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**Article**

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Kerstin Alfes \*

## **Perceived overqualification and performance.**

### **The role of the peer-group \*\***

Research on the relationship between perceived overqualification and individual performance has examined individual experiences of overqualification in isolation. The present study approaches this relationship in a new light by examining a condition under which perceptions of overqualification lead to higher versus lower performance levels. This condition is the joint perception of overqualification held by one's colleagues. Regression analyses based on data from 780 employees in 62 teams in a service organisation in the United Kingdom reveal that overqualified employees perform better as peer-group perceptions of overqualification increase. Conversely, employees with lower perceptions of overqualification perform worse as peer-group perceptions of overqualification increase. These results indicate that HRM practitioners can avoid negative outcomes of overqualification if they position overqualified individuals within teams, where other employees are also overqualified.

## **Überqualifikation und individuelle Leistungserbringung.**

### **Die Rolle der Arbeitsgruppe**

Die bisherige Forschung zum Zusammenhang zwischen Überqualifikation und individueller Leistungserbringung hat überqualifizierte Mitarbeitende weitestgehend isoliert betrachtet. Die vorliegende Studie beleuchtet diesen Wirkungszusammenhang aus einem geänderten Blickwinkel, indem eine Rahmenbedingung untersucht wird, unter der die individuelle Wahrnehmung von Überqualifikation zu höherer beziehungsweise niedrigerer Leistungserbringung führt. Diese Rahmenbedingung ist die gemeinsame Wahrnehmung von Überqualifikation innerhalb der Arbeitsgruppe. Regressionsanalysen basierend auf Daten von 780 Mitarbeitenden in 62 Teams in einer Dienstleistungsorganisation in Großbritannien zeigen, dass die Leistungserbringung von überqualifizierten Mitarbeitenden steigt, je mehr sich die Arbeitsgruppe als überqualifiziert einschätzt. Im Gegensatz dazu erbringen Mitarbeitende mit geringer Überqualifikation schlechtere Leistungen, wenn sie in einer Arbeitsgruppe mit Überqualifizierten arbeiten. Die Ergebnisse der Studie zeigen, dass Personalverantwortliche die negativen Auswirkungen von Überqualifikation vermeiden können, indem sie überqualifizierte Personen in Teams mit weiteren überqualifizierten Mitarbeitenden einsetzen.

**Key words:** perceptions of overqualification, peer-group perceptions of overqualification, self-report performance (JEL: J21, J24, M12, M54)

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## 1. Introduction

Changes in today's economic and social environment, including recessionary economic conditions and increases in post-secondary education levels, have led to a situation in which a considerable number of employees are overqualified for their jobs. Macro-economic estimates suggest that one fifth of the workforce across Europe is overqualified and this number is thought to be even higher in developed countries (Pouliakas, 2013).

Overqualification can be described as a situation in which individuals' skills and qualifications exceed the requirements they need for their job (Johnson & Johnson, 1996). Researchers have typically taken one of two approaches to assess whether employees are overqualified. Objective measures have mainly been used in the fields of education and economics (e.g., Brynin, 2002; Scherer, 2004; Steijn, Need, & Gesthuizen, 2006). In these studies, employees are considered overqualified if their educational qualifications exceed the average level of qualification within their occupational group (Pouliakas, 2013) or exceed the required education identified as part of a job analysis (Verhaest & Omeij, 2006). In contrast, research in management and psychology has used subjective measures of overqualification by measuring employees' perceptions about whether they feel overqualified for their current jobs.

The present study focuses on employees' perceptions of overqualification. Doing so provides a more comprehensive picture of overqualification because it takes into account the mismatch employees perceive between their actual work-based experiences, on-the-job training, and formal educational attainments, vis-à-vis their perception of what is required for their job. Perceptions of overqualification more accurately reflect reality as experienced by employees, and are therefore more likely to be related to important job attitudes (Erdogan, Bauer, Peiro, & Truxillo, 2011).

Scholars within the field of management and organisational behaviour have sought to understand the impact of overqualification for employees. While studies have shown that overqualified employees demonstrate more negative job attitudes and are more likely to leave their organisations (Erdogan & Bauer, 2009), the relationship between employees' perceptions of overqualification and their task performance is less clear. Although some studies have found a negative relationship between perceptions of overqualification and performance (e.g., Bolino & Feldman, 2000), others have found weak, mixed, or no relationships (e.g., King & Hautaluoma, 1987), while others report a positive one (e.g., Erdogan & Bauer, 2009; Fine & Nevo, 2008; Holtom, Lee, & Tidd, 2002).

One reason for these mixed findings is that prior research has focused on individual experiences of overqualification in isolation. They have not taken into consideration how members of one's peer-group may influence the effect of perceived overqualification on performance. However, as suggested by equity theory (Adams, 1963) and self-categorisation theory (Turner, Hogg, Oakes, Reicher, & Wetherell, 1987), employees tend to compare themselves with other employees in their team, and the result of this comparison is likely to shape individuals' perceptions and their subsequent reactions. Scholars have therefore called for more research that analyses how

the system within which overqualified employees operate impacts the extent to which employees experience positive or negative outcomes (Sierra, 2011).

The aim of the present paper is to address this call by exploring individual perceptions of overqualification in the context of employee work teams. This is accomplished by analysing how team composition with regards to perceived overqualification moderates the relationship between individual levels of perceived overqualification and their levels of self-report task performance. It is proposed that the performance effects of perceptions of overqualification may depend on whether one's colleagues feel also overqualified. Task performance is the primary dependent variable, as it is a key dimension of employees' performance at work (Rotundo & Sackett, 2002) and describes the extent to which employees demonstrate behaviours that are generally specified by the job description and contribute to the organisation's technical core (Borman & Motowidlo, 1997).

This article unfolds as follows. First, it presents the theoretical framework and hypotheses. In the section that follows, the dataset, method, and measures are explained. Next, the hypotheses are tested and the results are described. This is followed by a discussion of the main findings, suggestions for future research, limitations of the analysis, and concluding remarks.

## **2. The relationship between perceived overqualification and task performance**

Micro-level researchers have drawn from different theoretical frameworks (for an overview, see McKee-Ryan & Harvey, 2011) to explore the implications of perceived overqualification, and research in this area has consistently demonstrated that perceived overqualification negatively impacts job attitudes and behavioural intentions. For instance, perceived overqualification has been associated with lower job satisfaction (Battu, Belfield, & Sloane, 2000; Fine, 2007; Fine & Nevo, 2008; Johnson & Johnson, 2000a, 2000b; Lee, 2005), and higher turnover intentions (Erdogan & Bauer, 2009; Kraimer, Shaffer, & Bolino, 2009; Maynard, Joseph, & Maynard, 2006; Verhaest & Omev, 2006).

Although there is overwhelming evidence that suggests that overqualified employees have poorer job attitudes, the relationship between perceptions of overqualification and performance is less clear. On the one hand, the Theory of Planned Behaviour (Ajzen, 1991) proposes that general attitudes give rise to specific attitudes, which in turn give rise to intentions to perform a consistent behaviour. Meta-analyses support the contention that there is a positive association between job attitudes, such as job satisfaction, and task performance (e.g., Harrison, Newman, & Roth, 2006; Judge, Bono, Thoresen, & Patton, 2001). A natural extension of these findings is that, given that overqualification is negatively associated with job attitudes, it should show a similar relationship with performance. Some research lends support to a negative association between overqualification and performance (e.g., Bolino & Feldman, 2000).

On the other hand, some scholars have argued that the relationship between perceived overqualification and performance is positive. Erdogan et al. (2011) theorised that overqualified employees realise that their current job is necessary to progress in the organisation, and in hopes of climbing the corporate ladder, they exert more effort

in their job and perform better. Others have suggested that people who are overqualified have superior cognitive abilities, which is strongly and positively correlated with job performance (Hunter, 1986; Schmidt & Hunter, 1998). Thus, the underlying premise is that although overqualified individuals might demonstrate lower job attitudes, they have the expertise and competencies needed to perform their job effectively.

There is also a growing collection of studies that empirically demonstrate a positive relationship between perceived overqualification and performance. For instance, studies by Fine and Nevo (2008) and Erdogan and Bauer (2009) found support for the positive relationship between perceptions of overqualification and performance. Similarly, Holtom et al. (2002) found a positive relationship between work status congruence and task performance. Based on the theoretical and empirical reasoning, it is therefore hypothesised that:

Hypothesis 1: Individual perceptions of overqualification are positively related to self-report task performance.

### **3. Peer-group perceptions of overqualification**

While there is theoretical and empirical reasoning to support a positive relationship between perceived overqualification and task performance, the present study aims to extend this line of research by examining a condition under which this relationship is strengthened, namely, the extent to which other members in an individual's team also perceive themselves to be overqualified.

The literature on overqualification has almost exclusively been conducted at the individual level of analysis. This perspective emphasises personal reactions to overqualification, without reference to situational or contextual factors. In fact, only very recently has the notion of social comparison arisen in discussions of overqualification. These researchers have pointed out the importance of taking the wider system in which individuals work into account by exploring individual perceptions of overqualification in the context of work groups (Erdogan, et al., 2011; Sierra, 2011).

Work on collective structures (Giddens, 1993) suggests that research should not solely focus on the individual level of analysis, but should also seek to understand the outcomes of interactions among individuals, that is, collectives should be studied as systems of reciprocal interactions. This is because an individual's perceptions and actions are influenced by one's immediate social environment, such as a peer-group (Morgeson & Hofmann, 1999). Reciprocal relationships are examined in the present study by interacting each team member's level of perceived overqualification with the level of perceived overqualification of his or her team members.

Peer-group perceptions of overqualification are expected to impact the relationship between employees' level of perceived overqualification and their performance. Specifically, it is argued that overqualified employees perform better if they belong to groups where other employees are also overqualified. Conversely, it is hypothesised that overqualified employees perform worse if they are in a peer-group whose members feel adequately qualified. Equity theory (Adams, 1963) and self-categorisation theory (Turner, et al., 1987) provide support for these hypotheses, which are outlined below.

According to equity theory (Adams, 1963), employees develop exchange relationships with their employer. Whether employees perceive this exchange relationship as fair is determined by the perceived ratio between an employee's contribution to the exchange relationship (inputs) and the rewards he or she receives for the services provided (outputs). Inputs include education, experience and skill, for instance, whereas outputs relate to extrinsic and intrinsic rewards. Employees deem a situation as unfair if they feel that their input/output ratio is worse compared to the input/output ratio of their peer-group.

Overqualified employees may perceive an imbalance between the skills and qualifications they bring to their job and what they receive in return in terms of job content, recognition and salary (Sierra, 2011). However, if employees are part of a peer-group in which other members are overqualified, they are less likely to perceive their input/output ratio as worse compared to others, reducing their perceptions of injustice. Conversely, perceptions of injustice may become stronger if employees feel that they are one of few overqualified people in a peer-group. Under these circumstances, overqualified employees perceive inequity, which may then lead to lower levels of performance (Colquitt, Wesson, Porter, Conlon, & Ng, 2001).

Like equity theory, self-categorisation theory emphasises the role of social comparison in establishing how employees react to a certain situation. According to self-categorisation theory, individuals categorise themselves and others into social groups to establish their identity (Turner, et al., 1987). If a particular category forms the basis for individuals' social identity, they perceive themselves and other members of this category as forming the in-group; individuals outside the category form the out-group. Employees who are not overqualified, but are situated in a peer-group that is characterised by overqualification, may believe that they are not part of the in-group, leading to feelings of isolation from the group and a loss of a positive sense of self (Hogg & Terry, 2000). Consequently, the performance of these employees deteriorates. This is because an employee whose peer-group is overqualified may view his or her status as inferior compared to those in the peer-group, due to the fewer qualifications the person holds. Conversely, employees with low levels of perceived overqualification situated in teams in which members feel likewise not overqualified, will not feel excluded from the group, and instead report higher levels of performance. This leads to the second set of hypotheses:

Hypothesis 2a: Peer-group perceptions of overqualification moderate the relationship between individual perceptions of overqualification and self-report task performance such that at high levels of peer-group overqualification, individual perceptions of overqualification will be positively related to self-report performance.

Hypothesis 2b: Peer-group perceptions of overqualification moderate the relationship between individual perceptions of overqualification and self-report task performance such that at low levels of peer-group overqualification, individual perceptions of overqualification will be negatively related to self-report performance.



In summary, the present article suggests that individual and peer-group perceptions of overqualification interact to produce higher levels of performance when there is a match between individual and peer-group perceptions of overqualification; when there is a mismatch, performance is hypothesised to be lower. Specifically, a positive relationship between an individual's perceived overqualification and performance is expected for employees whose colleagues likewise perceive to be overqualified; conversely, a negative relationship between an individual's perceived overqualification and performance is expected for employees whose colleagues do not perceive themselves to be overqualified.

## 4. Method

### 4.1 *Participants and organisational context*

The present study was conducted in a retail sector organisation in the United Kingdom in April 2011. This organisational setting was chosen because retail employees are more likely to be overqualified compared to employees in other sectors (Li, Gervais, & Duval, 2006; Quintini, 2011; Silles & Dolton, 2002). Moreover, one of the key priorities for the organisation was to increase employees' motivation and performance. The HR director acknowledged that a skill mismatch might impact on employees' levels of motivation and performance. Hence, the results of this study were particularly relevant for the study organisation.

Employees were sent an email with a link to an electronic questionnaire. They were informed about the purpose of the study and its confidentiality, and encouraged to participate in the survey within two weeks. All employees were given time to complete the survey at work. Overall, 1486 employees were invited to participate in the survey and 821 questionnaires were returned to the research team.

In order to draw meaningful conclusions with regards to how individuals compare themselves to their peer-group, teams with less than 5 respondents were excluded from the analysis. The final sample consisted of 780 employees within 62 teams, constituting a response rate of 52%. The number of respondents within each team ranged from 5 to 55 (mean = 21). The minimum response rate per team was 11% and the maximum response rate was 100% (average 67.59%). The sample comprised 42.6% men and the average age was 40.22 years (s.d. = 10.18).

### 4.2 *Measures*

All measures in the present study are based on academically validated scales. The respective items with their factor loadings are shown in Appendix A. Responses to all Likert-type scale items ranged from 1 (*Strongly Disagree*) to 7 (*Strongly Agree*), unless otherwise noted. Items were averaged to form each multiple-item measure.

#### *Perceived Overqualification*

Perceived overqualification was measured with four items from Johnson and Johnson's (1996) perceived mismatch scale. Example items are "My formal education overqualifies me for my present job" and "Based on my skills, I am overqualified for the job I hold". Cronbach Alpha was .76.

### *Perceived peer-group overqualification*

To aggregate to the group level, peer-group perceptions of overqualification were computed by taking the average of the individual perceived overqualification scores for all members of the same peer-group, excluding the focal respondent's own score from the calculation (see Glomb & Liao, 2003; Robinson & O'Leary-Kelly, 1998 for a similar procedure). Glomb and Liao (2003) suggested that excluding the focal respondent's score from the peer-group's composite score provides an estimate of peer-group scores which are uncontaminated by common method variance issues. Additionally, given the cross-level interaction predictions, more accurate comparisons between focal respondents' perceptions and their respective peer-group's perceptions are facilitated because the cross-level interaction product scores utilise a peer-group composite factor that does not include the focal respondent.

### *Task performance*

A five-item scale from Janssen and Van Yperen (2004) was used to assess individual task performance. The wording of the original scale was altered to reflect the fact that employees were asked to self-rate their performance. A sample item was, "I always complete the duties specified in my job description." Cronbach Alpha was .79.

### *Control variables*

In all analyses, age, gender and whether a person manages others or not were entered as control variables. Age and gender were specifically important to control for because women may be more disposed to perceive overqualification (Luksyte & Spitzmueller, 2011) and younger employees have been found to have more pessimistic views about, and reaction to overqualification (Battu, Mwale, & Zenou, 2005). Whether a person manages others was used as a control variable because managers are more likely to be overqualified than other occupational groups (Green & McIntosh, 2007).

## **4.3 Assessment of measures**

As all variables in the present study were collected at one point of time, procedural and statistical remedies were used to ensure the distinctiveness of the constructs and address the potential impact of common method bias on the study results. Following established recommendations by Podsakoff and Organ (1986) and Podsakoff, MacKenzie, Jeong-Yeon and Podsakoff (2003), only validated scales were used in the study. Moreover, participants received an email that explained the procedures, and guaranteed anonymity. Furthermore, the measurement of the variables was separated by placing them in different sections of the survey. Finally, filler items and different instructions were used to create a psychological separation between the sets of variables.

Moreover, a range of statistical tests was performed on the data to establish whether the measures for perceived overqualification and self-report task performance were distinct from each other. First, a principal component factor analysis with oblique rotation method for all indicators was carried out. The results show two distinct factors with eigenvalues greater than one. Next, a series of confirmatory factor analyses was conducted. A full measurement model was tested initially in which all items for perceived overqualification and performance loaded onto their respective



factors. All factors were allowed to correlate. Five fit indices were calculated to determine how the model fitted the data (Hair, Black, Babin, & Anderson, 2009). For the  $\chi^2/df$ , values less than 2.5 indicate a good fit (Arbuckle, 2006). For the Goodness of Fit Index (GFI), Comparative Fit Index (CFI), and Normed Fit Index (NFI) values above .95 are recommended as an indication of good model fit (Bentler & Bonett, 1980; Hu & Bentler, 1999). For the Root Mean Square Error of Approximation (RMSEA) and Standardized Root Mean Square Residual (SRMR) values less than .06 indicate a good model fit and values less than .10 an acceptable fit (Arbuckle, 2006; Browne & Cudeck, 1993). The two-factor model showed a very good model fit ( $\chi^2 = 72$ ;  $df = 26$ ;  $GFI = .97$ ;  $CFI = .98$ ;  $NFI = .97$ ;  $RMSEA = .06$ ;  $SRMR = .04$ ). This model was compared to an alternative model, where perceived overqualification and task performance were subsumed under one factor. The model fit of the alternative model was significantly worse compared to the full measurement model ( $\chi^2 = 794$ ;  $df = 27$ ;  $GFI = .76$ ;  $CFI = .66$ ;  $NFI = .65$ ;  $RMSEA = .22$ ;  $SRMR = .18$ ).

Additionally, a second test as recommended by Podsakoff et al. (2003) was carried out, introducing an unmeasured latent methods factor to the original measurement model allowing all items to load on their theoretical construct, as well as on the latent methods factor. The change in CFI and RMSEA values was assessed between both models as an indicator of significance. Comparing both models revealed that the change of CFI and RMSEA values was 0.020 and 0.006 respectively, which is below the suggested rule of thumb of 0.05 (Bagozzi & Yi, 1990). Overall, the results of the measurement model comparisons suggest that the constructs in this study are distinct from one another and that common method bias does not unduly influence the results. Nevertheless, caution should be exercised when interpreting the results, because of the problems commonly associated with self-reported measures (Podsakoff & Organ, 1986).

## 5. Results

### 5.1 Descriptive statistics

Table 1 presents the scale reliabilities, means and standard deviations for each scale, and inter-scale correlations for all study variables. Women, younger employees and employees who manage others report lower levels of perceived overqualification, whilst older employees report higher levels of performance.

**Table 1: Cronbach Alpha, descriptive statistics and correlations**

	Alpha	Mean	SD	1	2	3	4
1 Gender							
2 Age		40.22	10.18	-.06			
3 Management				-.18**	.16**		
4 Overqualification	.76	3.79	1.28	-.12**	-.08*	-.16**	
5 Task Performance	.79	6.16	.69	.05	.08*	.00	.02

Note:  $N=780$ ; \*\* $p < .01$ , \* $p < .05$

5.2 Test of Hypotheses

Hierarchical multiple regression was used to test the hypotheses. In all analyses, the variables were standardised to temper issues related to multicollinearity in the analysis (Aiken & West, 1991) and all variance inflation factors in the regressions were below 2.

Table 2: Regression results for testing hierarchical moderated regression on self-report task performance

		Task Performance		
Model		<i>B</i>	<i>R</i> <sup>2</sup>	<i>F</i>
1	Female	.06	.00	1.80
	Age	.01*		
	Management	-.01		
2	Individual Perceived Overqualification	.03	.00(.00)	1.54
	Peer-group Perceived Overqualification	-.04		
3	Individual Perceived Overqualification X Peer-group Perceived Overqualification	.06*	.01(.01)*	1.93

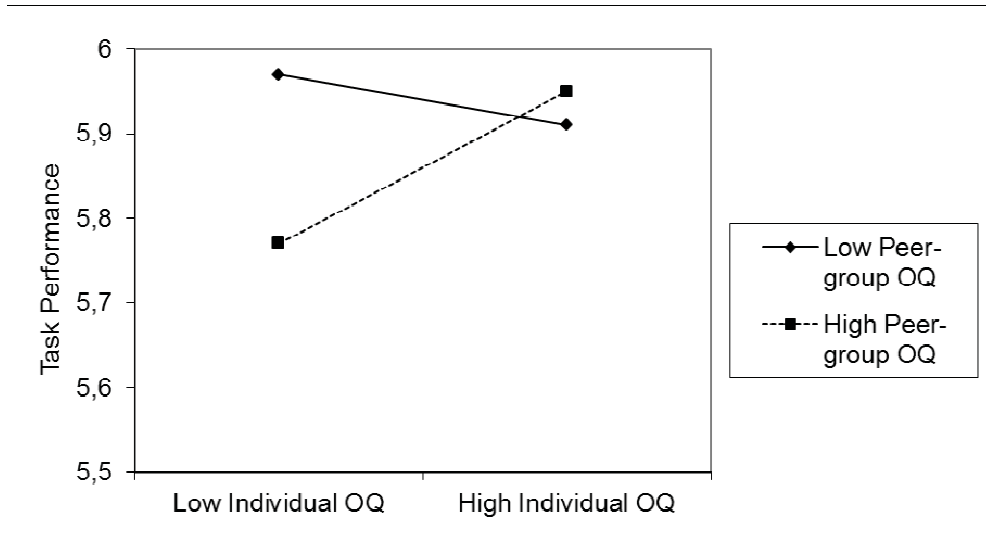
Note: Adj. *R*<sup>2</sup> ( $\Delta R^2$ ) sig of  $\Delta R^2$ ; *N*=780, \**p*<.05, \*\**p*<.01

Table 2 reveals that perceived overqualification is unrelated to self-report task performance. Therefore, Hypothesis 1 is rejected. Table 2 also reveals that there is a significant interaction between individual and peer-group perceived overqualification on task performance. The plot of the significant interaction is found in Figure 1. To probe the significant interaction further, simple slopes analyses were conducted. The results showed that peer-group perceived overqualification moderates the relationship between individual perceived overqualification and task performance at one standard deviation above the mean ( $t=2.09, p < .05$ ). Figure 1 also shows that there is a negative relationship between perceived overqualification and performance at low levels of peer-group perceptions of overqualification; the slope was significantly different from zero at two standard deviations below the mean ( $t=1.95, p < .05$ ). Hence, Hypothesis 2 was supported; at high levels of peer-group perceptions of overqualification, there is a positive relationship between individual perceived overqualification and self-report performance (Hypothesis 2a), whereas at low levels of peer-group perceptions of overqualification, there is a negative relationship between individual perceived overqualification and self-report performance (Hypothesis 2b).

6. Discussion

The present study adds to research on perceived overqualification by exploring how employees' experience of being overqualified is related to their performance on the job. Contrary to what was hypothesised, the study did not find evidence of a positive relationship between perceived overqualification and task performance. This finding is aligned with earlier studies on overqualification that have shown weak or no relationships between both variables (e.g., King & Hautaluoma, 1987), and therefore suggests

**Figure 1: Interaction between individual and peer-group perceptions of overqualification on task performance**



that the performance implications of feeling overqualified are far from straightforward. This result calls for an alternative explanation, which sheds light on why research is producing mixed evidence.

One alternative explanation is presented in the test of the second hypothesis. Namely, the results of the present study show that the relationship between perceptions of overqualification and performance is dependent on the context in which employees work. Previous research on the relationship between perceived overqualification and performance has mainly examined perceptions of overqualification at the individual level of analysis. This is a critical omission given that peoples' perceptions, attitudes and behaviours are tied up with the social world (Giddens, 1993). The results of the present study show that in order to understand the performance implications of perceived overqualification, it is imperative to also take into consideration the peer-group to which employees belong.

The results of the analyses indicate that individuals who perceive themselves as overqualified report higher levels of performance when peer-group perceptions of overqualification are equally high. Equity theory suggests that overqualified employees may perceive their situation as unjust when they invest more in their role (inputs), in relation to the reward or recognition (outputs) they receive, compared to a similar other (Adams, 1963). In situations in which the comparison other has a similar input/output ratio, feelings of inequity diminish, and performance likely increases (Colquitt, et al., 2001).

The results also reveal that employees who perceive low levels of overqualification perform better when they are in an environment in which others do not feel overqualified. In situations where employees report low levels of overqualification, and are in a peer-group characterised by high levels of perceived overqualification,

employees may compare their qualifications with others, and report inferior performance. Being excluded from an in-group of others who perceive themselves to be overqualified likely causes performance decrements for a 'merely qualified outsider', a finding consistent with social comparison theory (Turner, et al., 1987).

By examining individual and peer-group perceptions of overqualification in tandem, this article offers two central contributions to overqualification theory and research. First, the present study adds to the budding theoretical framework on perceptions of overqualification by examining a contextual factor that influences how perceived overqualification is related to individual performance, namely the level of perceived overqualification within one's peer-group. Examining the broader conditions under which perceived overqualification unfolds is an important contribution to theory-building on overqualification (Whetten, 1989), as it helps to delineate situations in which perceived overqualification leads to positive, negative or mixed performance outcomes and sheds light on the mixed findings reported in previous studies. Hence, the present study addresses a recent call to build overqualification theory by analysing its boundary conditions (Erdogan, et al., 2011).

Second, the present study demonstrates that although perceived overqualification is an individual difference variable, it also represents a phenomenon that can characterise higher-level social units such as work groups, teams, organisations or even countries. It is the first study to apply multi-level theory (House, Rousseau, & Thomas-Hunt, 1995; Klein, Dansereau, & Hall, 1994; Rousseau, 1985) to the area of overqualification. By exploring individual experiences of overqualification in the context of their peer-group, the study contributes to theory-building on overqualification by differentiating perceived overqualification as an individual characteristic from perceived overqualification that occurs on higher levels. These results indicate the importance of taking into consideration overqualified employees' social context (e.g., the composition of teams) in examining the performance consequences of perceptions of overqualification.

The present study opens new avenues for future research to further explore the outcomes of perceived overqualification. One interesting question relates to the concept of perceived overqualification and its relationship with other qualification-based constructs. For instance, future research could explore whether low levels of perceptions of overqualification are equivalent to high levels of "underqualification", or when a person is not qualified for the job that he or she holds. In other words, is underqualification the opposite of overqualification? Moreover, are the consequences of each different from one another? Given that the OECD (2011) recently reported that as many as one in four workers could be overqualified and as many as one in three could be underqualified in Europe, research should focus on how these two concepts may have different consequences for employees, employers, and wider society.

The results of the present study also suggest that better outcomes are incurred when there is a match between a person's perception of overqualification and the perceptions of his or her workgroup. This resonates with Kanter's (1977a; 1977b) theory of tokenism, which suggests that individuals whose social category is underrepresented in a particular context will face negative experiences. The theory of tokenism, much like the arguments outlined in the present study, emphasises the role of context

in explaining the performance implications for those who are under-represented in a salient category. Although Kanter focused on female experiences with tokenism, the present study focused on individuals' perceptions of overqualification, and found the same basic principles arise in relation to overqualification.

Based on the results of this study, future research should explore the extent to which the broader organisational climate influences how an under-represented group of individuals responds to their solo-status within teams. For instance, studies could examine whether overqualified employees in adequately qualified teams who trust their organisation, feel supported by their organisation and have a high-quality relationship with their line manager respond more positively to their status compared to overqualified employees who do not have positive exchange relationships at work.

Future research may also wish to analyse the importance of other team-level factors in influencing the extent to which perceptions of overqualification are related to individual performance. Overqualified employees who are part of a cohesive team (Hausknecht, Trevor, & Howard, 2009) characterised by high levels of professional support such as sharing of specialist knowledge, frequent communication, collaboration and interaction, and social-emotional support between team-members may demonstrate higher levels of performance compared to their overqualified counterparts who have fewer interdependent relationships with their peers or who are part of a less cohesive team.

## **7. Limitations**

The present study was based on a cross-sectional research design, which limits the conclusions that can be made with regards to the causal order of the relationships under study. Nevertheless, there are conceptual reasons supporting the approach taken in the present study. With the exception of cases, in which data collection takes place within a few weeks after a new working situation arises, employees are generally able to make an overall assessment of their current position and status within a team, which is related to and has implications for their task performance. The study was therefore designed such that only employees were participating who worked within their current position for at least three months. This timeframe was chosen, as research on newcomer socialisation suggests that employees' perceptions of their work environment change mostly over the first three months in a new position, and are relatively stable afterwards (Kammeyer-Mueller, Wanberg, Rubenstein, & Zhaoli, 2013; Lance, Vandenberg, & Self, 2000).

Second, self-ratings of task performance were used in the present study, which, due to their subjective perspective, might bias study results. However, all recommendations put forth by Conway and Lance (2010) were implemented in the present study to mitigate concerns regarding common methods bias. Moreover, researchers have argued that for many jobs (including those, that involve high customer interaction such as in the retail industry) it is difficult to assess objective outcomes using meaningful indicators of individual performance (Xanthopoulou, Baker, Heuven, Demerouti, & Schaufeli, 2008). Hence, self-report measures might be the most reliable indicator of performance in the present paper. In addition, recent reviews of performance ratings have shown that other-ratings of performance (such as supervisor or peer ratings)

might equally be subject to measurement bias (Levy & Williams, 2004; Viswesvaran, Schmidt, & Ones, 2005). Finally, authors have argued that self-report bias might be less of a problem in micro-organisational research (Crompton & Wagner, 1994; Spector, 2006). Nevertheless, future studies could ask supervisors, peers or customers to rate employees' levels of task performance to further validate the relationships established in the present study.

The study was conducted in a specific setting, namely within a retail organisation in the United Kingdom. Given that overqualification is an important issue in Europe (e.g., Brynin, 2002; Scherer, 2004; Steijn, et al., 2006), future research should establish whether the results are generalisable to other industries and countries. For example, the present study was carried out in a large organisation, where employees may feel that there is an opportunity to progress in the organisation. Future research could examine whether the results are generalisable to small-and-medium sized enterprises, where there may be less chance for promotion. Moreover, future research should assess the relative strength of the relationships found in the present model for permanent versus temporary workers because previous research has demonstrated that they may respond differently (c.f.Ortiz, 2010). Finally, studies could extend the present study by taking country-level variables into account. It might be that the relationship between perceived overqualification and performance is different when macro-economic conditions are weak compared to a strong economic climate. Similarly, the relationship between both variables might differ for countries with a high versus a low educated workforce.

## 8. Practical implications

The findings of the present study indicate that employing those who perceive themselves as overqualified does not have straightforward performance implications. The results show that performance was highest for individuals who report low levels of overqualification in peer-groups with others who likewise perceive low levels of overqualification, and for individuals who are overqualified in peer-groups with others who are overqualified. Performance decrements occur when there is a mix of levels of qualifications within peer-groups.

These results imply that organisations do not necessarily have to refrain from hiring overqualified employees. Instead, it is imperative to examine the qualifications of the members of the peer-group in which the applicant would be working. HRM practitioners can avoid negative outcomes if they position overqualified individuals strategically within the organisation, for instance, by grouping several overqualified employees to work in a team. Organisations may wish to refrain from hiring an overqualified applicant if there are no other overqualified employees who work for the organisation.

One question that arises is how HRM practitioners can recognise employees who feel overqualified for a certain position. Although objective overqualification and perceptions of overqualification are distinct constructs, there is likely to be an association between the two measures. Indeed, a study by Verhaest and Omey (2006) suggests a 72% correlation between self-report and objective measures. Hence, HRM practitioners could compare the education level of applicants and employees with the required educational level derived from job analyses or occupational classification schemes.



Moreover, HRM practitioners should manage employees' expectations of their job role by providing realistic job previews, by implementing clear and complete induction programs, and by developing job descriptions that clearly stipulate the job duties. Finally, HRM practitioners, in collaboration with line managers, can use performance appraisals to find out whether employees feel that they have an adequate fit with their jobs.

HRM practitioners may also want to assess whether the level of overqualification within their workforce has positive or negative consequences for overall firm performance. Firm-level analyses suggest that the costs of employing overqualified employees (e.g., by paying a wage premium) are offset by higher productivity and possible knowledge spillover effects (Jones, Jones, Latreille, & Sloane, 2009; Pouliakas, 2013). Hence, HRM practitioners should assess the costs and benefits of employing overqualified employees within their organisations with a view to find an optimal balance.

## 9. Conclusion

The purpose of this study was to test whether peer-group perceptions of overqualification influences the extent to which an individual's perceived overqualification is related to task performance. The results show that overqualified employees report increasing levels of performance as peer-group perceptions of overqualification increase. Individuals who feel adequately qualified for their job experience the opposite effect; they report decreasing levels of performance as peer-group perceptions of overqualification increase. This study highlights the importance of considering one's social context, and the process of social comparison, in discussing the outcomes of overqualification for both employees and employers.

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## Appendix A

### Overview of scale items and principal component factor analysis results

	1	2
My formal education overqualifies me for my present job	0.57	
My talents are not fully used in my job	0.50	
My work experience is more than necessary to do my present job	0.54	
Based on my skills, I am overqualified for the job I hold	0.37	
I always complete the duties specified in my job description		0.49
I meet all the formal performance requirements of the job		0.50
I fulfil all responsibilities required by my job		0.52
I never neglect aspects of the job that I am obligated to perform		0.43
I often fail to perform essential duties		-0.23