

The Literature Review on Job Mismatch and Unemployment Among Graduates

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Abstract

Unemployment is an issue that becomes a hot discussion almost every year and this phenomenon can be considered as a situation that is experienced globally. The unemployment occurs is closely related to the issue of mismatch that is affected in line with the movement of the country's economic cycle. The limited availability of jobs compared to the number of graduates each year has contributed to the issue of mismatch in the labor market. In order to avoid being unemployed, most graduates are forced to accept jobs that are not equivalent to the qualifications they have. This series of mismatch issues in the job can also trigger a sense of dissatisfaction at work and prevent employees from optimally expressing their true potential. This scenario can affect the development of workforce potential and indirectly have a long-term impact on the development of the country's workforce. This is also seen to be able to influence the country's economic growth. Participation from various parties, especially collaborative initiatives between policy makers, industry, and educational institutions, is needed to deal with this issue of mismatch. Therefore, this paper aims to provide an overview of the relationship between mismatch and the factors of mismatch that occur. In addition, issues related to unemployment and the factors of unemployment will be discussed.

Keywords: Mismatch, Unemployment, Workforce, Labor Market

INTRODUCTION

The COVID-19 pandemic has been sweeping the world for almost three years had a major impact on most countries in the world including Malaysia. This contagious pandemic had affected almost all sectors of the country, especially the economic sector. The effect on the economy can be seen is declining of the Malaysian currency and this phenomenon has contributed to the contraction of the gross domestic product. According to the Chief Statistician Malaysia, Datuk Seri Dr Mohd Uzir Mahidin, Malaysia will still have cost reductions, reduced demand, and supply chain disruptions even after the pandemic ends. This is closely related to the country's economic growth and will indirectly affect the labour market in Malaysia (Alias, 2020).

The labour market and the economic growth are two components that are not separate and interrelated components. This is because labour force is an important asset that contributes to economic activity and growth. The labour market is a widely tracked job market and this can be seen from the demand of people looking for work (employees) and the supply of industries that provide jobs (employers). Uncertainty in the labour market during the pandemic had an impact on the unemployment rate in the country. In addition, there are many employers who forced off employees because they want to reduce expenses. This situation caused the increasing unemployment rate due to workers losing their jobs and additionally new graduates looking for work. This phenomenon creates competition between workers who have lost their jobs and graduates who want to find job opportunities.

Aminu (2019) also stated that changes in the economic structure and economic growth are the factors that contribute to the mismatch between education and job. Meanwhile, there are also studies that state the same thing, which is the economic growth can affect individuals' opportunities to get jobs that match their education (Navarro & Aurelio, 2021).

This paper aims to review the job mismatch and unemployment among graduates. Therefore, the main objective of this study is to discuss:

- The types of job mismatch,
- The mismatch factors in the labour market, and
- The factors affecting unemployment.

THE DEFINITION AND TYPES OF JOB MISMATCH

Job mismatch means a discrepancy between individual (job seekers) qualifications and the qualification criteria required by the labour market (Salas-Velasco, 2021). Figure 1 shows the types of mismatches that are differentiated through the job seekers level of education and skills, namely overeducation, overqualified, overskilling, vertical mismatch, horizontal mismatch, and undereducation and underskilling.

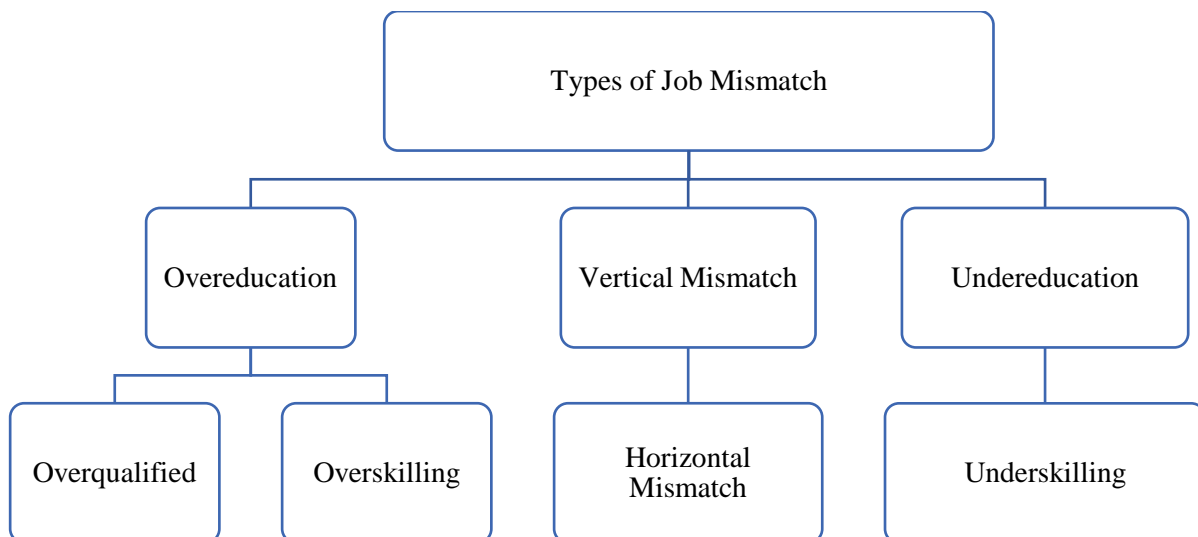


Figure 1: Types of Mismatch

First, overeducation occurs when a person has more years of study than their current career criteria required. Second, overqualified is refer the type of mismatch when an individual holds qualification that are higher than the career requirements. Third, overskilling occurs when individuals cannot use the skills required to the maximum in their careers (Sloane & Mavromaras, 2020). Fourth, the type of vertical mismatch occurs when an individual's educational level is less or more than the required level but is in a related field. Fifth, the Horizontal mismatch is when individuals have a career that matches their level of education, but they are in an unrelated field of education. Finally, undereducation is when a position is filled by individuals who have qualifications (education and skills) that are less than the requirements of the position as well as the category of lack of skills (Sloane & Mavromaras, 2020).

THE DIVERSITY RELATED TO JOB MISMATCH

There are various related patterns of mismatches that occur in the labor market. The diversity of the relationship among them is the mismatch between education and employment and the mismatch of skills and qualifications in the labor market. Navarro & Aurelio (2021) stated that individual character, skills, education, and job characteristics have the possibility to determine job mismatch. This shows that the graduate's character and experience have an influence on the mismatch (Næss & Wiers-Jenssen, 2022).

Besides that, job search cost, inconsistent information and the method used by graduates to find job opportunities can be triggers for job mismatches. However, there are still individuals who receive jobs that do not match their education and skills. This happens due to several factors including salary and promotion opportunities as well as a good work environment. This situation also can be seen in a case study in Lahore, Pakistan (Chaudry, Khalid, & Özcan, 2022).

Furthermore, the privilege of some professions is a factor in the mismatch between education and employment. For example, graduates from human capital are more likely to obtain an education-job match. While graduates from general human capital are more likely to face horizontal mismatch. Graduates in some fields such as business, management and economics have a high probability of vertical mismatch. Most workers with bachelor's degrees in industrial relations and social work are in non-graduate positions and not in their

field (Salas-Velasco Manuel, 2021). In addition, Næss & Wiers-Jenssen (2022) stated that the inconsistency among humanities graduates is potentially caused by several factors including not examining the selection of the field of study. This occurs because the program in the field of humanities is less competent than other fields and the salary also offered may not be flexible from other fields.

In addition, it can be seen the relationship between the mismatch of graduates' marketability skills and qualifications in the labor market. Graduates' marketability skills such as basic skills, thinking skills, interpersonal skills and personal qualities are important skills that employers focus on. A study conducted by Kalei (2016) in Kenya shows that there is a discrepancy between graduates' marketability skills and qualifications in the labor market. This situation leads to the existence of a gap between marketability skills and employers' expectations of graduates with the skills possessed by graduates.

Skill mismatch is a broad concept that also has the potential to have a large impact on regional wage differences. A study finding on the relationship between labor market size and mismatch by Francesco (2018) states that German male workers who live in densely populated areas are less likely to be overqualified and work outside their field of study. Another study states that urban population and low unemployment rates are associated with low inequality (Elena, Kaltenberg, Jara-Figueroa, Bornacelly, & Hartmann, 2020).

Therefore, it can be seen the relationship between the mismatch with the character and skills possessed by the graduate himself, relevant education and work experience. In addition, asymmetric information as well as the method used to find a job also influence the mismatch. Additionally, the privileges of some fields of education also have a relationship with job mismatch.

THE MISMATCH FACTORS IN THE LABOUR MARKET

The main factor to the mismatch is due to the instability between the total demand for labor and the supply of the industry in the labor market. This shows a situation where graduates in a field of study exceed the availability of jobs in that field, causing graduates to find jobs outside the field. Additionally, individuals are looking for job opportunities that match their skills and interests, but economic transitions trigger changes the skill requirements in the labor market. Employees who experience job mismatch will face wage differentials if they are overqualified (Montt, 2017).

Next study shows that there is a possibility of a mismatch in the labor market because the vacancies criteria offered do not match the job seeker qualifications. The survey respondents also believe that there is no suitable job for the field in the labor market. This occurs because there is inconsistent information between supply and demand in the market (Jamaludin, Said, Ismail, & Mohamed Nor, 2021).

Overqualification is also one of the variations of mismatch. Several factor that can reduce the tendency of overqualifications are mobilization, work experience and years of higher education. The probability of getting a job with overqualification is low among science, engineering, and health science graduates, who obtain excellent results and English language certificate (David & Marta, 2022).

In addition, for employers who have overqualified employees have positive advantages and can help improve the company's performance in the short term. However, job mismatch can create issues of job dissatisfaction and low wages for the long term. This mismatch phenomenon also can affect the economy, which is the loss of the true potential of

workers and human resources when this inefficient placement method continues (Velciu, 2017).

Overall, the mismatch factor from previous studies shows that graduates in a field of study exceed the availability of jobs in that field. Besides that, the criteria offered by the employer do not match the candidate's qualifications and there are no suitable jobs in the labor market.

UNEMPLOYMENT

According to the Bureau of Labor Statistics (BLS), an individual is categorized as unemployed if they belong to one of the criteria which is first, not working either part-time or temporarily, second, able to work and third actively looking for work within a period of four weeks. There are three types of unemployment namely cyclical unemployment, frictional unemployment, and structural unemployment. Cyclical unemployment occurs due to the phase of the business cycle. This occurs when the demand for the product decline and influences the company to lay off large numbers of workers to reduce business costs. Frictional unemployment occurs when workers leave their old jobs but have not yet found a new job. In addition, this also happens when students look for their first job, mothers return to the workforce and workers are dismissed for business-specific reasons (Amadeo, 2022).

Structural unemployment occurs when there is a shift in the economic structure that causes a mismatch between the skills of workers and the skills required by employers. Prolonged recession is a factor in structural unemployment. Overall, cyclical unemployment is the most common type of unemployment compared to other types of unemployment (Amadeo, 2022).

THE FACTORS AFFECTING UNEMPLOYMENT

Several of the causes of youth unemployment that have been identified are limited job opportunities, limited education levels, reluctance to migrate to places with more job opportunities, poor communication skills and lack of work experience (Omar Alil & Abd. Rahim, 2020). Meanwhile, studies conducted in three East Coast states (Kelantan, Pahang, and Terengganu) show that the main factors that contribute to youth unemployment are marital status and work experience (Abdul Shakur, Sa'at, Aziz, Abdullah, & Abd Rasid, 2020).

Meanwhile, unemployment among graduates is caused by several factors which is the lack of marketability skills. Rou, Nadarajan, Awee, Md Lazim, & Keong (2016) stated that factors affecting unemployment among nursing graduates in Malaysia are a lack of leadership skills, communication skills, group work skills, problem solving skills and critical thinking skills.

Based on a case study in Klang Valley by Hossain, et al., (2018), shows that graduates have a deficiency in marketability skills. This finding is also supported by (Tengku Kamarul Bahrim, Hassan Azahari, Zulkarnal, & Sallehuddin, 2019), the lack of soft skills affects the unemployment rate among graduates. In addition, it was found that unemployment occurs due to employers not being willing to pay workers with higher wages.

Meanwhile, Hossain, et al., (2018) stated that the attitude of choosing a job is a factor that contributes to unemployment. The respondents of this study agreed that they did not prepare well for attending interviews and were too selective about the companies and jobs offered to them. The attitude of graduates who choose jobs contributes to the high unemployment rate (Tengku Kamarul Bahrim, Hassan Azahari, Zulkarnal, & Sallehuddin, 2019).

Next, other factors that contribute to graduate unemployment in Malaysia are lack of preparation in the interview process, graduates' skills not in line with the position, lack of technical skills and English language (Mohd Othman, Abdul Mutalib, & Manjamain, 2020). In addition, the employer's preferences and the characteristics of the candidate also contribute to the issue of unemployment. Meanwhile, the factor that most affects the unemployment crisis is the country's unstable economy (Abd Rahman, Ismail, Ridzuan, & Abd Samad, 2020; Tengku Kamarul Bahrim, Hassan Azahari, Zulkarnal, & Sallehuddin, 2019)

CONCLUSION

The issue of mismatch is a scenario that needs attention because it can affect the economy (Velciu, 2017). There is a need to build a strong relationship between educational institutions and industry because it can help educational institutions prepare graduates according to the needs of the labor market (Chaudry, Khalid, & Özcan, 2022). In addition, this relationship is very helpful in the marketability of graduates (Kalei, 2016). Gaps that need to be emphasized include program improvement, industry links and competency courses for lecturers and students (Othman & Hussin, 2019)

This matter is expected to help all parties to see the scenario of job mismatch and unemployment occurring in the labor market. Relevant parties such as policy makers, educational institutions and graduates need to take the initiative to make appropriate improvements. The improvement actions that will be carried out together can maximize the potential of energy resources as well as optimize productivity while contributing to the improvement of the national economy.

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