

ABSTRACT

The increasing number of higher education graduates in Indonesia has not been matched by the growth of high-skilled employment opportunities, leading to the emergence of educational mismatch, particularly overeducation, which may affect workers' wages. This study aims to examine the incidence of overeducation in Indonesia, analyze its effect on wages, and investigate gender differences in its wage impact.

This study uses microdata from the August 2023 National Labor Force Survey (SAKERNAS), covering 160,251 workers. Educational mismatch is measured using the realized matches approach, while the effect of overeducation on wages is estimated using Ordinary Least Squares (OLS) and the Heckman Two-Step model with individual and job characteristics as control variables.

The results indicate that 23.35% of Indonesian workers experience educational mismatch, with 10.61% classified as overeducated. Both OLS and Heckman Two-Step estimations show that overeducation has a positive and significant effect on wages, with overeducated workers earning approximately 9.93% higher wages than adequately matched workers. However, female workers receive a smaller wage premium than male workers, indicating persistent inequality in the returns to education in the Indonesian labor market.

Keywords: Educational Mismatch, Overeducation, Wage, Heckman Two-Step