

Overeducation: A Short or Long Run Phenomenon?

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Analyzing data from the 1990s, this paper attempts to gain insights on the time horizon of overeducation, and finds that fewer than one-fifth of individuals overeducated in year t are employed, but not overeducated in year $t + 1$. Theoretically, overeducation could be a short run phenomenon for individuals if it occurs as a temporary form of employment, allowing workers to develop career opportunities or gain experience. On the other hand, overeducation may be a way for workers to compensate for weaknesses in other areas of human capital, such as poor school quality, experience, and career interruptions, thus, a long run phenomenon for some individuals. As expected, slightly more individuals move out of the category during an economic expansion than during a recession. The findings are robust, occurring for several different racial groups, for both genders, and during different periods in the business cycle. Additionally, just educated individuals are found unlikely to become overeducated. Migration patterns tend to lower overeducation rates. Contrary to expectations, overeducated workers are shown to be less likely to abandon employment. (JEL J21)

Changes in the Distribution of Slovak Household Income: 1988 and 1996

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This paper measures the change in monetary income inequality during the first seven years of transition, and considers the importance of two explanations for increasing inequality: changes in the sources of household income and changes in household composition. Changes in the sources of household income reflect the role of the government and the market during the transition period, while changes in household composition reflect social reactions to the changing economic environment. Increases in labor income inequality drove the large increase in overall inequality. Changes in the distribution of pensions and other social payments mitigated the rise in earnings inequality. Large shifts in the demographic composition of households over this period resulted in fewer households with children, more pensioner households, increases in one-person households, and decreases in large households. Although it is found that these demographic shifts increase overall inequality by increasing inequality between groups, most of the change in inequality is accounted for by increases in within-group inequality. Over the first seven years of the transition, labor market forces drove changes in overall inequality in Slovakia to a much greater extent than changes in the government's social safety net or in individual's decisions about household formation. (JEL O5, P2, P3)