

Vertical and Horizontal Mismatches in Thailand and the Wage Penalty

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Abstract : The Thai labor market experiences increasing challenges due to disruptive technologies and demographic shifts, including the COVID-19 pandemic. Consequently, there is a widening gap between the skills that firms seek and the skills that employees possess. This study aims to examine the incidence of vertical and horizontal mismatches and their impact on wages in Thailand before and during the COVID-19 pandemic using data from the third quarter of 2018 to 2021 from Thailand's National Labor Force Survey. This paper applies three methods: ordinary least squares (OLS), pooled ordinary least squares (Pooled OLS), and counterfactual decomposition. The findings suggest that the incidence of overeducation and field-of-study mismatch continues to increase during the COVID-19 pandemic in comparison to the two previous years. In contrast, there is a notable decline in the percentage of undereducated workers during the same period. Additionally, overeducated workers earn wage premiums, whereas undereducated and horizontally mismatched workers face wage penalties. The result also indicates that the COVID-19 pandemic has significant negative (positive) effects on overeducated (undereducated) workers.

Keywords : COVID-19, horizontal mismatch, overeducation, undereducation

Conference Title : ICABE 2024 : International Conference on Accounting, Business and Economics

Conference Location : Tokyo, Japan

Conference Dates : November 07-08, 2024