



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



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1 Executive summary

There has been a considerable increase in the number and share of graduates in the Scottish labour market over the last 30 years. All nine occupational groups have seen the proportions of graduates increase, and while this is understandable for some, many graduates are employed in roles where degree qualifications are not necessary. This raises questions over the efficacy of our skills development system, the impact on organisational and country productivity, as well as individual employee wellbeing.

This report offers evidence in two key areas:

- 1 The number of graduate roles in the Scottish and UK labour markets is not increasing at the same rate as the number of graduates entering the job market. Therefore, many graduates are ending up in non-graduate roles – some for an initial period after graduating, but many for much longer.
- 2 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.

We also offer a brief outline of the Scottish public policy context, given the differences in areas like tuition fees, apprenticeships and careers services – although our findings do not suggest that the differences in tuition fee policy have any impact on outcomes, especially when it comes to levels of overqualification.

This report makes a series of recommendations for both governments and employers. These are primarily threefold:

- 1 It is vital that the Scottish Government and its agencies progress the recommendations made in the careers advice and guidance review so that young people understand alternative vocational career routes available to them (for example apprenticeships), see them being promoted and championed, and know that support is in place to help them navigate this range of pathways.
- 2 In the current climate of spiralling inflation and possible recession, the Scottish Government must also resist the temptation to cut back on its skills development and employability programmes. It is important that the system expands to encourage vocational pathways and work-based learning. Rebalancing vocational and academic education needs to be a priority.
- 3 Stimulating employer demand for skills through better people management support needs to be a part of the solution. Governments should provide targeted people management skills support, especially for SMEs. For employers, it is important to recognise that while qualification mismatches exist, a focus on job design, skills development and career advancement can mitigate some of the negative findings in this report.

2 Introduction

The last few decades have seen significant transitions in the Scottish and UK labour markets. One of the most notable changes, on the skills supply side, has been the exponential rise in the number and share of young people continuing their study in higher education institutions and achieving degree-level qualifications. This coincided with the reduction in employment in sectors like manufacturing and has seen the UK's service industries boom – a trend that continues to this day.

There has been much debate – public, political, business and academic – over the interaction between the labour market and the skills development system in Scotland and the UK as a whole. Some suggest that the increase in the graduate share in our labour market helps drive economic growth as the number of higher-level jobs increases too. Others suggest that there is a mismatch between what the labour market requires and what the skills system is producing.

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 *Working Lives Scotland* survey data. The report compares the proportions of graduates within different occupational groups (as well as individual occupations) 30 years apart to highlight the changes in the share of graduates. It also looks at the differences in perceptions of job quality between graduates who feel their qualifications match their roles well and those who feel overqualified.

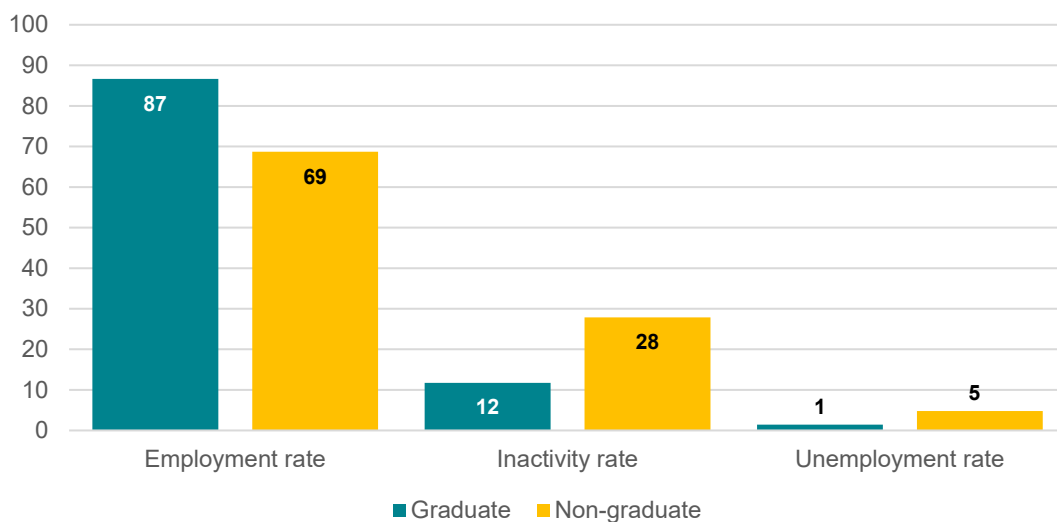
Finally, it provides an overview of the Scottish public policy landscape in this area and concludes with a series of recommendations for policy-makers and employers on how to address some of these skills imbalances.

3 Graduates in the UK and Scottish labour market

The increase in the proportion of young people going to university has been just as prominent in Scotland as it has been in the rest of the UK. Of course, the last decade has seen a considerable gap open up in the approach to tuition fees, with most Scottish (and, until recently, EU) domiciled students not having to pay fees to attend university in Scotland. One of the consequences of such an approach is the de facto cap on the number of Scottish students that can attend university due to the public subsidy provided by the Scottish Government.

The Scottish Government takes pride in its policy and [highlights](#) the positive outcomes of Scottish graduates. The latest Higher Education Statistics Agency (HESA) Higher Education Graduate Outcome statistics for 2019–20 show 90.1% of graduates in positive destinations – 70% were in work, 11% were in work and further study, while 9% were in further study only. A look at recent ONS data in Figure 1 also shows that graduates in Scotland tend to have significantly better labour market outcomes.

Figure 1: Graduates experience significantly better labour market outcomes than non-graduates
(*employment, inactivity and unemployment rates (%): working-age population (16–64 years old) 2022, Scotland*)



Source: CIPD analysis of Labour Force Survey/ONS.

However, the fact that someone is *in employment* does not tell us what *kind of employment* they are in. This has been the subject of much research and competing claims.

The ONS produced data that suggested over half (52%) of graduates were in a job which did not require this level of training, leading to some negative [headlines](#). More recent analysis of the Annual Population Survey shows that number falling to 48% for recent graduates (those who graduated within the last five years) and 42% for all graduates. This is above the UK average (36%) and higher than any other nation and region across the UK.

The Scottish Government countered the reports of considerable graduate overqualification by arguing the definition of 'graduate' was too broad, as this was defined as those with higher than A-level equivalent qualifications, which will include Scotland's broad range of further education qualifications. In response, it provided HESA [data](#), which suggests that

72% of graduates who enter the labour market are working in professional occupations within six months.

Looking beyond just graduates, a Scottish [analysis](#) of the 2006 Employee Skills Survey did not find any considerable differences in overqualification rates between Scotland and the UK as a whole, estimating the proportions at 40% and 39% respectively. Furthermore, the CIPD's own [Working Lives Scotland](#) survey has consistently found over 30% of all employees in Scotland saying they feel overqualified for their roles. It is this dataset that we explore in Section 4.

Graduate earnings and the 'graduate premium'

One of the arguments against the thesis that there is an oversupply of graduates in the Scottish and UK labour markets has been the relative strength of the so-called graduate earnings premium. This is the difference between the average salary of someone with a degree compared with someone without a degree. It has been suggested that this stability is evidence of a corresponding increase in high-skilled jobs to match the increased share of graduates, for example as a result of technological change.

However, more recent evidence produced by HESA suggests that this link has now been broken. Using English data, and comparing two birth cohorts 20 years apart, HESA finds that the 1990 cohort has a 10% wage premium at age 26, compared with 17% for the 1970 cohort. In other words, more recent graduates have a considerably lower wage premium linked to their degree compared with their peers from 20 years ago. 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 nongraduates.

More concerningly, HESA finds a much bigger drop for those awarded lower-class degrees. The earnings of graduates born in 1990 and awarded lower degree classes were only 3% above that of non-graduates. For comparison, this was 14% for the 1970 cohort. 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.

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

The widely reported skills and labour shortages that emerged in early 2022 also provide some evidence of this. Previous CIPD [research](#) has found that, while the largest proportion of hard-to-fill vacancies in Scotland are in professional occupations (the occupational group with the highest proportion of graduates), the second highest was skilled trades, followed by associate professional occupations.

Thirty-six per cent of organisations had hard-to-fill vacancies in professional occupations (for example scientists, engineers, IT business analysts, medical practitioners, psychologists,

teachers or solicitors). Twenty per cent of organisations reported a shortage of skilled trade occupations – for example farmers, sheet metal workers, electricians, mechanics or construction and building trades – and 19% reported a shortage of associate professional and technical occupations – these can include science/engineering technicians, architectural technicians, IT technicians, paramedics or fitness instructors.

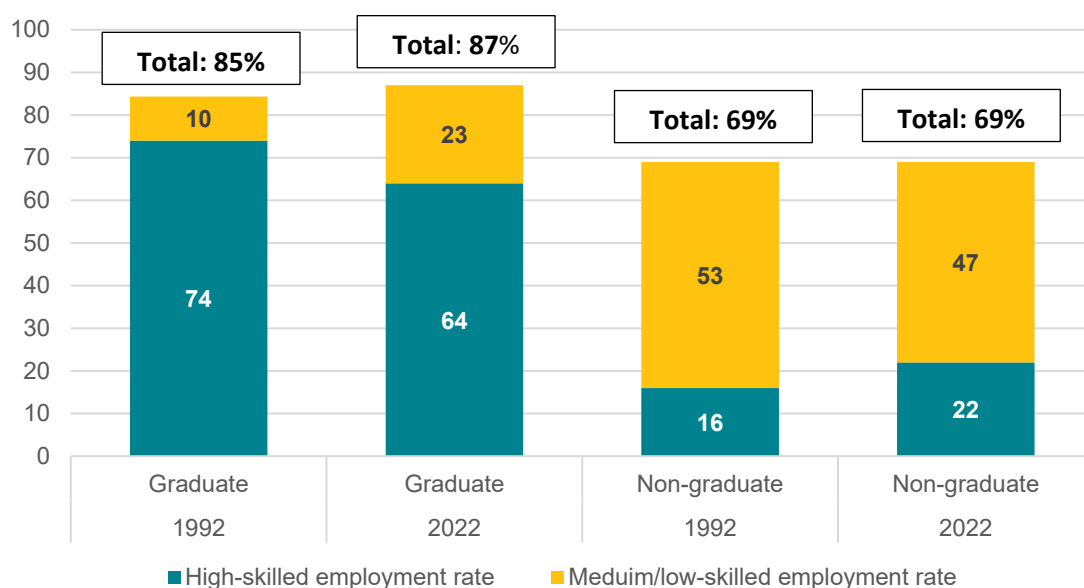
The next section looks at these occupational groups in more detail.

Graduate share in broad occupational groups in Scotland

It is when we start looking at the occupational group breakdown that we can start to uncover some of the patterns of change when it comes to employees with university degrees. We compare Labour Force Surveys from 1992 and 2022 – a 30-year gap that has seen the biggest jump in the graduate labour market share in Scotland and the UK as a whole.

Figure 2 summarises the differences between the share of graduates and non-graduates employed in high-skilled or medium/low-skilled roles. It reflects the differences in the overall employment rate (as seen in Figure 1), but it also shows considerable changes by level of skilled employment.

Figure 2: There has been a fall in the proportion of graduates in high-skilled employment
(type of employment: working-age population (16–64 years old), 1992 and 2022, Scotland)



Definition: high-skilled employment rate: % in SOC 1, 2, 3; medium/low-skilled employment rate: % in SOC 4 to 9.

Source: CIPD analysis of Labour Force Survey/ONS.

In 2022, 64% of working-age graduates in Scotland were in ‘high-skilled’ employment, compared with 22% of non-graduates. Thirty years ago the figure for graduates stood at 74%.

However, it is the growth in the share of graduates in medium- and low-skilled employment that stands out the most – this has more than doubled over the three decades from 10% in 1992 to 23% in 2022.

Looking at the differences within the nine occupational groups provides further evidence of overqualification in Scotland. Table 1 provides an [overview](#) of the nine major occupational classes (ONS SOC 2020) and the general nature of qualifications, training and experience for occupations in the major group.

Table 1: The nine major occupational classes

Managers, directors and senior officials	A significant amount of knowledge and experience of the production processes and service requirements associated with the efficient functioning of organisations and businesses.
Professional occupations	A degree or equivalent qualification, with some occupations requiring postgraduate qualifications and/or a formal period of experience-related training.
Associate professional occupations	An associated high-level vocational qualification, often involving a substantial period of full-time training or further study. Some additional task-related training is usually provided through a formal period of induction.
Administrative and secretarial occupations	A good standard of general education. Certain occupations will require further additional vocational training to a well-defined standard (for example office skills).
Skilled trades occupations	A substantial period of training, often provided by means of a work-based training programme.
Caring, leisure and other service occupations	A good standard of general education. Certain occupations will require further additional vocational training, often provided by means of a work-based training programme.
Sales and customer service occupations	A general education and a programme of work-based training related to sales procedures. Some occupations require additional specific technical knowledge but are included in this major group because the primary task involves selling.
Process, plant and machine operatives	The knowledge and experience necessary to operate vehicles and other mobile and stationary machinery, to operate and monitor industrial plant and equipment, to assemble products from component parts according to strict rules and procedures and subject assembled parts to routine tests. Most occupations in this major group will specify a minimum standard of competence for associated tasks and will have a related period of formal training.
Elementary occupations	Occupations classified at this level will usually require a minimum general level of education (that is, that which is acquired by the end of the period of compulsory education). Some occupations at this level will also have short periods of work-related training in areas such as health and safety, food hygiene, and customer service requirements.

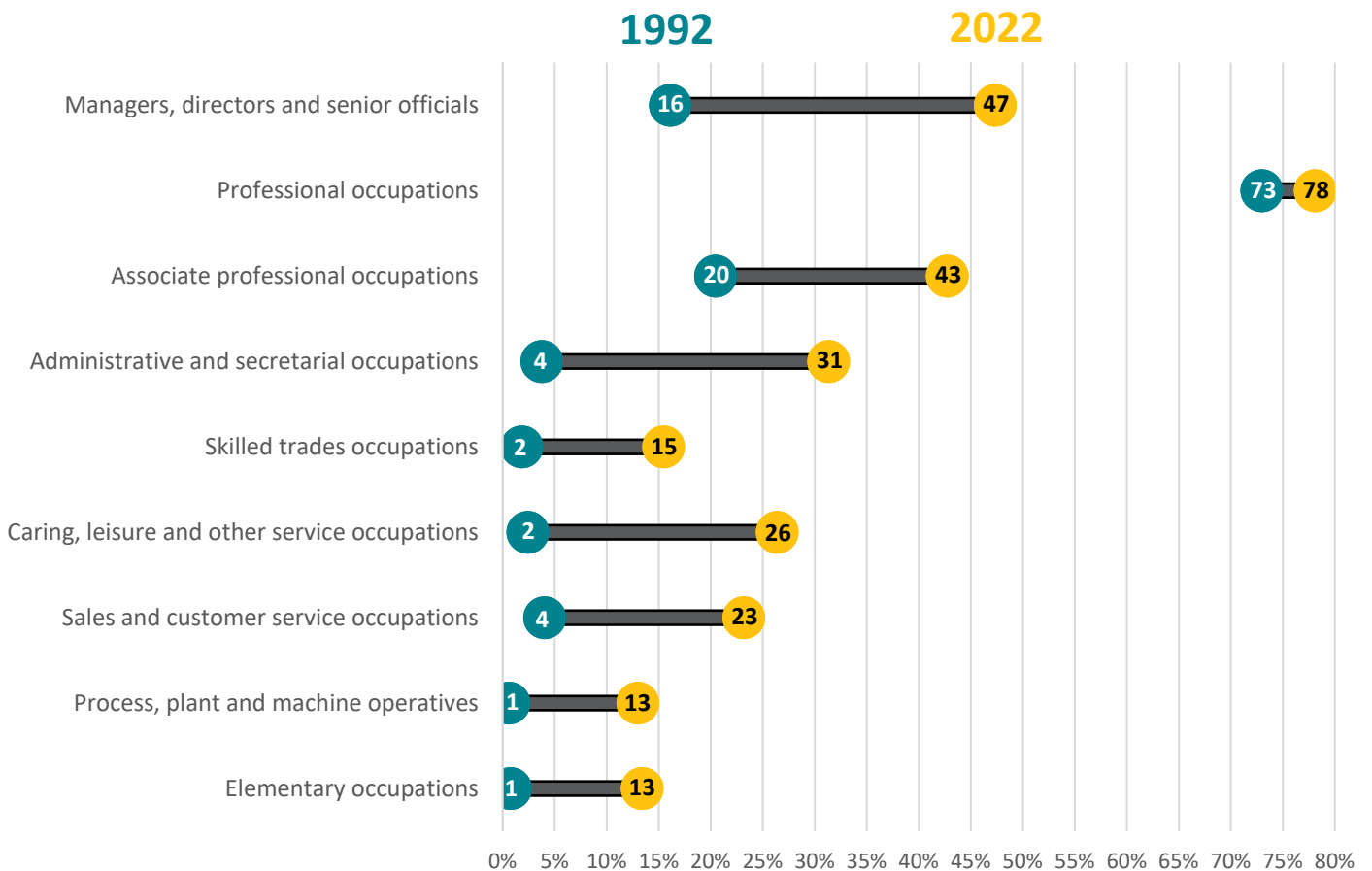
Overall, our analysis finds the proportion of graduates across all occupational groups in Scotland increases from 13% in 1992 to 41% in 2022. Figure 3 shows the changes broken down by the nine main occupational groups. Clearly, given the overall increase, there have been considerable increases in the share of graduates in every occupational group. The key findings to highlight from this analysis are:

- In 1992, there was one occupational group that was the outlier – professional occupations – which had a 73% share of graduates. This remains the highest occupational group in 2022 too, recording a 78% share of graduates.
- The occupational group with the second highest share of graduates in 1992 was associate professional occupations with 20%. In 2022, six of the nine occupational groups have a graduate share of over 20%.

- The biggest increase has been in the managers, directors and senior officials occupational group – a 31 percentage point increase from 16% to 47% over the last 30 years. Much of this is understandable given the changed profile of the Scottish economy.
- The second highest increase, however, is recorded in the administrative and secretarial occupational group – a jump from 4% in 1992 to 31% in 2022. Many of the roles in this group do not require degree-level qualifications. Similarly, the 23% share of graduates in sales and customer services (an increase from 4% in 1992) also suggests some skills mismatches.
- The bottom two occupational groups (elementary and process, plant and machine operatives) both had a negligible share of graduates 30 years ago. It has risen to 13% for both. Barring some exceptions, these roles generally do not require degree-level qualifications.

Figure 3: Rise in the share of Scottish employees with degrees across all occupational classes 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 Labour Force Survey/ONS.

These headline figures hide a lot of nuance:

- There have been changes to the role classifications within occupational groups, which a direct one-to-one comparison does not expose.
- Some of these moves happened precisely because the nature of some roles has changed over time. A good example is nursing, where the role has changed considerably.
- Broad statistics like this do not account for the softer employability skills that are developed during higher education – skills which have a broad application and can be put to use in so-called non-graduate roles too.

In order to explore some of these nuances, we need to dive deeper into the occupational groups and look at individual occupations and how the share of graduates within them has changed too.

This is where we reach the limits of possible analysis of Scottish Labour Force Survey data due to sample sizes and we need to use UK-level analysis. It is important to point out that there is no reason to assume that these more granular findings would be any different in Scotland given that the overall occupational group changes are near-identical.

Graduate share in selected occupations in the UK

In this section, we focus in particular on the growth of the graduate share for 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:

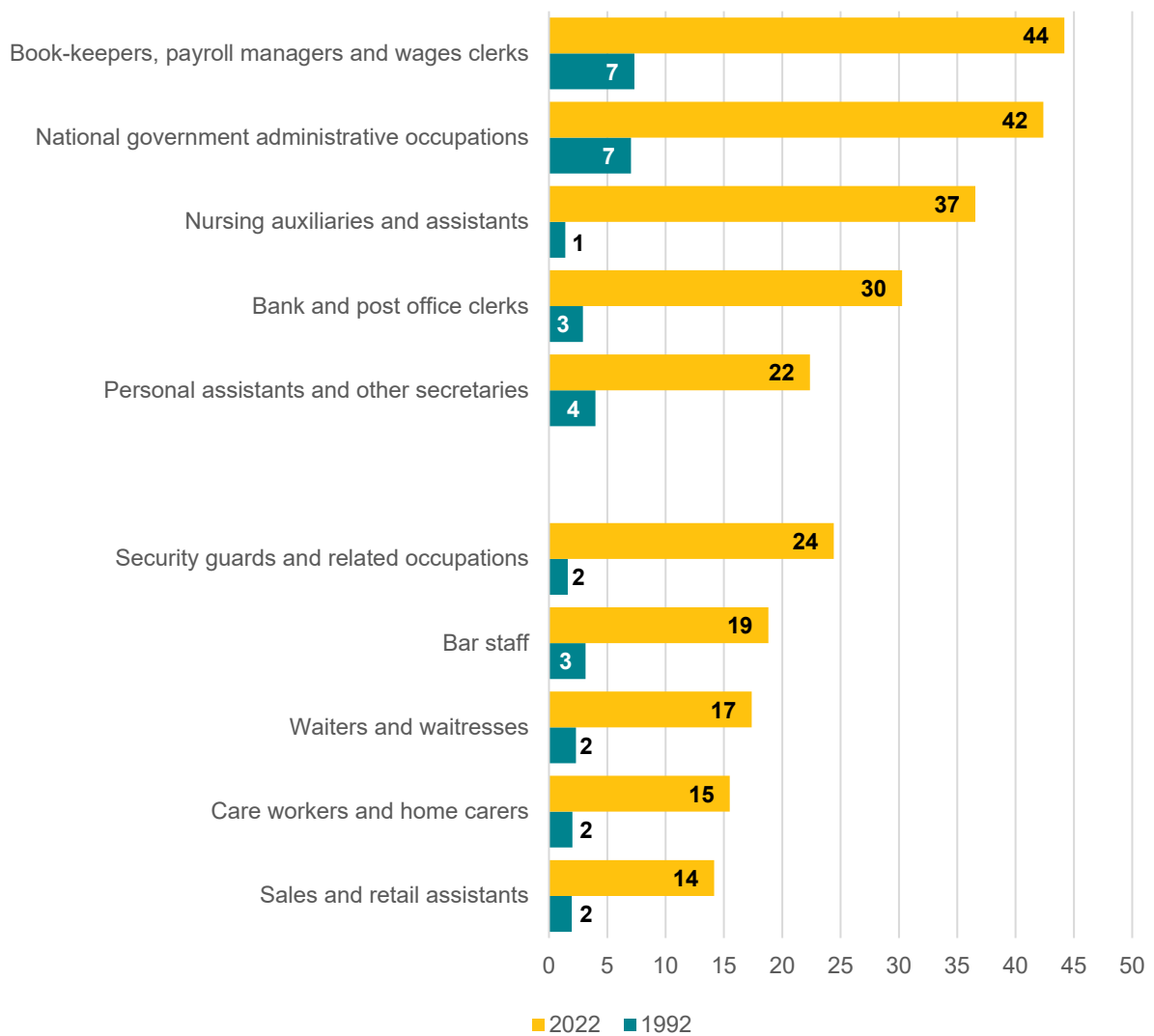
- In 1992, just 7% of book-keepers, payroll managers, wage clerks and national government administrative occupations were graduates; 30 years later the figures stand at 44% and 42% respectively.
- The graduate share for bank and post office clerks and personal assistants and other secretaries has also increased dramatically from 3% and 4% in 1992 to 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 phenomenon for graduates, and that over time they will move into high-paid and higher-skilled employment, the high concentration of graduates within the roles set out in Figure 4 suggest that, for many, this is simply not the case.

Further – as we discuss in the next section – 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-run persistent negative impact on an individual's labour market outcomes, and is unlikely to improve over time.

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 (%), UK)



Source: CIPD analysis of Labour Force Survey/ONS.

4 Overqualified graduates and job quality

The last few years have seen an increased interest in the relationship between various aspects of job quality and individual wellbeing, job satisfaction and productivity. Given poor productivity growth in Scotland and the UK as a whole over the last 15 years, more research has aimed to show the importance of job quality metrics to performance. The CIPD has led in this area for years, primarily with our *UK Working Lives Survey* and [Good Work Index](#) reports. For the last three years, we have also published dedicated analysis in Scotland in our [Working Lives Scotland](#) reports.

It is this dataset that we draw on in this section. By merging the three *Working Lives Scotland* waves (2020, 2021 and 2022) and deduplicating any respondents who were surveyed more than once, we get a usable sample that allows us to analyse the differences in various job quality aspects between graduates who feel they are overqualified for the jobs they are in and those who feel their qualifications match their roles well.

Our analysis shows that Scottish overqualified graduates experience considerably poorer job quality across many metrics – from job autonomy, through wellbeing, to skills development opportunities. This is likely to have an impact on performance as well as the likelihood to quit. This further underlines the importance of skills matching to individual outcomes, but also the broader labour market.

Interestingly, the Higher Education Statistics Agency (HESA) has recently started doing [analysis](#) in this area, focusing on job design and the nature of work and the differences between graduates employed in different occupational classes. Its findings fit nicely with our analysis in this section too, showing graduates employed in lower occupational classes are doing worse on these aspects of job quality.

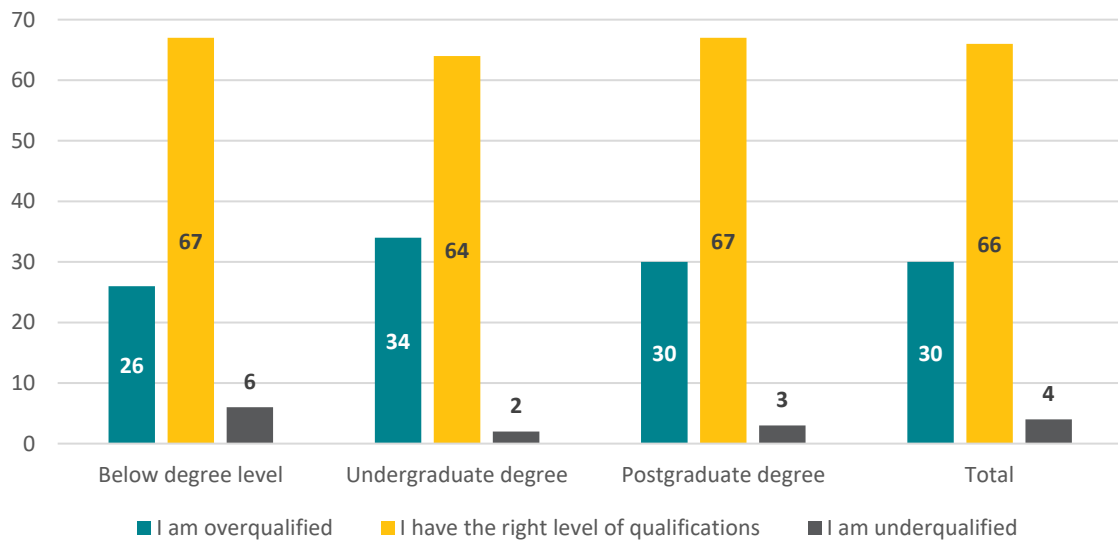
Who feels overqualified?

Overall, our data suggests that nearly a third (30%) of all employees feel that they are overqualified for their job. However, Figure 5 shows that there are differences between employees with different qualification levels. While only 26% of those whose highest qualification is below degree level feel overqualified for their jobs, 34% of those with an undergraduate degree feel that way.

The rest of the analysis in this section focuses on those in the second column of Figure 5 – those whose highest achieved qualification is an undergraduate degree (referred to throughout as ‘graduates’) – and the differences in job quality dimensions between those who feel overqualified (‘overqualified graduates’) and those who feel their qualifications match their role well (‘matched graduates’).

Figure 5: Employees whose highest achieved qualification is an undergraduate degree report the highest levels of overqualification

(differences in qualification matching, by highest achieved qualification)



Base: below degree level: n=784; undergraduate degree: n=514; postgraduate degree: n=572; total: n=1,870.

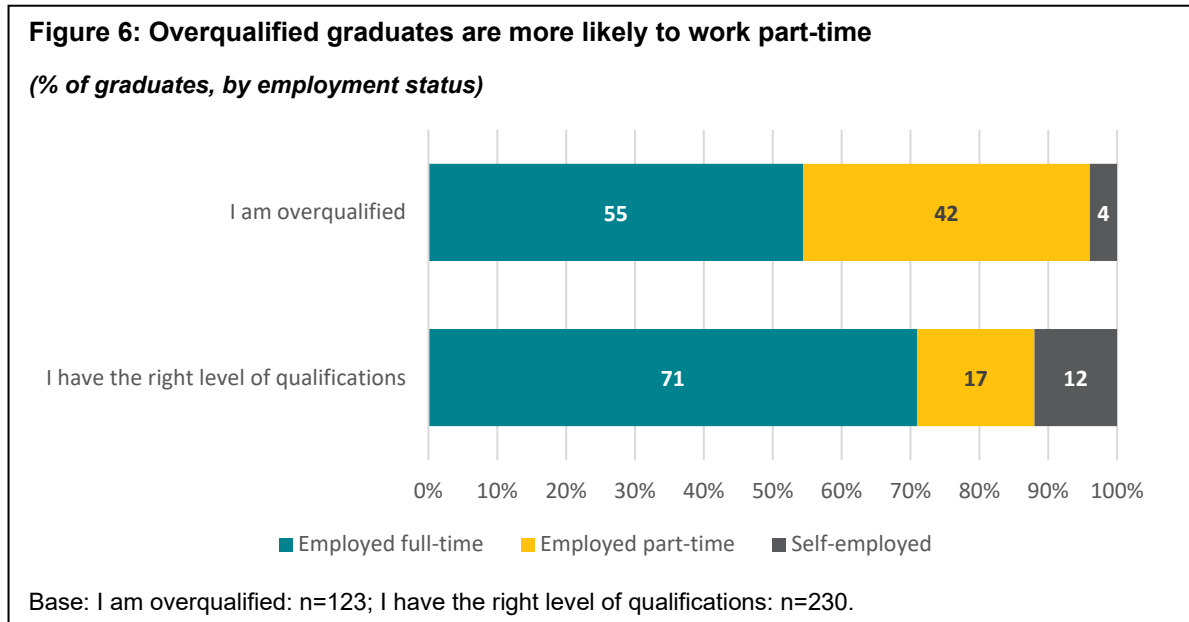
Looking at the characteristics of graduates in more detail, we find that female graduates are more likely to say they are overqualified (37%) than male graduates (31%). This is linked to women being much more likely to be employed in part-time roles, which in turn are more prevalent in certain occupations.

On age, we don't find any statistically significant differences, apart from the oldest graduates (those aged 55+) reporting higher levels of overqualification. This may be linked to respondents conflating their skills/experience with formal qualifications, evidence of which we find in the responses to a question around skills matching – older graduates were more likely to say that they have skills to cope with more demanding duties. It has to be pointed out that we do not have a big enough sample of graduates in the youngest age range (18–24), but given that they tend to report higher overqualification rates overall, it is likely that young graduates would also feel more overqualified than those aged 25+.

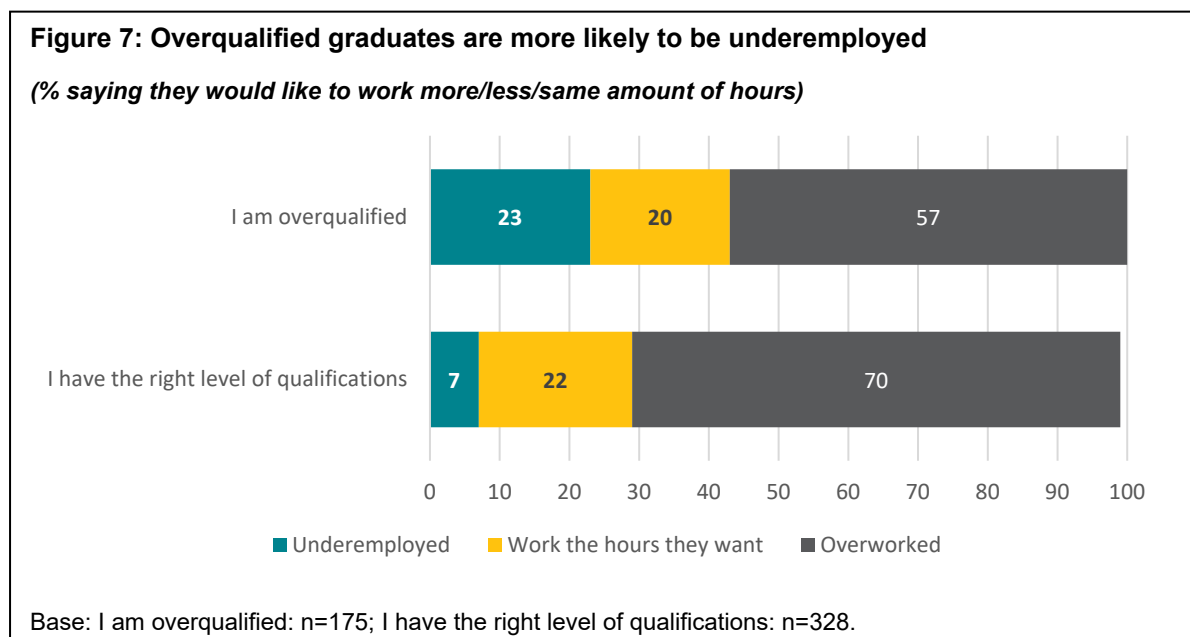
Unsurprisingly, we find considerable differences by social class. Graduates from more advantaged backgrounds (ABC1) are much less likely to say they are overqualified (29%) compared with those from less advantaged backgrounds (C2DE) (53%). This is, of course, linked to the occupations these graduates are in, as occupations are used to determine the social grade of employees too.

Where and how do overqualified graduates work?

Figure 6 shows that overqualified graduates are much more likely to work in part-time roles, with 55% working in this way, compared with 71% for matched graduates. As we show further below, this is linked to the occupations graduates work in, with overqualified graduates much more likely to work in lower occupational classes (for example sales and customer services), which have a higher prevalence of part-time roles.



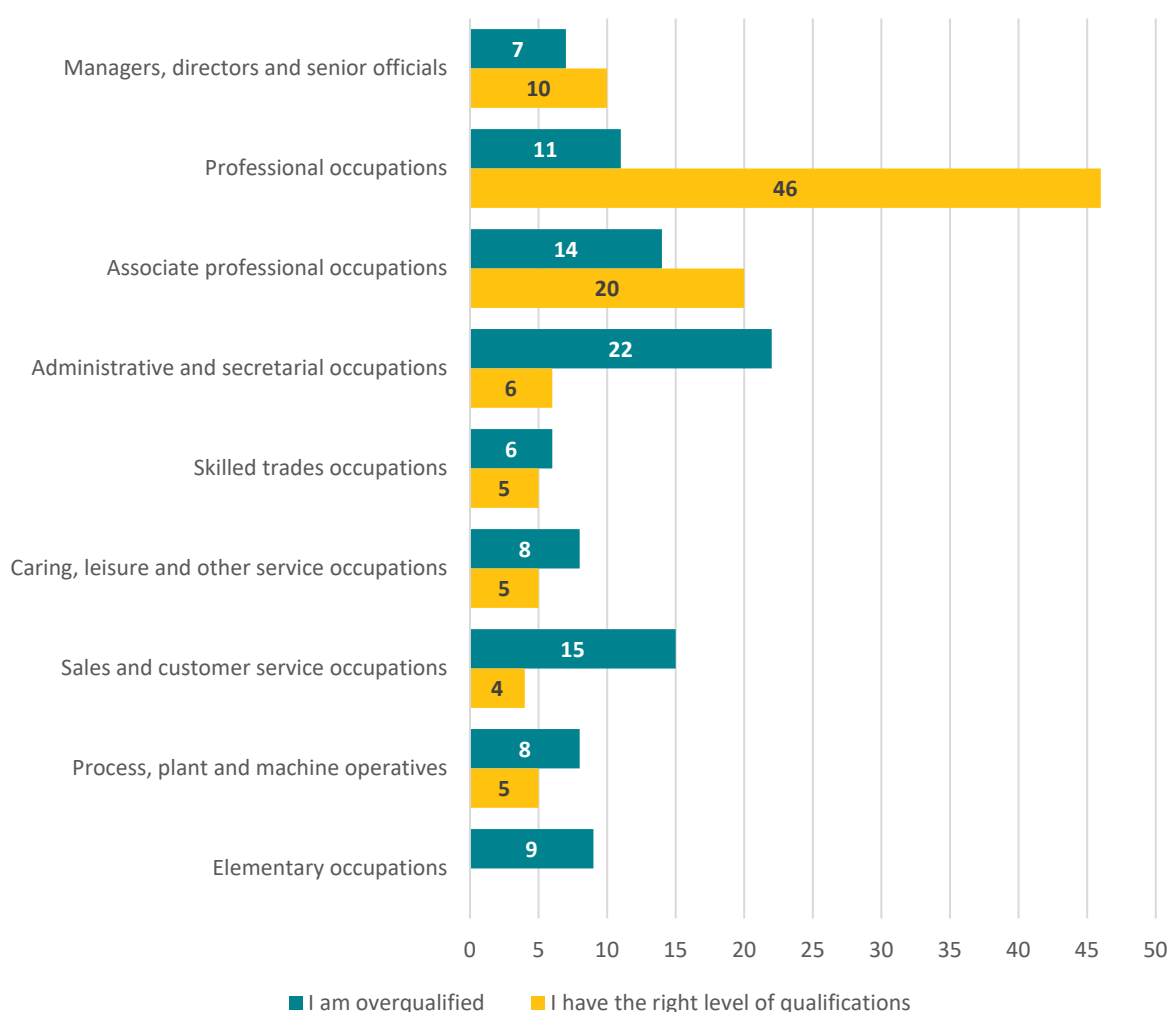
We know from past research that those working part-time are more likely to report being underemployed – that is, wanting to work more hours per week than they currently do. Indeed, Figure 7 shows that overqualified graduates are more likely to report underemployment. When looking at workloads (that is,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



CIPD research has consistently shown that a person’s occupation is one of the strongest determinants of their job quality. We find a very different occupational split between overqualified and matched graduates, summarised in Figure 8. Over half (56%) of matched graduates are in the top two occupational classes, compared with just under a fifth (18%) of those who feel overqualified. Twenty-two per cent of those who feel overqualified work in administrative occupations, compared with only 6% of matched graduates. Nearly a third (32%) of overqualified graduates work in the bottom three occupational classes, compared with just 9% of those with matched qualifications.

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=120; I have the right level of qualifications: n=224.

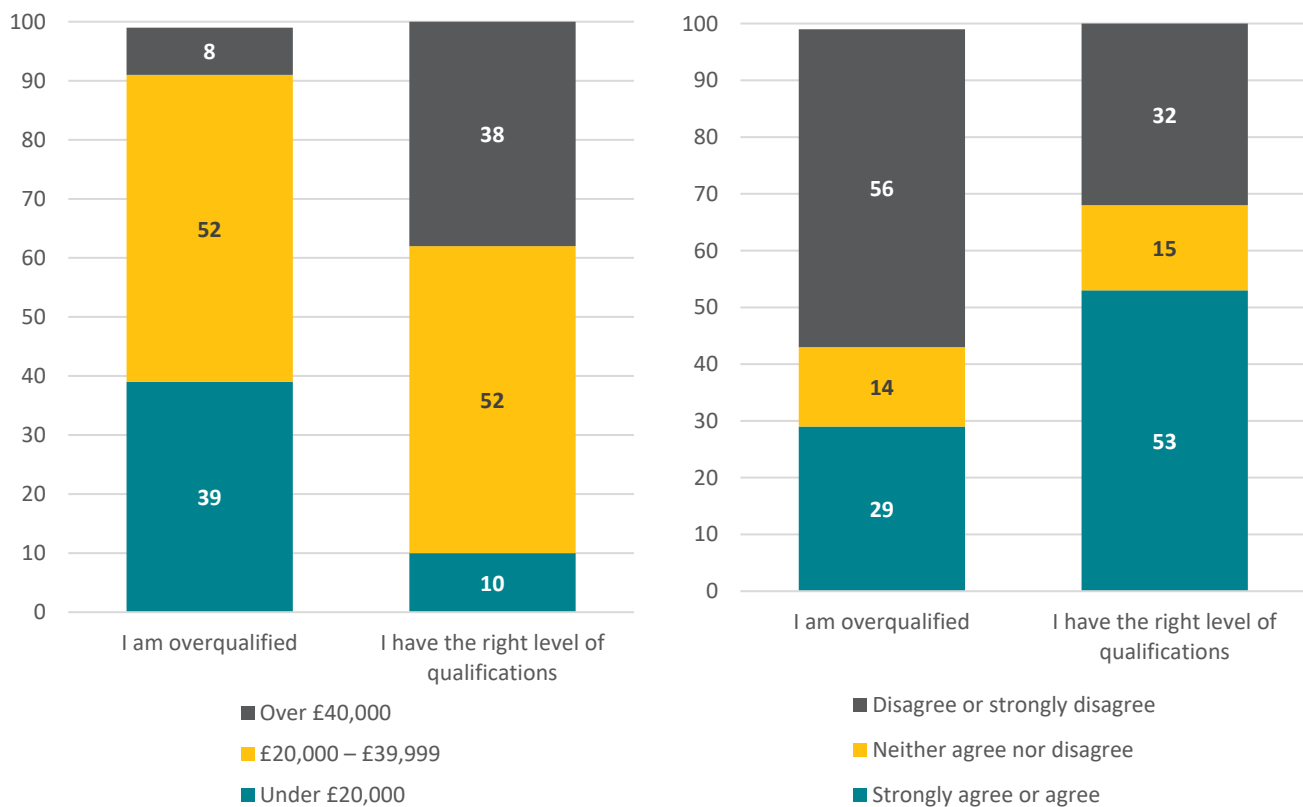
We find that the distribution by industry also differs, although our sample size is too small to provide a full picture. That being said, we can see that out of those graduates who work in hospitality and retail, two-thirds (66%) feel they are overqualified for their role, compared with just 17% for those who work in ICT or 16% of those working in education.

Linked to the occupational spread described above, as well as the higher rates of part-time working, are earnings. Overqualified graduates are much more likely to be on lower salaries (39% of them are earning under £20,000, compared with only 10% of matched graduates).

This also then translates to subjective pay (whether employees feel they are being paid appropriately), with nearly twice as many overqualified graduates disagreeing that they get paid appropriately compared with matched graduates.

Figure 9: Overqualified graduates have lower earnings than matched graduates 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’)

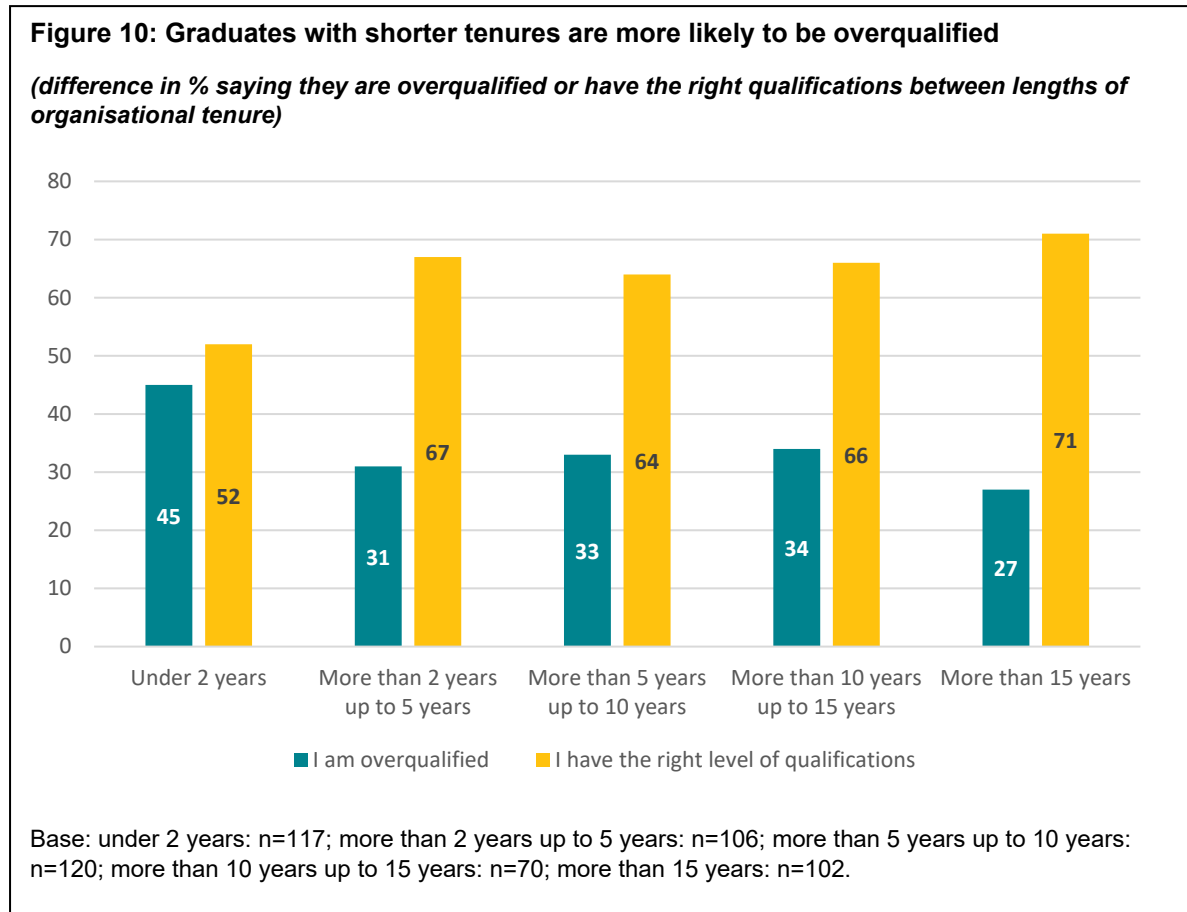


Base (earnings): I am overqualified: n=130; I have the right level of qualifications: n=213.

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

We find no statistically significant differences between graduates working in the private, public and voluntary sector, nor do we find any differences by organisation size. We do, however, find differences by tenure.

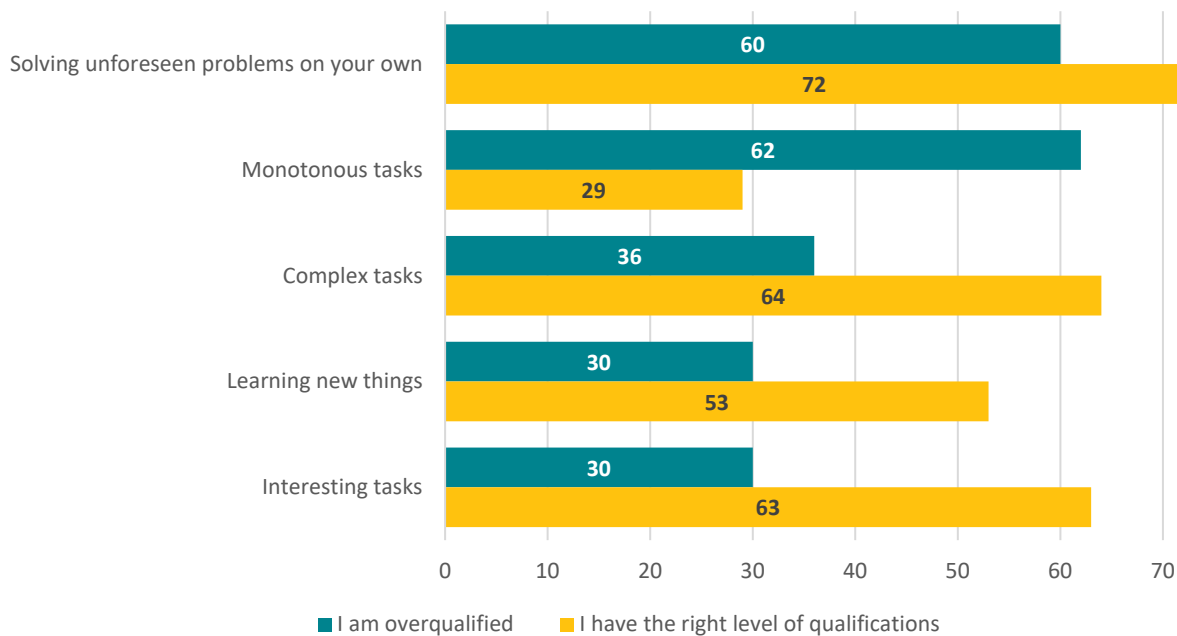
Figure 10 shows that overqualified graduates are more likely to have been in their jobs for shorter amounts of time, which is linked to a higher staff turnover in certain occupations and industries. It also suggests that some graduates start off in mismatched roles before moving on to jobs with a better qualification match. That being said, the high levels of overqualified graduates with long tenures also supports previous research that has shown a poor initial skills match having a long-term impact on a person’s career.



Looking at the job design and nature of work aspects of job quality, we find considerable differences in job complexity (Figure 11) as well as job autonomy (Figure 12). Of course, as discussed above, the benefits of higher education go beyond knowledge and include transferrable skills like problem-solving and complex analysis. For a large proportion of overqualified graduates, these skills are not being put to use. Twenty-seven per cent of overqualified graduates say that their job rarely or never involves complex tasks, with the same proportion saying the same about learning new things.

Figure 11: Overqualified graduates report poorer job complexity

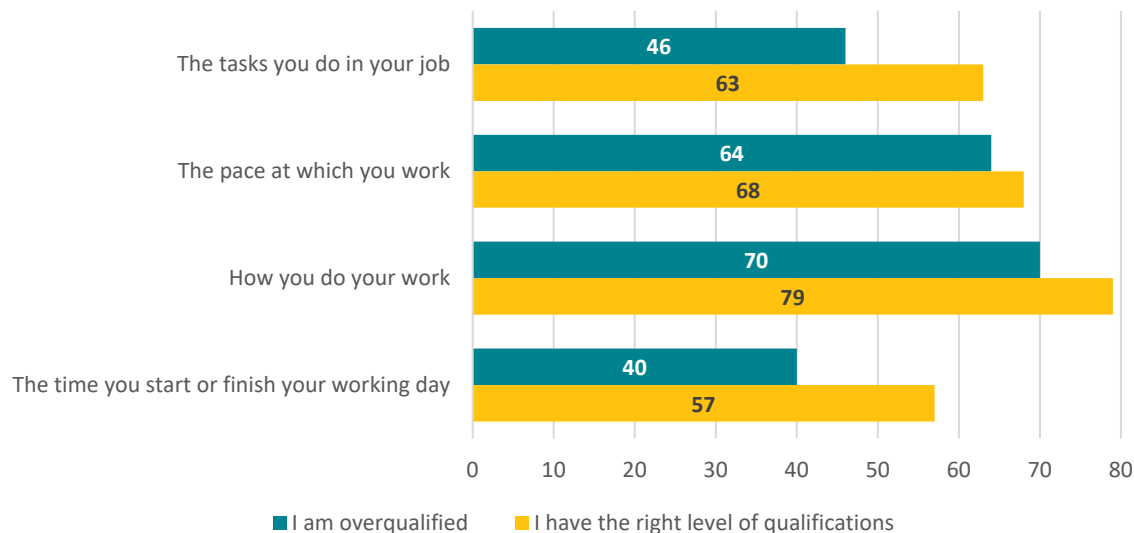
(% saying that their job always or often involves...)



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

Figure 12: Overqualified graduates also report much poorer job autonomy

(% saying that they have a lot or some influence over...)



Base: I am overqualified: n=166; I have the right level of qualifications: n=285.

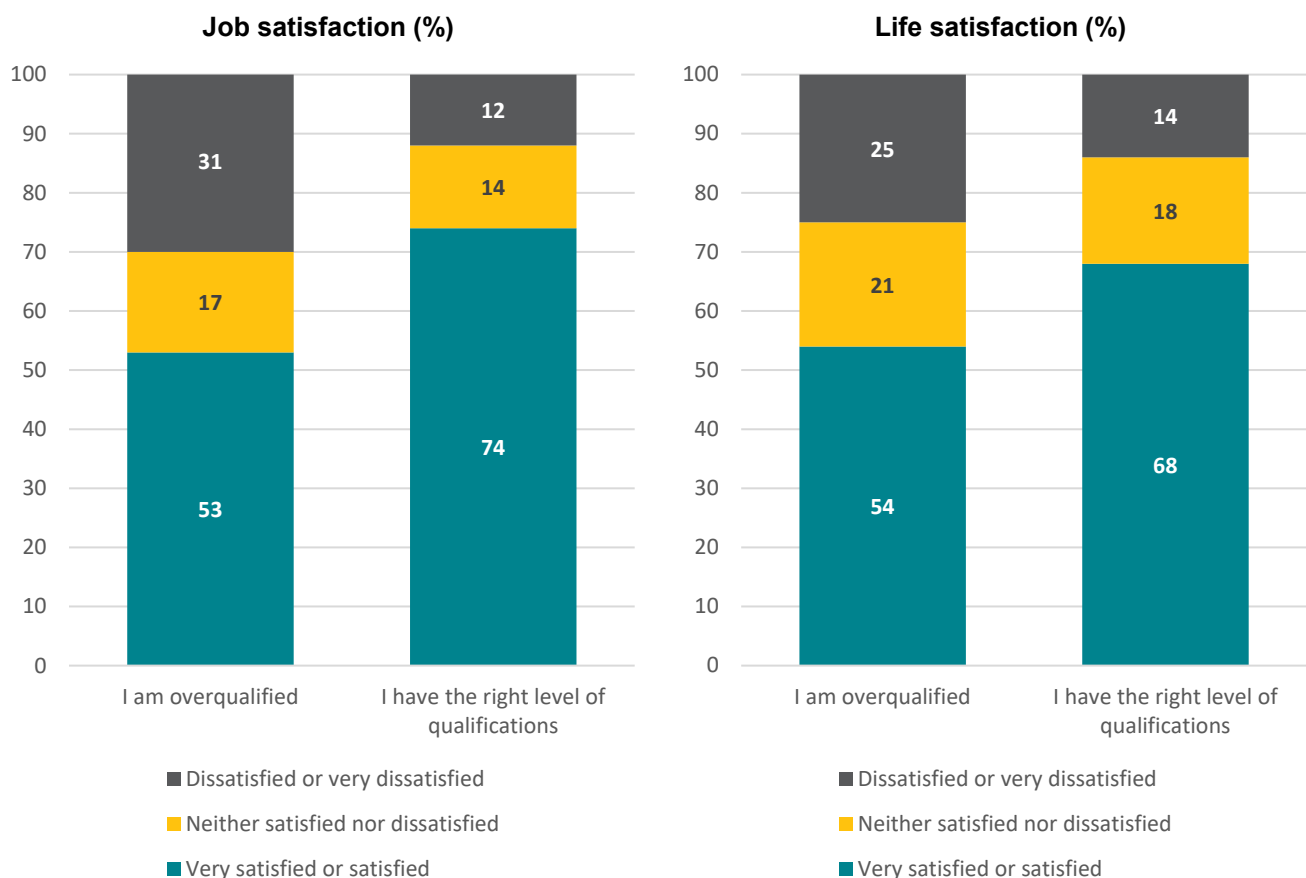
The differences by occupation also have an impact on graduates' formal and informal flexibility. Overqualified graduates report poorer access to flexible working arrangements, in particular arrangements like working from home (unavailable to 60% of overqualified graduates, compared with 35% of matched graduates) or flexitime (unavailable to 60% of overqualified graduates, compared with 46% of matched graduates).

They also report poorer informal flexibility (defined as the ability to take a few hours of work off to take care of personal or family matters). Thirty-six per cent of overqualified graduates say this would be difficult, compared with only 23% of matched graduates.

Overqualified graduates and their experience of work

In addition to the individual characteristics of overqualified graduates, their ways of working and job design, we also look at how they experience work and what impact it has on a range of issues. Figure 13 shows the differences in job and life satisfaction, both of which are significantly lower for overqualified graduates compared with matched graduates, confirming the findings from previous [research](#) on this.

Figure 13: Overqualified graduates have lower job and life satisfaction



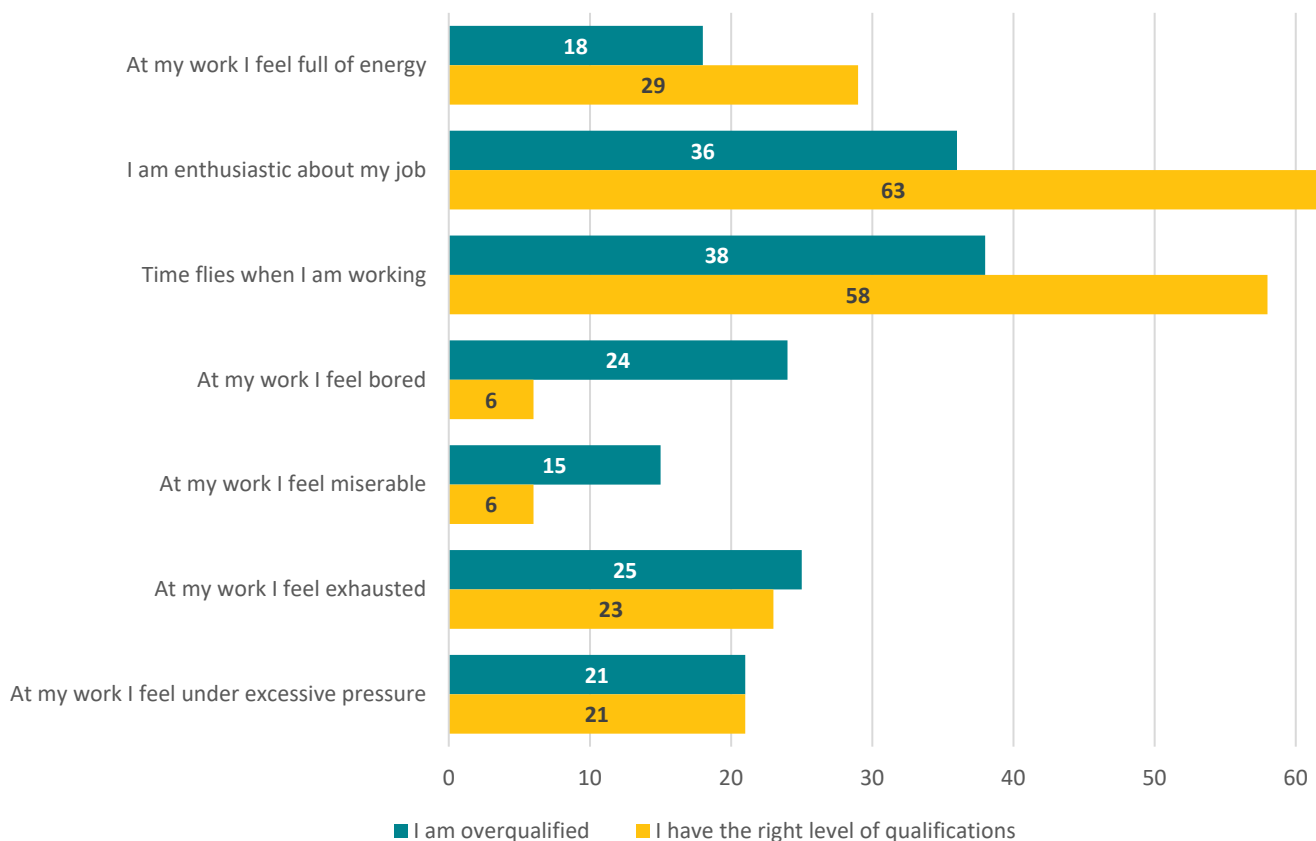
Base (job satisfaction): I am overqualified: n=176; I have the right level of qualifications: n=328.
 Base (life satisfaction): I am overqualified: n=175; I have the right level of qualifications: n=327.

When it comes to wellbeing, we find no statistically significant differences in physical health or in the reported impact of work on physical health. However, we do find overqualified graduates report poorer mental health and a marginally worse impact of work on mental health. Forty-nine per cent of overqualified graduates describe their mental health as good (26% as poor), compared with 62% of matched graduates (14% as poor).

Some of these findings around mental health will be linked to employees' subjective feelings over their jobs, as summarised in Figure 14. 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. But we do find considerable differences in other areas like job enthusiasm (36% of overqualified graduates say they always or often feel enthusiastic about their job, compared with 63% of matched graduates), feeling bored (24% vs 6%) or feeling miserable (15% vs 6%).

Figure 14: Overqualified graduates have poorer subjective feelings about their jobs, although they experience similar stress levels

(% saying they always or often feel this way)



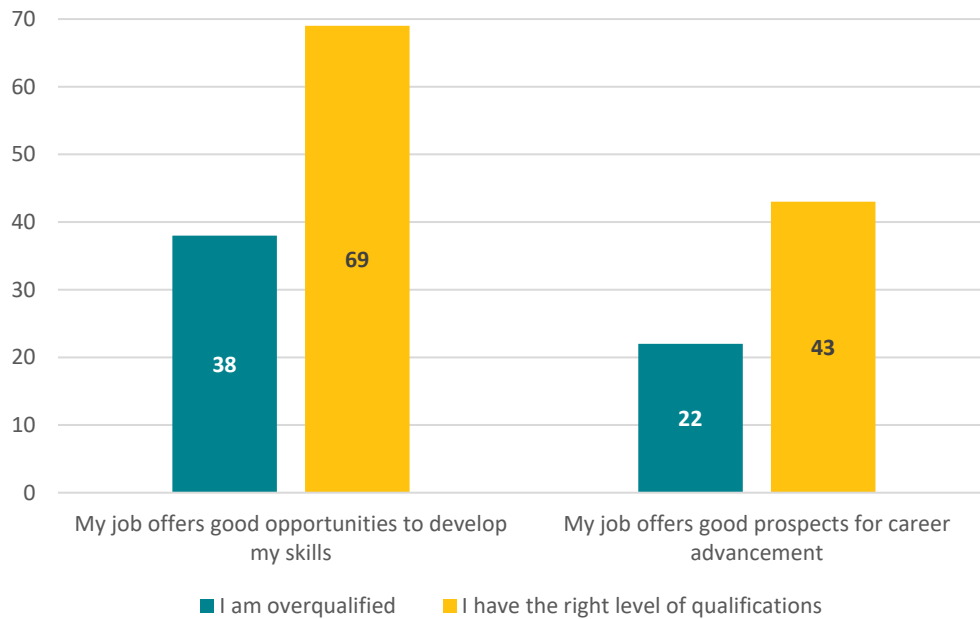
Base: I am overqualified: n=175; I have the right level of qualifications: n=328.

The survey also asks a series of questions around meaningfulness of work, asking respondents whether they feel motivated by their organisation's core purpose, whether they feel they are doing useful work for their organisation and whether they feel they are doing useful work for society. Overqualified graduates scored lower across all three questions – for example, 40% of them say they are highly motivated by their organisation's core purpose, compared with 55% of matched graduates.

In addition to meaningfulness of work, we know from conversations with our members that skills development and career advancement opportunities are increasingly important aspects of job quality sought out by applicants, in particular in tight labour markets. Both also support employee pathways to higher earnings. Figure 15 shows that, on both measures, overqualified graduates do considerably worse than their matched counterparts.

Figure 15: Overqualified graduates report significantly lower skills development opportunities and career advancement prospects

(% saying they agree or strongly agree with the statements)



Base: I am overqualified: n=175; I have the right level of qualifications: n=327.

Past research has shown that how employees feel about their work is also linked to performance. We find some evidence of this in our analysis too. Forty-seven per cent of overqualified graduates say they are willing to work harder than they have to in order to help their employer or organisation, compared with 63% of matched graduates.

All of the above findings also mean that we find differences in the likelihood to quit, which directly impacts organisations' staff turnover. Overqualified graduates are three times as likely to quit than those who say their qualifications match their job well. Thirty-one per cent of overqualified graduates said they were likely to quit in the next 12 months, compared with just 9% of matched graduates.

5 Scottish public policy context

This report follows the publication of a UK-wide CIPD [report](#) looking at the issue of overqualification among graduates across the whole of the UK. There are, however, notable differences in the public policy context and we briefly outline these in this section – focusing on tuition fees, apprenticeships and work-based learning, as well as careers information and guidance services.

It is worth pointing out that the findings in the two reports aren't meaningfully different despite the differences in the labour market and skills development policy in Scotland. Chief among them are the differences in tuition fees, which have grown apart exponentially since 2010.

It is not within the scope of this short report to explore the impact of this difference on levels of graduate overqualification in any detail, but it is worth pointing out that, despite the political narrative of substantial difference in the Scottish approach to higher education, there does not seem to be a substantial difference in outcomes – at least when it comes to overqualification.

Tuition fees and student loans

Access to higher education for Scottish domiciled students (and, until last year, EU students) is free. Tuition fees were abolished in 2000 and the graduate endowment (a one-off charge payable following graduation) was abolished in 2007. The notion of free higher education has featured prominently in political discourse, but much of the nuance in relation to widening access, student debt or broader university funding has not received the same attention.

Despite the lack of tuition fees, Scottish students also accumulate debt as a result of cost-of-living loans. Just like tuition fee loans, these too are income-contingent and repayable once in employment. Around 100,000 students are authorised for cost-of-living loans each [year](#) (97,375 in 2021/22), with the annual value of loans paid being above £500 million. Total student debt in Scotland as of March 2022 stands at around £7 billion. This is, of course, considerably lower than in England, but a significant proportion of this is expected to be written off.

A result of the 'no tuition fee' policy in Scotland is the effective cap on the number of funded places available to Scottish students. An even less discussed [impact](#) is the fact that Scottish students who are not offered a funded place at a Scottish university have no option to choose to pay tuition fees at the same or an alternative Scottish HEI instead. The only alternative option is to attend a fee-paying institution outside of Scotland, for which SAAS tuition fee loans are available.

It is important to highlight a unique feature of Scottish post-16 education, which is the provision of higher education in further education colleges. In fact, around a third of full-time undergraduate study in Scotland is provided in this way. In 2017–18, more than 4,000 further education students studying Higher National Certificates (HNCs) or Higher National Degrees (HNDs) moved into the second or third year of university through a process called articulation (the recognition of prior higher education study). This is important from a widening access point of view, since a higher proportion of students from the most deprived areas of Scotland progress via these routes.

Apprenticeships and work-based learning

Scotland's apprenticeship system compares well with some of our key competitors. By focusing on depth rather than breadth – with a smaller number of frameworks anchored to qualifications – it provides a solid base for employees in the world of work. It has undergone several reforms recently, with more planned in the near future. The introduction of foundation and graduate apprenticeships has been widely welcomed, although their expansion has perhaps not been as fast as was anticipated.

Looking at international evidence, the OECD's 2020 [review](#) provides suggestions of long-term reform to Scotland's apprenticeships – much of this in line with the CIPD views that we summarised in our 2021 Scottish Parliament election [manifesto](#). An internal Skills Development Scotland review of apprenticeships is currently ongoing and an overarching review of the Scottish skills system has also recently been announced.

One of the few policies that impact the Scottish skills system without being the responsibility of the Scottish Government is the apprenticeship levy. The funds raised from the levy are returned to the Scottish Budget via the block grant and then distributed to various skills initiatives – primarily delivered via Skills Development Scotland. This creates a significant disparity with the English approach, where, broadly speaking, levy-paying organisations have direct access to their levy funds to spend on apprenticeships. The Scottish Government provides a ringfenced Flexible Workforce Development Fund (FWDF), the majority of which is for levy-payers to use on smaller skills development.

The FWDF itself, however, is the subject of a review, alongside two other upskilling/reskilling initiatives – the National Transition Training Fund and Individual Training Accounts. The Scottish Government has committed to create a lifetime skills offer, primarily aimed at the transition towards net zero. The CIPD has long argued for a boost in lifelong learning skills policy given the economic transitions associated with Industry 4.0 as well as net zero.

In the context of overqualification, it is important to make a distinction between what the role of apprenticeships traditionally was and what it has recently evolved into. An apprenticeship should be seen as a way of developing fundamental skills from scratch and to provide a solid start to a young person's career. This is distinct from upskilling, where an existing skills base is being built upon.

Recent statistics – in Scotland as well as England – suggest that more and more employers are in fact using apprentices as a way of upskilling existing employees. In 2012/13, 23.4% of apprenticeship starts were aged 25+, compared with 42.2% in 2021/22. This is likely a side effect of the apprenticeship levy, with employers looking to recoup their funds by accessing apprenticeships. Policy-makers need to keep a close eye on this to ensure young people are not missing out on apprenticeship opportunities. Similarly, in employing apprentices, employers play a key role in ensuring work-based learning is available to young people.

Careers information, advice and guidance

As part of the CIPD's [One Million Chances campaign](#), focusing on the impact of COVID-19 on young people's prospects, new [research](#) revealed considerable gaps in careers services in Scotland. We found that a fifth (20%) of young people from Scotland reported not receiving any careers advice or guidance during their time at school, college or university. Out of those who did receive advice, while 59% say they received support on applying to university at school, only 6% received help to apply for an apprenticeship. That is despite

63% saying they would have been open to an apprenticeship instead of going to university, had it been available in the subject area of their interest.

The importance of good careers advice has been recognised in the Scottish Government's response to the pandemic too, with a major independent [review](#) of careers information, advice and guidance. The review makes it clear that although there is much to be admired about Scotland's careers service, there are clear areas where progress is needed. This includes the level of resource, which currently is not sufficient to meet the demand of around 300,000 secondary pupils in Scotland. Skills Development Scotland provides 1.0 full-time equivalent (FTE) per secondary state school, with local authorities resourced to provide 0.5 FTE Developing Young Workforce School Co-ordinators per secondary state school. The review makes it clear that this resource is not able to provide personalised one-to-one support to the entire secondary school cohort.

The review makes a series of recommendations, including the introduction of a new career development model centred on coherence and consistency. Encouragingly, the system is envisaged to be designed for the future world of work, with a focus on individual agency and choice through person-centred services. Furthermore, the review recommends a dedicated curriculum time for experiential work-related learning in all settings.

Ensuring young people understand the Scottish labour market, the variety of skills pathways and career options, as well as their own abilities and skills is absolutely crucial if we are to bring labour market needs closer to what the skills development system delivers.

6 Conclusions and recommendations

There has been considerable interest in recent years over the increase in the number and share of graduates in the Scottish and UK labour markets. Supporters argue that the labour market continues to evolve to accommodate graduate roles and that the broader graduate benefits of higher education (like soft employability skills) prepare our workforce better for rapid economic transitions. Opponents argue that the labour market has reached saturation point and that greater emphasis on work-based learning and vocational pathways is needed across the skills development system in order to meet skills demand.

The role of this report is not to be an arbiter between these two views. It does, however, offer additional evidence in two areas.

First, the number of graduate roles in the Scottish and UK labour markets is not increasing at the same rate as the number of graduates entering the job market. Therefore, many graduates are ending up in non-graduate roles – some for an initial period after graduating, but many for much longer than that.

The recent drop in the so-called graduate premium and the significant increase in the proportion of graduates in non-graduate roles point to a degree of saturation in the labour market. Considering the scale of reported skills and labour shortages – many of which persist despite the broad economic outlook – these findings underline the existence of a degree of mismatch between labour market demand and the supply of skills from the skills development system.

Second, 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 is linked to organisational (and by extension country-wide) productivity.

To conclude, we see signs of a negative impact on the labour market as a whole as well as on those individual graduates who fail to get employment in graduate roles. However, there is an additional point to be made about the access to job opportunities for those without graduate qualifications.

Given the increase in the share of graduates in occupations that would traditionally not require graduate qualifications, it is likely that some of this results in fewer employment opportunities for those with lower or indeed no formal qualifications at all. Since these are often the furthest away from the labour market, this should be of concern to policy-makers in particular.

Furthermore, it needs to be recognised that the continued primary focus on the supply side of skills policy is unlikely to achieve the desired results of the creation of more high-quality jobs and increased productivity. A significant part of the UK's and Scotland's low productivity levels is due to inadequate leadership and people management capability in too many firms, and a consequently weak demand for investment in skills, coupled with 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 an environment where business leaders regard their workforce not as a cost to be managed but as a key value driver to be invested in.

Our recommendations

- 1 It is pivotal that the recommendations in the careers advice and guidance review commissioned by the Scottish Government are taken forward and result in meaningful progress. Previous CIPD [research](#) has shown that the vast majority of young people still feel that careers services only push them towards higher education, without any meaningful help to understand alternative vocational career pathways – for example apprenticeships. The creation of a person-centred, coherent career development model that allows young people to understand their skills, the broader labour market and the range of career pathways has the potential to make a big difference.
- 2 As the country slides into an economic recession and spiralling inflation puts additional pressure on government budgets, the Scottish Government must resist the temptation to cut back on its skills development and employability programmes. In particular, the apprenticeship system in Scotland has evolved differently from England over the last few years, with the introduction of foundation and graduate apprenticeships, the embedding of employability skills into it and qualification-linked pathways. If anything, the system should expand to encourage vocational pathways and work-based learning.
- 3 Irrespective of the current economic climate, the overall balance between academic and vocational education needs to be re-evaluated – both in terms of government budgets and the status attached to different pathways. On both measures, the UK and Scottish governments have, over the last few decades, favoured academic routes, although some of the more recent moves around lifelong learning and skills development have been more encouraging. More funding and new policy initiatives, however, will not be enough – employer input and stimulation of skills demand will be crucial.
- 4 There is an increasing amount of evidence that shows the link between poor people management and our stagnating productivity. People management and leadership are key drivers of job quality, but are also crucial in unlocking demand for skills. Much of this needs to be driven by employers, but the Scottish Government could also increase its support through its agencies. A range of programmes still exist in this space (for example [Skills for Growth](#)), but there is a particular gap in people management support for some of the smallest businesses across Scotland.
- 5 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 open and inclusive, enabling employers to benefit from a more diverse talent pool.
- 6 Employers also have to recognise that while qualifications mismatches exist, a focus on job design, skills development and career advancement can mitigate some of the negative findings in this report. This can include the creation of more pathways for in-work progression, investing more in learning and development as well as providing sufficient time and training for people managers to manage employees well.

7 Methodology

There are two primary data sources used throughout this report. The first is the ONS Labour Force Survey, where we focus on data from 1992 compared with 2022. The quarters used are April to June 1992 and March to May 2022.

The second dataset, used in the *Overqualified graduates and job quality* section, is the CIPD's annual *UK Working Lives Survey*, run by YouGov since 2018. From its 2020 edition, the sample for Scotland was boosted to over 1,000 and regional weights applied to make it representative of the Scottish working-age population. To maximise the possible level of analysis, this report uses a merged dataset comprising the three boosted Scottish sub-samples (2020, 2021 and 2022). The dataset was deduplicated and returned a total sample of 1,937 respondents.



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