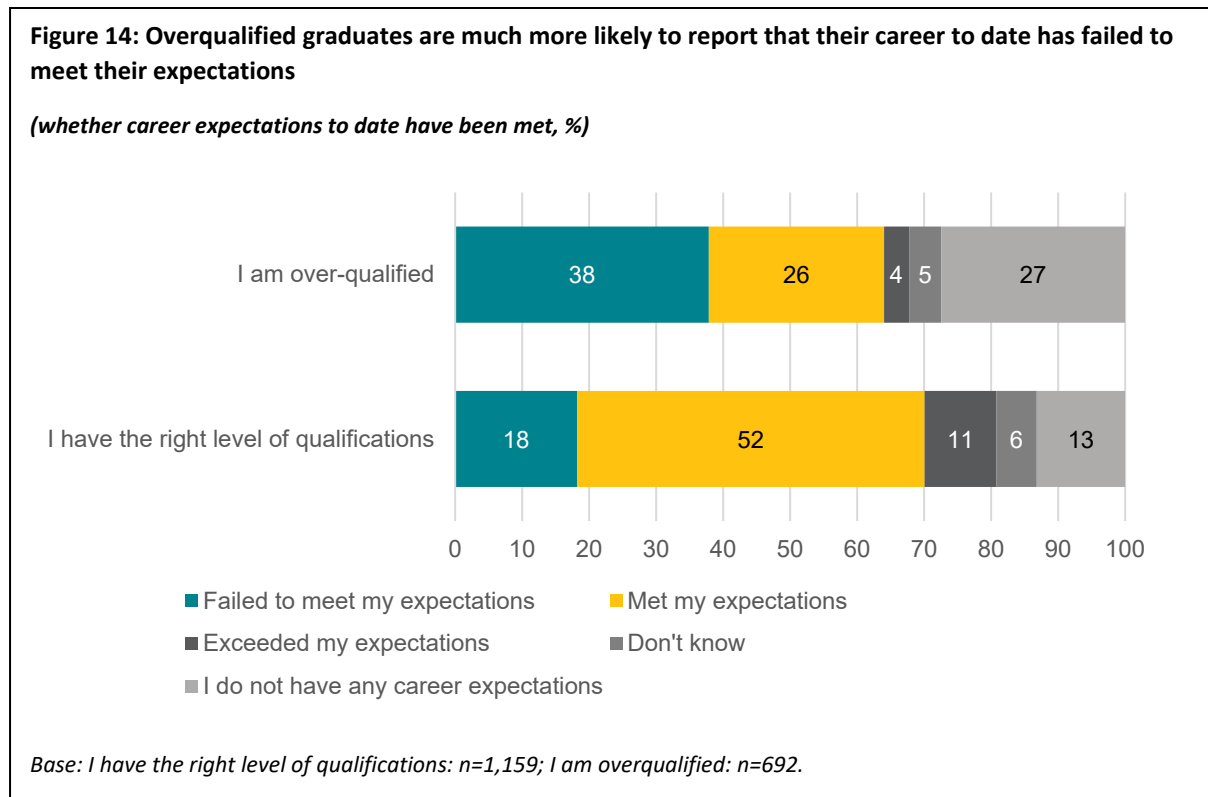
Graduates who report that they are overqualified for their jobs are much more likely to report that they are very likely or likely to quit their job voluntarily in the next 12 months: 25% of those who say that they are overqualified report that they are likely, or very likely, to quit their jobs compared with 17% who think that they have the right level of qualifications for their roles.

Career advancement, progression and development opportunities

Over half (53%) of those who report being overqualified for their roles either disagreed or strongly disagreed that their job offered good prospects for career advancement compared with just a quarter of well-matched workers.

Looking at career progression more broadly, graduates who perceive that they are overqualified for their current role are much more likely to report that their career progression has failed to meet their expectations to date (38%) than graduates who think that their qualifications are at the right level for their role (18%). However, it is also important to note

that significantly more overqualified graduates reported that they do not have any career expectation compared with graduates who perceive that they have the right level of qualifications.



Graduates who report being overqualified are much more likely to disagree or strongly disagree that their job offers good prospects to develop their skills (37% compared with 12% of well-matched workers). They are also less likely to report that they receive the training and information they need to do their job well (48% agree or strongly agree) compared with graduates who believe that their qualifications are well matched to their role (62%).

Mental and physical health

Graduates who perceive that they are overqualified for their role are more likely to report that their mental health is poor compared with graduates who feel they have the right level of qualifications for their role. This is supported by other studies which have shown that perceived overqualification is associated with increased psychological stress and reduced wellbeing.⁹ Just over half of graduates (52%) who think they are overqualified for their role rate their mental health at the moment as 'good' or 'very good' compared with 61% of graduates who feel that they have the right level of qualifications. Sixty per cent of overqualified graduates rate their physical health as 'good' or 'very good' compared with 65% of graduates who think their qualifications are well matched to their current jobs.

Some of these findings around mental health will be linked to employees' subjective feelings over their jobs, as summarised in Figure 15. In line with the above findings around workloads, we see there are no differences in answers in relation to the 'exhausted' or 'under excessive pressure' statements. However, we do find considerable differences in other areas like job enthusiasm (40% of overqualified graduates say they always or often feel enthusiastic about their job, compared with 58% of matched graduates), feeling bored (22% vs 12%) or feeling miserable (13% vs 9%).

Figure 15: Overqualified graduates have poorer subjective feelings about their jobs, although they experience similar stress levels

(% saying they always or often feel this way)



Base: I am overqualified: n=175; I have the right level of qualifications: n=328.

5 Policy context and recommendations

Tertiary education has seen unprecedented growth in the past decade, but there is a significant share of graduates who struggle to find good jobs, while employers say they cannot find the people with the skills they need. The tertiary education sector needs to reinvent itself to give people greater ownership over what they learn, how they learn, when they learn and where they learn to meet tomorrow's demand for knowledge and skills.

(Andreas Schleicher, Director, OECD Directorate for Education and Skills, Higher Education Policy Institute, 2019)

The evidence presented in the first section of this report shows that, as the UK higher education sector expanded, more and more graduates have found themselves working in jobs that, in previous generations, would have been filled by non-graduates. With high fees and rising student debt, particularly in the English context (we consider the implications in a Scottish context in our companion [report](#)), there is clearly a need to rethink skills policy.

Alongside the [financial and psychological burden](#) that student loan debt brings, graduates who find themselves in jobs which don't match their qualifications also experience considerably poorer job quality than those graduates who feel their qualifications match their roles. This has an impact on job satisfaction, performance and individual wellbeing, which, in turn, is linked to organisational productivity.

The UK Government has recognised the case for change and has set out a programme of reforms aimed at transforming the post-16 educational landscape in England, putting employers at the heart of the system, better aligning education with the needs of business, and rebalancing the education system away from universities and towards vocational and technical education.

Its vision for the future was set out in the [White Paper: 'Skills for Jobs: Lifelong learning for opportunities and growth'](#). The Government seeks to achieve this ambition through a range of measures, including:

- developing a lifetime skills guarantee for all citizens
- reforming the funding of post-18 learning provision and integrating further education into the higher education loan system
- aligning education and training provision with employers' needs, and funding colleges to connect their offer more strongly to employers.

Further details of the shape of the reforms to student finance for further and higher education were set out earlier this year in the [Government's consultation](#) on a new lifelong loan entitlement (LLE), which will replace existing student finance by 2025. The LLE aims to boost the demand for flexible and modular learning and will be equivalent to four years of post-18 education that can be used over an individual's lifetime.

The ambition of the LLE is to be welcomed: individuals face an increasingly complex and unpredictable future, and in such a rapidly evolving employment landscape, the ability to study, train, retrain and upskill across the life course is increasingly vital. As [our previous research](#) has demonstrated, the lack of high-quality alternatives to the traditional three- or four-year university route has meant that young people seeking a pathway into skilled employment have often faced both a narrow and limited range of options. Improving the availability of high-quality, flexible, academic and technical pathways into the labour market

is key if individuals are to be given a genuine choice rather than take the default university route.

Yet, despite the increased recognition of the need for a better balance in the education system as well as greater alignment between the supply and demand for skills, there are a number of other key policy areas that need to be addressed if this vision is to be realised, as explored below.

Better information, advice and guidance

There is a pressing need to ensure that the careers information, advice and guidance system (IAG) is able to equip individuals with the support they need to make informed decisions. This requires clear occupational maps outlining progression routes, transparency of how modules and specific qualifications support progression, and information on likely return on investment. Our recent research suggests that current arrangements for [career advice and guidance are inadequate](#).

[A survey](#) we conducted in 2021 found that the majority of young people did not think that their school or college spent enough time helping them understand future career options and pathways. The survey results also suggest that there are ongoing challenges related to the breadth of careers advice and guidance in schools and colleges, as well as a continued narrow focus on academic rather than vocational pathways. Grouping the range of support shows that, while almost 60% of young people received help and support on future academic options (with most centred around help applying to university), just 29% reported careers help. Of this, just 1% of respondents received advice at school to understand the labour market, jobs and salaries. Likewise, just 1% received help on applying for an apprenticeship at school.

This is a missed opportunity, as the survey also found that over half of young people who attended university would have been open to choosing an apprenticeship rather than going to university, if it had been available in their area of interest.

Strengthened vocational pathways

As discussed in a previous CIPD [report](#), the apprenticeship system in England is failing in its function as a pathway into the labour market for young people. Most apprenticeships are allocated to existing employees rather than new labour market entrants, with an increasing proportion of opportunities going to those aged 25 and over. The introduction of the apprenticeship levy intensified long-term trends, leading many employers to concentrate their investment on existing employees through, for example, professional and managerial apprenticeships. This underscores the need to rebalance the apprenticeship system so that young people can access a greater share of apprenticeship opportunities.

A rethink on employer incentives

One of the key ambitions of the apprenticeship levy was to counteract the long-term decline in employer investment in training, yet our [research](#) has found that, for almost half of levy-payers, expenditure on training has either remained unchanged or decreased. There is broad support among employers for reform of the apprenticeship levy into a more flexible training levy. This would allow employers to invest in other forms of accredited training and provide a more flexible and cost-effective solution for upskilling and reskilling existing employees, while ensuring that a greater share of apprenticeship opportunities went to young people.

In addition, more consideration needs to be given to the proposed LLE and how it could interact with employer support, either through a co-investment mechanism or through the provision of in-kind support for those undertaking provisions funded via the LLE. [Evidence from the US](#), for instance, where lifelong learning accounts have been piloted across a number of states since 2001, suggests that the co-investment model acts as a combined incentive to encourage greater take-up and investment in training, and better matching of skills development between individual and business needs.

Without a mechanism to incentivise employer investment, there is a real risk that the LLE will encourage employers to shift responsibility for funding training to employees. Reforming the apprenticeship levy into a flexible training levy, [as we have previously suggested](#), could potentially provide a mechanism to support employer co-investment.

Boosting employer demand for skills

It needs to be recognised that the continued primary focus on the supply side of skills policy is unlikely to achieve the creation of more high-quality jobs and increased productivity. A significant part of the UK's low productivity levels is due to inadequate leadership and people management capability in too many firms, a consequently weak demand for investment in skills, and poor utilisation of people's skills in the workplace.

From a policy perspective, addressing these issues is particularly challenging, as many of the levers lie outside the remit of traditional skills policy and, instead, sit within the broader context of economic development, innovation and industrial strategy. Action is needed across these connected policy areas to create a business environment where business leaders regard their workforce not as a cost to be managed but as a key value driver to be invested in.

These necessary changes to policy won't happen by accident and require a renewed industrial strategy designed to underpin inclusive growth across all sectors and regions of the economy.

6 Conclusions

In recent decades, the UK's higher education sector has expanded rapidly, but this rise has not been matched by an increase in high-skilled jobs. This means that many graduates find themselves working in jobs that would have usually been filled by non-graduates.

The evidence presented in this report shows that over the past 30 years, an increasing proportion of graduates have become concentrated in occupational groups where graduate-level qualifications are clearly not needed. This evidence is further supported by [a recent study](#) that has highlighted a drop in the 'graduate premium', with the economy no longer returning the additional value long associated with a degree.

This report also shines a light on the job quality experience of graduates who feel they are overqualified for their role. It reveals a significant negative impact on job satisfaction and pay, performance and individual wellbeing. From past research, we know that these factors produce a further knock-on effect for the organisations they work for, manifesting in poorer staff retention and reduced workforce productivity.

All of this points to a need to rethink skills policy. While it is encouraging that the UK Government has recognised the need for rebalancing the education system away from universities and towards vocational and technical education, further action is required across a number of fronts. This includes:

- the need for better careers advice and guidance
- a rethinking about employers' incentives to invest in their people and diversity career pathways
- increasing access to apprenticeships for young people
- a renewed focus on industrial strategy and inclusive growth to support the creation of high-quality job opportunities.

Finally, employers also have a key role to play, with a focus on improved recruitment and people management practices to both reduce the level of overqualification but also to mitigate the negative consequences where it does arise. This should include rethinking entry requirements to roles when recruiting, rather than using qualifications as an easy way to screen applicants. This would help reduce qualification mismatch and, at the same time, make recruitment practices more transparent and inclusive, enabling employers to benefit from a more diverse talent pool. Further, where qualification mismatches do exist, a focus on job design, skills development and career advancement can help mitigate some of the negative impacts.

7 Methodology

There are two primary data sources used throughout this report:

- 1 The ONS Labour Force Survey, to compare data from 1992 and 2022. The quarters used are April to June 1992 and March to May 2022.
- 2 The CIPD's UK [Good Work Index survey 2022](#) (used in the *Overqualified graduates and job quality* section). This draws on a representative sample of over 6,000 UK workers.

8 References

¹ See, for instance, [Busting graduate job myths \(universitiesuk.ac.uk\)](http://universitiesuk.ac.uk)

² McGuinness, S., Pouliakas, K. and Redmond, P. (2017) *How useful is the concept of skills mismatch?* Geneva: International Labour Organization.

³ Ibid.

⁴ See: Mavromaras, K., Mahuteau, S., Sloane, P. and Wei, Z. (2013) The effect of overskilling dynamics on wages. *Education Economics*. Vol 21, No 3; Mavromaras, K., McGuinness, S. and King Fok, Y. (2009) *Assessing the incidence and wage effects of overskilling in the Australian labour market*. Melbourne: Melbourne Institute of Applied Economic and Social Research, University of Melbourne, Australia.

⁵ McGuinness, S., Pouliakas, K. and Redmond, P. (2017) *How useful is the concept of skills mismatch?* Geneva: International Labour Organization.

⁶ Ibid.

⁷ Ibid.

⁸ Harari, M., Manapragada, A. and Viswesvaran, C. (2017) Who thinks they're a big fish in a small pond and why does it matter? A meta-analysis of perceived overqualification. *Journal of Vocational Behavior*. Vol 102, No 28. doi: 10.1016/j.jvb.2017.06.002.

⁹ Ibid.



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