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## **WORKING PAPER**

# **Objective overeducation and worker well-being: a shadow price approach**

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# Objective overeducation and worker well-being: a shadow price approach

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## *Abstract*

This paper examines, for a sample of Flemish school leavers, the relation between objective overeducation and job satisfaction by applying a shadow price approach. We differentiate between direct effects of overeducation and indirect effects via other job characteristics that are associated with overeducation. Additional fixed-effects estimates are executed to account for individual heterogeneity. The utility consequences of overeducation are found to be large and cannot be compensated by a reasonable wage increase at the start of the first employment. These outcomes suggest that, at labour market entry, overeducation is largely involuntary, and is likely to induce negative productivity costs. The negative consequences of overeducation are also found to diminish with years of work experience.

*Keywords:* overeducation, mismatch, underemployment, job satisfaction, well-being, shadow price

*PsychINFO:* 3650; *JEL:* J24, J28

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