

# Underemployment and overeducation in China: Causes and effects

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## Background

Although with the economic development, employment opportunities are constantly increasing, the country has realized the polarization of education with its rapid development in China. A large number of new college graduates flooded the market. The phenomenon is that market labor demand is insufficient to meet the annual supply of new graduates entering the market, resulting in underemployment and overeducation.

new college graduates and new labors

## Method

This paper has considered the effect of mismatch due to underemployment. Taking this into account, we have used the overlapping generations (OLG) model and found that the greater the mismatch, the greater the underemployment is.

## Research result

If  $q$  is less than zero, people in part 3 can work as high-skilled workers - they can save money and all become rich. However, people in parts 1 and 2 will stay poor forever.

If  $q = 0$ , some people with higher education can be high-skilled workers. However, since there is a mismatch ( $q > 0$ ), low-skilled workers will remain poorer, and there is an increasing possibility that a portion of the middle class with higher education ( $2' - 2$ ) will fall into the poverty group. The number of people working as high-skill laborers who are originally wealthy will also decrease.

Furthermore, if  $q = 0$ , the rich ( $3 - 3'$ ) should be able to increase their income level even further, but the number of highly skilled workers will decrease even further, with a decrease in their income level as well.