

Persistent skill problems in graduates' labour markets after higher education massification: What can we learn from the Portuguese and Lebanese cases?

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Abstract

In many national and regional settings employers continue to complain about skill problems, notably skill gaps, skill shortages and skill mismatches despite the investments in HE made by their countries. Our research contributes to this debate and provides empirical evidence on how HE expansion has created some unexpected outcomes. We compare employers' perceptions on skill problems and strategies to mitigate those problems in two apparently different economies, Portugal and Lebanon, which nevertheless share a relatively recent political engagement to HE massification accompanied by successive economic crises and graduates' brain drain. The persistent skill problems arise from lack of employment conditions to retain graduates inside each country, but also from a mismatch between supply and demand for skills. Our results suggest that HE massification is a necessary but insufficient condition towards solving skill problems.

Full paper

The expansion of higher education (HE) in recent decades led to enrolment rates rising quickly in many nations worldwide, increasing the pool of skilled workforce. Although at different periods, the pattern of HE expansion remains similar across different national cases. The growth of the middle class, the need for a more skilled labour force, and the goal of enhancing social mobility have contributed to this tendency (Noui 2020). The economic arguments behind HE expansion is that a skilled workforce is a driver of economic growth (Denison, 1962; Krueger & Lindhal, 2001; Goldin & Katz, 2008) and is thus incentivised by policies at the institutional and national levels. However, the literature shows that in many national and regional settings employers still encounter skill shortages, leading to recruitment problems and hard-to-fill vacancies (Suleman, Videira and Araújo, 2023; Sharma et al. 2017; Cappelli 2015). Overall, employers are often dissatisfied with graduates' skills, which lack work readiness and some interpersonal skills, as teamwork, emotional maturity, work attitude, among others (Tushar and Sooraksa 2023) putting pressure on HE to supply applicants matched with their skill needs (Qenani et al. 2014). Other literature points to other factors that contribute to the persistent skill problems. Brain drain from countries lacking job opportunities push skilled labour to countries where living and employment conditions are better and that thus benefit from skill investments made by the origin and less resourced countries (ILO 2023; UNICEF 2023).

Other skill problems arise from the inability of the production regime to absorb the skilled workforce. Research has progressed from supply to demand side variables to explain overeducation and underutilisation of skills (Teichler, 2000). The underlying argument is that the link between HE and skilled occupations is broken, and the labour market is unable to generate enough skilled jobs that guarantee returns to investments in education and training and thus graduates must accept available jobs in non-graduate occupations. This challenges traditional human capital arguments, which were suitable to a skill shortage context, i.e., where the supply of high-skilled workers was scarce (Brown et al. 2020).

Our research contributes to this debate on the persistent skill problems faced by employers despite the investments in HE made by countries. The major research questions are: To what extent has the speedy HE expansion contributed to mitigate those problems or has it created unexpected outcomes? Why are skill problems persistent and seem unsolvable? Which strategies do employers implement to mitigate skill problems? Our assumption is that HE is only partially responsible for those problems and has limited scope for influencing the environment where high skills can be applied and rewarded. To answer these questions, we compare two apparently different economies, which have in common the political engagement to open HE to social groups that are often outside the system, as well as to reduce skill shortages of the economy. The Portuguese HE system was elitist until the 1970s with low participation rates and the massification started in the 1980s with the process being further deepened with the Bologna Process in 2006. The massification of the HE in Lebanon started in 1990s and likewise broke with the elitist logic that had prevailed until then.

We resort to qualitative analysis of primary data based on semi-structured interviews to disclose the perception of employers of factors that hamper the solution of skill problems in Portugal and Lebanon. The interviews were conducted in 2023 with 16 Lebanese companies and in 2019 with 21 Portuguese firms. The qualitative material was assessed through content analysis for a better understanding of the employers' skill problems in different companies, major obstacles and facilitators of recruitment relations and access to required human capital as well as the strategies implemented by these firms to cope with skill problems and shortages.

Our results suggest that despite some national differences at the HE and economic levels employers in Portugal and Lebanon face somewhat similar challenges in terms of brain drain, skill mismatches and in some sectors skill shortages. In both countries, most firms are SMEs which hinders their competitiveness at the international level and their ability to offer better employment conditions and salaries as well as to significantly invest in training programs. Coupled with HE massification this leads also to inequalities between graduates' labour market outcomes and in firms' competitiveness. In both countries firms' strategies include targeting graduates from specific HEI's as well as providing training in specific technical skills and generic soft skills. Our results suggest that HE massification is a necessary but insufficient condition towards solving skill problems.

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