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Wage consequences of rapid tertiary education expansion in a developing economy: The case of Thailand

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Abstract
In recent years, Thailand has experienced the emergence of "overeducated" workers as the supply of university graduates in Thailand has outpaced growth in high-skill employment opportunities. Using the 2007 to 2009 Thai Labor Force Survey, this paper quantifies the incidence of overeducation and estimates overeducation wage penalties among male university graduates. The results show that the incidence of overeducation is greatest among younger cohorts. Quantile wage regression results suggest that overeducation wage penalties for older workers capture the impact of unobserved low ability on wages. In contrast, persistent wage penalties of 11-26% across the wage/ability distributions for younger workers are consistent with structural imbalances in the Thai labor market. These imbalances make it difficult for university graduates to find jobs commensurate with their level of formal education and to achieve their full earning power. The wage penalties are especially large for new entrants into the labor market. © 2015 Institute of Developing Economies.

Author Keywords
Overeducation; Returns to education; Thailand

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