

## MANAGERS' PERCEPTION OF SKILLS MISMATCH IN SPANISH COMPANIES

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## Abstract

This paper addresses the problem of skills mismatch for the 16-24 age cohort in Spain. Our research objective is to survey managers of companies that operate in Spain and reveal their perception of the mismatch phenomenon. We hypothesize that “cherry-picking” the most talented workers and “crowding out” the less skilled workers has contributed to the existence of skills mismatch. Our prediction was confirmed by our survey results and by other qualitative responses of business managers. We found evidence of overqualification and talent underutilization in Spanish organizations. Public policy measures should be taken to reduce this skills gap especially in the following directions: improving access to vocational education, offering career counseling and entrepreneurship education in schools and implementing an industrial model that would attract foreign investment in Spain.

**Keywords:** Talent management, Skills mismatch, Spanish youth.

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## Introduction

In the current economic context, the issue of talent and skills is often debated. The “New Skills for New Jobs” (2009) report published by the European Commission predicts that the changes in the demand for labor skills taking place until 2020 cannot be imagined, let alone forecasted today. The “Skills for Employment” (ILO, 2010) policy brief from the International Labour Organization recognizes that Europe is going to need more talent and more skilled workers than it currently produces or has in the medium term. And yet the current situation in Europe is one of high unemployment, overqualification in the workplace and underutilized skills. Especially in Spain, data from the Labour Force Survey for the first quarter of 2013 shows that the highest unemployment rate, 76%, is found among youth aged 16-19. The age cohort of 20-24 has the second highest rate, 54%. The overall unemployment rate is close to 27%.

Policy briefs and official publications from the Spanish government show that underemployment in Spain reaches 40%, while the average in OECD countries is 20%. This percentage is computed as the number of 25-29-year-old university graduates employed in an ISCO category classified from four to nine (ISCO-1988), from clerical staff to unskilled workers and facility and machinery operators. The paradox is that while recent technological advances have increased the demand for skilled workers, a high percentage of them still remain underemployed.

Having a high demand for skilled workers on the one hand, and a high unemployment rate on the other, points us towards the lack of employability due to skills mismatch as a possible explanation for this dilemma. Our research subscribes to the line of thinking that regards talent management as the human capital consisting of the talent of the individual employees of an organization; it regards each individual's employability as an intrinsic part of talent management. We support the view that talent is a conglomerate of skills, know-how and abilities, and the necessary personality traits that ensure the capacity for goal attainment (Becker and Huselid, 2006; Lewis and Heckman, 2006; Schuler and Jackson, 2007; Collings and Mellahi, 2009).

In this context, our paper addresses the problem of skills mismatch for the 16-24 age cohort in Spain. We consider that they represent the “future talent,” the Millennial generation that will

substitute the members of the Baby Boomer generation as they retire. Our research objective is to explore the perception Spanish managers have about skills mismatch as a cause of youth unemployment. Our aim is to find out what the main reasons for this problem are and to consider them in the light of the dramatic unemployment rate among Spanish youth.

In accordance with our research question, the paper is structured in the following way: we begin by presenting the theoretical framework for skills mismatch in the talent management literature. We continue by reviewing the research methodology and the data used. The next section summarizes the main results of our research and the discussion, and is followed by conclusions.

## Theoretical Framework

There is a widespread belief that workers' skills and education are not in line with the demands of employers in the current economy. Sociologists, economists and employers suggest that a mismatch exists between the skills that workers possess and the skills that employers require. Independent studies (ILO, 2010) show that the problem will become even more serious because skills mismatch is on the rise during the current economic crisis. This phenomenon poses a serious challenge for talent management.

A very recent literature review on talent management has been done by Vaiman, Scullion and Collings (2012). These authors acknowledge that "talent shortages" exist especially in a global context and especially for MNEs. Although they primarily refer to leadership talent at middle and high management level, finding and retaining professional talent is as much a challenge in one context as the other. This has led to a paradigm shift related to the globalization of some job markets and also to skills-related immigration. Even so, the talent shortage is such that businesses have turned to new methods such as employing expatriates or using commuter assignments habitually in order to ensure the expansion and growth of their organizations. The authors also draw attention to the demographic trends in Europe. Proceedings from the World Economic Forum show the critical predicted state of the talent pipeline in 2020. Spain and Germany are supposedly the countries in Europe that will be most severely affected. In this context, it can only be expected that the problem of skills mismatch will grow and the sooner action is taken against it, the better. The talent that is and that will be should be wisely managed and not wasted on skills mismatch and overeducation issues.

Surprisingly enough, neither the problem of talent shortage nor that of skills mismatch are problems that have only surfaced in the current generation. In fact, one of the first to study this phenomenon was Freeman (1976). His articles leading to the publishing of the book *The Overeducated American* have given researchers a new perspective on overeducation. His pioneer work found many followers in the early 1980s when an increasing interest in business strategy and its ties to human resources management fueled research in the area of talent management and talent decision in organizations. (For a thorough review see Lewis and Heckman, 2006). Two other authors from this period, Clogg and Shockey (1984), conclude that the disparity between a worker's acquired schooling and the level of schooling typical of his or her occupation can be nominal overeducation. In their analysis, they compare the schooling distribution with the occupational distribution for different cohorts and take into consideration demographic trends and individual criterion variables like gender, race and age. They find that unequal changes in the two distributions are evidence of increasing mismatch occurring in the labor market.

Burris (1983) interpreted nominal overeducation or, what he regards as the same, underemployment, as a worker's "inability to exercise acquired skills on the job." The efficient procedure involves making full use of one's abilities. Hence, the skills of overeducated employees are likely to be "underutilized." Some possible consequences of this underutilization are hypothesized to result in an increase in job dissatisfaction and frustration, and a tendency towards leftist political views, as well as weakening support for the achievement ideology. He finds little support in the data for the political consequences of underemployment, yet supports the theory of increasing worker dissatisfaction. His careful psychological analysis provides a very interesting and relevant explanation of the effects of overeducation even though it was carried out over three decades ago. He concludes that the relationship between schooling and skill level is unclear. While formal education does provide an individual with the basic mathematical and literacy requirements, actual skills are acquired on the job, and education is becoming a signal of a person's capacity to acquire technical abilities while working and not a guarantee for already having these skills. The author believes that the main consequence of overeducation is a new way of thinking about life, more pragmatically and perhaps with more resentment, as well as an increasing valuation for family values and outside-of-work achievements.

Empirical studies developed in the Spanish context link skills mismatch with economic inefficiencies. Blazquez Cuesta (2005) uses data from the Spanish Labour Force Survey to show that overeducated workers have a smaller average workspell than correctly matched employees. Other findings from her analysis are that graduates of engineering or agricultural studies generally experience shorter unemployment spells than social sciences graduates. Generally, she finds that in the Spanish context, having tertiary education is a panacea towards job instability, unemployment spells and overeducation in the workplace. Longer search periods are found to be associated to higher unemployment rates in the area, but are not significantly associated with the duration of the employment.

Overeducation is also linked with a decrease in job satisfaction and a decrease in wages (Barcena-Martin et al., 2012). Focusing only on workers with postsecondary education from several European countries, the authors find important wage effects, 12% on average, for mismatched employees. This effect is almost 17% for Spain, mismatched employees earning less than their correctly matched counterparts.

Quintini (2011) does a review of the existing literature and points out that in most OECD countries, mismatches in the labor market are commonly found. The lowest rate of mismatch is found in Finland. Spain ranks as the second highest country, right after Sweden, in regards to overqualification of the general population. A series of other studies (Hartog, 2000; Liagouras et al., 2003) highlights that young people lack employability and this leads to labor market inefficiencies.

At present in Spain, the literature suggests that skills mismatch is a relevant problem. Dolado et al. (2000) show that there is an excess supply of graduates in the Spanish labor market. Moreover, they provide evidence that these overqualified workers receive jobs they are not satisfied with, and they also crowd out unqualified workers from their jobs. One solution for this problem that the authors hint toward is publicly subsidizing low-wage workers. However, they believe that offering more training to the low skilled workers is not a solution, as this would not improve their situation in the labor market in the presence of overeducation. They conclude that "an increase in the educational attainment of the labor force does not always solve the unemployment problem unless other labor market rigidities are reduced."

As can be seen, previous studies on the problem of skills mismatch in Spain include both theoretical and empirical evidence, but we have not found studies presenting managers' perspectives on this issue. In our efforts to contribute to the literature on this subject, our aim is to understand why businesses hire young people, what type of training they require from them and what skills and abilities they are looking for in their future employees.

## Research Methodology

In this study, we employ mixed-method techniques for data gathering (Sandelowski, 2000) and data analysis. We combine quantitative and qualitative methods in order to understand the causes and implications of our research question. Our instrument of quantitative research and data collection is a large-scale cross-sectional descriptive survey directed at companies operating in Spain. Through this method we develop the background of the analysis and understand the attitudes and perceptions of the surveyed individuals in an impersonal way. Data from this instrument was analyzed using descriptive statistics such as frequency counts, percentages, means and standard deviations.

The sampling method is stratified purposeful sampling. We distinguish between SMEs and MNCs: our sample consists of 52.8% SMEs with fewer than 250 employees and the remaining 47.2% are companies with more than 250 employees.

The survey was distributed via email containing a direct link to the questionnaire. By selecting General Managers and HR professionals from companies operating in Spain, we created a database of 5,345 contacts. Another 70 questionnaires were handed out in printed form. The total number of sent questionnaires was 5,415. 459 questionnaires were opened and 255 were answered in total. The time frame for answering the questionnaire spanned from March to June 2013. A summary of this information can be found in Table 1. The validity, reliability and relevance of the survey were tested through a pilot study and by consulting experts in the relevant fields.

**Table 1**

Technical datasheet for the survey

<b>Total number of sent questionnaires</b>	5,415
<b>Opened questionnaires</b>	459
<b>Completed questionnaires</b>	255
<b>Survey response rate</b>	4.71%

Our qualitative instruments of analysis add richness to the results of the survey. For this reason we used the focus group method as well as secondary sources such as company reports, press reviews and information found on specialized websites. The focus group investigation technique involves an organized discussion among individuals (Merton and Kendall, 1946). The participants must have a specific experience or opinion about the topic investigated, for which the researcher must carefully select them a priori. The environment of the focus group must be open and permissive so as to allow participants to freely express their opinions, attitudes and perceptions on the subject. The focus group was carried out in May 2013 with 20 participants representing eight MNCs of over 250 employees from different sectors and the career services

from two universities. All represented institutions operate in Spain. The focus group interview lasted approximately an hour and a half. It was recorded and later transcribed.

In order to analyze the data, we use between-method triangulation of qualitative and quantitative results to test consistency and to increase confidence in the research results and the utility of the findings (Guion et al., 2002). Triangulation can reveal new aspects of the subject matter that were previously concealed, such as complementarity, convergence and dissonance among the findings (Erzerberger and Prein, 1997). In our research we found that data from the quantitative method as well as the qualitative proceedings are complementary to each other. Thus, we seek to integrate theories and test expected outcomes.

## Results and Discussion

The results reported are part of a larger investigation and of a survey that contains 35 questions divided into five sections. For the purpose of this article, we select the data contained in the “Characteristics of Young Employees” section. The variables contained in this part refer to reasons for hiring youth in the past and potential causes for doing so in the future. Respondents are also asked to rank the skills and abilities that they look for in young people.

### More Talent Among the Working Youth

The most illustrative variable for the scope of this article is that of the question “If your company has employed young people in the last 12 months, what was your reason to do so?” 47% of the respondents chose the answer “To develop talent in our organization,” and this answer ranked first among the 10 different possible answers as can be seen in Table 2. This question shows that talent management is still one of the main causes for which Spanish companies hire youth. In fact, in 2012 the number of students taking the university entrance exams has increased by 2.8% as compared to 2011. Compared to 2007, the pre-crisis level, it has increased by 25%, rising from 222,086 to 278,818. Although skill level is not directly related to education, the dramatic increase in the number of attendees at the university entrance exams suggests that young people are trying to send a signal about their talent by acquiring more education.

**Table 2**

Reasons for hiring young people in 2012

Variable	Obs.	%
To develop talent in our organization	88	46.56
The low cost of hiring	60	31.75
To preserve our company's culture	32	16.93
To increase productivity	32	16.93
To rejuvenate our company	30	15.87
Other reasons	28	14.81
To plan succession	27	14.29
To increase diversity	24	12.70
To acquire new knowledge	18	9.52
I don't know	15	7.94
Total Answers	189	

A related question referred to possible reasons for hiring youth in 2013. The answer that ranked first here was “Our company would hire more youth if the demand for our goods or services increased” with a share of 50.24% as can be seen in Table 3. The Cronbach’s alpha reliability coefficient for this instrument is 0.66. The high importance given to better economic perspectives for companies is in accordance with the pragmatic nature of organizations, as well as the pessimistic outlook in a year when the effects of the economic crisis were at their worse. It is clear that an increase in demand would help boost the national economy as well as increase the job creation rate.

Respondents were also asked to grade the skills that they value most in young employees from 1 (lowest grade) to 5 (best grade). Table 4 shows how the skills ranked. Teamwork and flexibility had an average grade close to 5, while computer literacy, the knowledge of foreign languages and communication skills had an average closer to 4. We checked the internal consistency and reliability of this instrument and obtained a Cronbach’s alpha coefficient of 0.82 which confirms that the instrument is reliable.

While these skills seem to be common in youth, one participant of the focus group, a human resources manager (HRM) from the banking sector, noted that “We test possible employees through numerical tests... and the truth is they do not pass these tests! And they contain basic math questions!” This points out a serious educational problem. An HRM representative of an MNC from the food and drink industry mentioned their corporate social responsibility (CSR) program as a possible solution for underskilled workers: “Our company offers training in collaboration with a local school [...] because we are looking for electromechanical engineers and it is impossible to find this profile. So this is a way to ensure the future employees that our company needs.” This statement triggered responses and reinforcements from all other companies, each mentioning the CSR programs they are part of and the actions taken in order to motivate youth, train them, encourage them, identify talent, attract it and then develop it. Managers know that the most efficient way to train future employees is self-developed training. 80% of respondents say that because the academic training that young people receive is not suited for working efficiently, they offer some form of on-the-job training themselves.

Indeed, companies are demanding more talent from their employees and especially from the younger ones. One way to select employees is by considering only the ones with the highest education level. Before the economic crisis, data shows that tertiary education graduates had a much lower unemployment rate as compared to all other education categories. Data from the third quarter of 2012 reveals that this trend was maintained. Individuals with tertiary education have an unemployment rate of 40%, while those with lower educational levels (primary school and the lower level of secondary education) had an unemployment rate of 59%.

Another way to demand more talent in organizations is by “cherry-picking” employees, which means that employers only hire the best of the very best candidates available in the labor market. In a labor market such as the one currently found in Spain, it is expected that companies maximize their utility from labor by hiring only the very best people in the labor market. Similarly to the predictions made by Dolado et al. (2000), the low-skilled workers are crowded out of the labor market and they end up representing a significant percentage of the unemployment rate.



### Table 3

Reasons for hiring young people in 2013

Variable	Obs.	1	%	2	%	3	%	4	%	5	%	Mean	Std. Dev.
Increasing the demand for our goods or services	211	19	9.00	10	4.74	27	12.80	49	23.22	106	50.24	4.01	1.28
Vacancies in the organization	203	15	7.39	24	11.82	55	27.09	64	31.53	45	22.17	3.49	1.18
Creation of new internship and training programs	205	26	12.68	34	16.59	31	15.12	56	27.32	58	28.29	3.42	1.38
Increasing subsidies for hiring	200	39	19.50	34	17.00	37	18.50	56	28.00	34	17.00	3.06	1.38
Increasing appeal of our company towards youth	194	22	11.34	45	23.20	62	31.96	47	24.23	18	9.28	2.97	1.14
Increasing flexibility in the labor market	195	40	20.51	34	17.44	49	25.13	44	22.56	28	14.36	2.98	1.34
Increasing preparedness of youth	194	29	14.95	45	23.20	54	27.84	52	26.80	14	7.22	2.88	1.18
Increasing quality of the job applications	195	38	19.49	36	18.46	65	33.33	49	25.13	7	3.59	2.75	1.14
Substituting retired workers	192	58	30.21	36	18.75	37	19.27	38	19.79	23	11.98	2.65	1.40
Sensitivity of management regarding youth unemployment	190	56	29.47	58	30.53	49	25.79	17	8.95	10	5.26	2.30	1.14
Nothing would make us hire more youth	141	116	82.27	10	7.09	12	8.51	1	0.71	2	1.42	1.32	0.78
<b>Total Answers</b>	<b>218</b>												

**Table 4**  
Skills valued in young employees

Variable	Obs.	1	%	2	%	3	%	4	%	5	%	Mean	Std. Dev.
<b>Teamwork</b>	<b>178</b>	<b>0</b>	<b>0.00</b>	<b>1</b>	<b>0.56</b>	<b>5</b>	<b>2.81</b>	<b>56</b>	<b>31.46</b>	<b>111</b>	<b>62.36</b>	<b>4.64</b>	<b>0.62</b>
<b>Computer literacy</b>	<b>179</b>	<b>2</b>	<b>1.12</b>	<b>8</b>	<b>4.47</b>	<b>27</b>	<b>15.08</b>	<b>65</b>	<b>36.31</b>	<b>77</b>	<b>43.02</b>	<b>4.16</b>	<b>0.92</b>
<b>Flexibility and capacity for learning</b>	<b>178</b>	<b>0</b>	<b>0.00</b>	<b>1</b>	<b>0.56</b>	<b>10</b>	<b>5.62</b>	<b>51</b>	<b>28.65</b>	<b>112</b>	<b>62.92</b>	<b>4.58</b>	<b>0.63</b>
<b>Communication</b>	<b>173</b>	<b>1</b>	<b>0.58</b>	<b>5</b>	<b>2.89</b>	<b>31</b>	<b>17.92</b>	<b>71</b>	<b>41.04</b>	<b>65</b>	<b>37.57</b>	<b>4.12</b>	<b>0.84</b>
<b>Foreign languages</b>	<b>176</b>	<b>10</b>	<b>5.68</b>	<b>10</b>	<b>5.68</b>	<b>16</b>	<b>9.09</b>	<b>53</b>	<b>30.11</b>	<b>87</b>	<b>49.43</b>	<b>4.12</b>	<b>1.15</b>
Analytic thinking	169	3	1.78	7	4.14	35	20.71	67	39.64	57	33.73	3.99	0.94
Creativity	170	1	0.59	12	7.06	44	25.88	57	33.53	56	32.94	3.91	0.96
Management information systems literacy	173	11	6.36	20	11.56	36	20.81	59	34.10	47	27.17	3.64	1.18
Leadership	172	9	5.23	22	12.79	56	32.56	55	31.98	30	17.44	3.44	1.08
Previous work experience	172	14	8.14	24	13.95	60	34.88	51	29.65	23	13.37	3.26	1.11
Academic record	172	10	5.81	22	12.79	74	43.02	46	26.74	20	11.63	3.26	1.02
Negotiation	169	12	7.10	26	15.38	61	36.09	49	28.99	21	12.43	3.24	1.08
Geographic mobility	175	33	18.86	35	20.00	28	16.00	34	19.43	45	25.71	3.13	1.47
University of precedence	165	23	13.94	38	23.03	44	26.67	37	22.42	23	13.94	2.99	1.26
Extracurricular activities	168	27	16.07	27	16.07	61	36.31	35	20.83	18	10.71	2.94	1.20
International experience	170	37	21.76	37	21.76	48	28.24	24	14.12	24	14.12	2.77	1.32
Accountancy and cost control	161	33	20.50	36	22.36	45	27.95	34	21.12	13	8.07	2.74	1.23
Machinery operation	156	52	33.33	30	19.23	28	17.95	27	17.31	19	12.18	2.56	1.42
<b>Total Answers</b>	<b>183</b>												

## Overqualification and Overeducation in Spain

We asked participants whether their company would be willing to hire overeducated youth. 65% answered that they would do so. This question was open and the individuals that responded “yes” motivated their choice by explaining that: “The current labor market situation permits this practice,” or that the overqualified youth will have “more opportunity for professional growth inside the company.”

Participants in the focus group also validated this result. In particular, one HRM from an important multinational consulting company highlighted overqualification and overeducation in Spain: “Since our company does not have production plants, we are facing problems finding people with practical administrative skills. We have millions of applicants that have bachelor’s degrees in Business, Economics or Law, but it is impossible to find someone with vocational training in Business Administration.”

Overqualification results in demotivation and frustration of the overqualified worker, but, more importantly, it results in unemployment. 35% of the surveyed companies stated that they prefer not to hire overqualified employees. Reasons for this are the fear that they will leave the company when finding an adequate workplace and also common sense: “It simply does not make sense to hire them.”

Indeed, some of the specializations most demanded by managers in Spain are those of qualified manual workers, engineers and commercial profiles. Independent studies (Manpower, 2012) done by employment agencies show that electricians and plumbers are technical profiles that are in demand. The Spanish government has been focused on increasing the number of high school and university graduates, leading to a decline in the number of vocational training graduates in the past decades. Estimates show that 9% of managers in Spain cannot find employees to cover their organization’s needs, even with the unemployment rate at almost 27%, presenting yet another evidence of the existing skills gap.

## Vocational Education and Labor Market Orientation

One solution for the “missing talent” is to improve and enhance vocational training and to orient youth towards this type of qualification. In the focus group, a member of a university career service noted that: “Many times young people are disoriented when choosing their future career and there is no coordination between the labor market demand and the academic track choices of youngsters. For example, think about the vocational training in Spain that is currently more or less developed. Then again, there is a lot of disorientation inside the university, among the individuals finishing their academic studies, as well as among those that are only now beginning it. Before enrolling for college, youth do not have a perspective of what the labor market is demanding.”

In fact, the skills mismatch begins in the homes, in the families, in the primary education centers, where youth lack orientation towards marketable skills that increase their employability. A representative from a university career service proposed the following solution: “The gap is created when young individuals leave university with purely theoretical training, amazing theoretical knowledge, yet when they are left in front of a computer in a business or organization they cannot use that knowledge, or they do have some knowledge, but nothing relevant for moving around in that organization. Therefore, there are two different

concepts of universities: one purely academic, for research and acquisition of purely theoretical knowledge, and another that allows you to acquire skills that enable you to attend the necessities of a company. However, the problem is that companies are dynamic and academic curricula take time to be created and approved by the corresponding authorities.”

The second important part is to give knowledge to the parents, to empower and inform them about the labor market demand so that they might in turn inform their children. “I believe that the labor market demand should be analyzed more carefully. At the Administration level, at company level and then the parents should be informed. Probably the knowledge is missing and parents cannot tell their children: ‘Look, this is what the labor market demands now.’ Maybe there is a lack of information that we are talking about.”

However, in order to have parents orient their children, they must first meet two requirements themselves: they must avoid considering the social stigma of the vocational programs, if this is in their child’s best interest, and they must know themselves what the labor market demands. About the social stigma, interviewees mentioned that: “There is an important social component, because vocational training has an important social stigma. We all wish that our sons and daughters study in a university or college, no matter what the costs. (...) But this needs to be overcome, because we must direct our children towards a career that will enable them to afford a life, and I cannot insist for him or her to become something that is fashionable. (...) For example, in the United States, in physical education, children are counseled and oriented as their coach tells them, ‘Listen, because of your exceptional talent you could be a tennis player.’ And this is what we are missing in Spain.”

Business leaders see the need for a change in the way society thinks. They believe that parents should orient their children towards academic training that is demanded by the labor market. “There is a previous point that should be met: this is offering counseling to the young individual that has to decide whether to go to college or to choose vocational training. This career counseling should be based on what the labor market actually demands. And this is where the gap begins, where there is an imbalance between what the labor market demands and what young individuals choose,” as one HRM from a business services company noted.

University studies as well as vocational training programs should be adaptable and flexible in order to be able to adjust to the labor market demands. Moreover, open mindedness towards vocational training as well as entrepreneurship skills should be compulsory subjects taught in school. “In the end, this is a cultural problem. (...) We should change parents’ perceptions of vocational training and also develop entrepreneurship skills in youth. The classical example is the one of U.S. children selling lemonade.”

The fact is that policy changes are necessary in order to help and ease the social and moral changes underlying them. Parents need to be informed, social stigma should be forgotten, children need to be guided and taught and educational centers and universities should be flexible and eager to adapt. “This is what should be changed and everybody plays a very important role in this change: the companies, the government that has a very important role, and the universities themselves. For a long time universities have taught purely academic knowledge which, in my opinion, is not important. I believe that the role of the university is to transmit information, skills and knowledge useful in everyday life. This is good for the companies and good for the students. And this is what should be changed. And this is not an easy change, nor will it be a fast one, and for this reason we should start working on it.”

## The Role of the Public Administration

Although the public administration has managed to successfully increase the number of tertiary education graduates in Spain in the last decade, this has contributed to the skills mismatch now existent. One HRM from a business services MNC noted that “The problem is that the public administration does not follow the course of the economy. For every engineer we contract, we need 10 qualified technicians and we do not know how to find them.” Proposed solutions to this problem were to “analyze where the demand [of the labor market] is right now. And inform parents so that parents can guide their children and also schools can guide the students towards the profiles demanded by the labor market.” Yet forecasting demands resources and implies costs, which are unavailable in a downturn economy.

Yet, in order to bring about an improvement of the economy which would implicitly lead to an improvement of talent management and prevent skills wasting, one HRM from the food and drink industry suggested a solution. This HRM believes that the public administration should support the implementation of an industrial model of attracting more foreign investment to Spain, rather than subsidizing and incentivizing youth hires: “There are industrial models in other countries, for example, in Ireland there were some very good models (that in those days attracted a lot of foreign investment, but then Ireland ended up being one of the PIGS countries), yet the growth of Ireland in those days happened thanks to having attracted a lot of foreign investment that empowered a rising spiral of people that would be employed in these large companies, and also creating a rising spiral of people that would offer services to these new employed individuals. Finally, by empowering the middle class, and nowadays the middle class is more and more oppressed, and we are destroying our end consumer, the one that will buy the products that would spark an entrepreneurship strategy. Without an investment policy we will always have the same recurrent problem.”

## Conclusion

Overeducation is one of the pressing problems of the Spanish labor market for youth. Combined with the current macroeconomic situation, it results in disastrous unemployment rates among young people. “Cherry-picking” of the most talented workers and “crowding-out” the lower-skilled workers has contributed to increasing the skills gap. The main causes for the skills mismatch are disorientation among youth and their parents as to which studies they should follow and lack of information and counseling provided by the public administration through schools and reports regarding the labor market. A related problem is the cultural stigma that vocational training suffers, making this type of education to be shunned by youth. The absence of entrepreneurship education keeps youth away from trying to create their own businesses. Also, the economic downturn of Spain’s economy is not allowing companies to create jobs.

Many possible solutions exist, such as the flexibilization of the educational system; the rebranding of the vocational training; increasing collaboration between the private and the public sector regarding the curricula of courses and specializations; giving entrepreneurship education in high schools; private in-company training initiatives as part of CSR programs; the introduction of dual vocational training or other apprenticeship systems in order to solve the problem of underskilling; shifting towards a new industry model focused on attracting foreign investment, and more analysis and more public policy response to labor market changes.

Yet the Spanish government has already taken action. Just recently, in March 2013, it launched the “Strategy for Entrepreneurship and Youth Employment” which is meant as a channel by which public and private actors can do their part in lowering the youth unemployment rate. This document contains 100 measures aimed to improve the employability of youth as well as to increase the flexibility of the labor market in Spain through new types of contracts, subsidies and incentives for hiring. More importantly, it contains measures for improving the skills of young people, their foreign language skills, their telecommunication and IT skills, as well as soft skills such as the value for one’s work and a responsible approach towards career and professional planning.

All these measures are in line with the Europe 2020 guidelines which aim to increase the employment rate, to reduce the share of early school-leavers and “to enhance the performance of education systems and to reinforce the international attractiveness of Europe’s higher education.” Moreover, both documents aim to support and develop green jobs, white jobs and communication technology jobs, which are seen as the most in demand careers in the medium and long term. Another important point is the agenda for new skills and jobs and to “modernize labor markets by facilitating labor mobility and the development of skills throughout the lifecycle with a view of increasing labor participation and better matching labor supply and demand.”

One of the challenges for Spain will be to efficiently forecast labor demand. The European Commission proposes different methods in order to meet this challenge, as are surveying employers and employees, using econometric models and combining these quantitative results with qualitative information. Not only employers should be taken into consideration, but also technological and research and innovation developments should be forecasted. The complexity of social changes and of the industrial context we currently live in will make this task even more complicated. Yet the rise in the employability of youth facilitated by this information will lower the unemployment rate and thus contribute to the overall well-being of the population. The expenditure made with the forecast of the labor demand is likely to be compensated by the lowering of unemployment benefits expenditures.

We believe our research contributes to the talent management literature by providing new insights on the situation of skills mismatch in the Spanish labor market for youth. This article can serve as a basis for future policy proposals and for motivating businesses to act in order to form the talent that they need.

## Acknowledgements

The authors wish to acknowledge the support of the Citi Foundation Grant “Corporate Training and Employability of Youth: The subsidiary role of the state. Best practices applicable to Spain” (Grant ID 20120577). The authors would also like to thank the coordinators of the International Research Center on Organizations of IESE Business School for their support.

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