ABSTRACT

Malaysian graduates have been challenged with issues of unemployment with an increasing trend in unemployment rates in the last few years. The increasing unemployment rate is a grave concern since this issue may decrease the image of the educational system in Malaysia and hence might lead to some companies losing their confidence in our local graduates. Hence, the root cause of this issue needs immediate attention. This paper examines the link between graduate attributes, employability skills, English proficiency, unrealistic salary and job mismatch on unemployment among graduates in Malaysia. Using a self-administered questionnaire, data was collected from 159 workers who had graduated from public universities in Shah Alam and experienced unemployment for at least six months from the date they completed their studies. Partial least squares method has been adopted using SmartPLS 3.0 software for analyzing the data. The findings revealed that employability skills, job mismatch and unrealistic salary were the main factors causing unemployment among graduates. To mitigate this issue, policy measures have to look at both micro level in terms of attitude of graduates as well as macro level at institutional factors such as courses provided by the universities.

Contribution/ Originality: This research contributes to fill the gap in the existing literature related to unemployment among graduates in Malaysia.

1. INTRODUCTION

Unemployment is a devastating phenomenon for graduates as it affects various parts of their personal lives, especially for graduates who took study loans. Statistics have proven that the graduate unemployment rate has risen in the past decade due to the increasing number of graduates in the employment market. Graduate unemployment has been increasing since the beginning of the economic recession in the United States in 2007, causing difficulties for graduates to find or maintain their jobs in the chosen field.

Graduates who are unable to find jobs within their range of studies are forced to seek jobs that are not related to their field. Unfortunately, most employers rarely accept graduates from other fields to prevent any future risks. The mismatch between graduates’ aspirations, employment requirements and the opportunities available has caused unemployment and underemployment among graduates. The increase in local and international graduates
competing in the market pool, educational institutions that do not keep their curriculum relevant to the industry, the pressure from colleges to pursue something that does not really matter, with the belief that an academic degree as the only path to success and security has worsened the rate of unemployment among graduates.

Institutions of higher learning in Malaysia produce over 200,000 graduates every year. However, one out of five graduates remain unemployed, with the majority of Degree holders struggling to find jobs (Department of Statistics, 2018). The rate of youth with diplomas and degrees suffering from unemployment is now three times the national average. The Ministry of Education, Malaysia reported 53 percent of the 273,373 graduates in 2015 were employed within six months of graduation, while another 18 percent of the total graduates opted to pursue their studies. This leaves a remaining 24 percent of the total graduates unemployed, struggling to search for jobs (Shanmugam, 2017).

Figure 1 shows the statistics of the unemployment rate in Malaysia. According to the Ministry of Human Resources, about two-fifths of the unemployment rate came from youth (Toh, 2017). A further look by the Department of Statistics (2017) shows that 34.6 percent of the 463,700 unemployed consist of tertiary-educated Malaysians.

![Figure-1. Unemployment rate in Malaysia.](image)

In terms of ethnicity, Indians graduates constitute the highest percent in the youth unemployment issue, with 4.6 percent. This is followed by Bumiputera (5.5 percent) and Chinese (2.9 percent). The highest unemployment rate, of both ethnicities of Indians and Chinese, are mostly made up of those without formal schooling (Lim, 2018). This has caused a concern for the Bumiputera ethnicity.

Selangor, has the largest number of employers with 23.2 percent of the total national employment, also has the highest number of unemployed graduates with 2.8 percent of the overall unemployment rate, and 9.4 percent of the youth unemployment rate in 2017. While institutions of higher learning in Malaysia produce over 200,000 graduates, one of five graduates are unemployed, with the majority of Degree holders (Leo, 2019). Therefore, this study aims to investigate the factors which may cause unemployment among graduates in Malaysia. This research aims to study the significant factors which may cause unemployment among graduates by examining graduate attributes, employability skills, English proficiency, unrealistic salary and job mismatch.
2. LITERATURE REVIEW

Unemployment is defined as those who do not have a job but are currently active looking and are available for work. According to the Department of Statistics (2019) this includes those who had undergone a job interview but are still waiting to be accepted by the company. The Executive Director of Malaysian Employers Federation (MEF), Shamsuddin Bardan admits that the current economic scenario has made it very challenging for employers to create jobs to keep up with the rising national unemployment rate. However, employees are starting to retire and this situation could turn around as the job market is currently experiencing a replacement phase. However, cost-cutting measures in the refusal to replace retiring employees causes longer unemployment for fresh graduates (Ong, 2018).

Graduate attributes play a factor in this issue. The disciplinary expertise and technical knowledge gathered through university courses differentiates the attributes of graduates compared with those with no high education (Bowden, 2000). The global, economic, technological and social trends are changing business and graduate attributes are needed for employees to keep one’s job. A survey by The Malaysian Ministry of Higher Education on local fresh graduates show that the unemployed public university graduates have poor attitude, lack of English proficiency and poor communication skills (Balakrishnan, 2017). There are also cases where graduates fail to apply attributes learnt from institutions into the workplace (Hanapi & Nordin, 2014). According to JobStreet’s manager, Chook Yuh Yng, graduates have to improve their attitude and character since there are plenty of jobs which do not require any experience (Balakrishnan, 2017).

Having high employability skills assure employers on the efficiency of graduates to manage and complete job tasks. Employability skill is also known as foundational skill or job-readiness skill, which is transferable across the industry (Doyle, 2019). A study done by Wan Zulkifli, Zakaria, Nawawi, and Idris (2010) found that employers are strict to select applicants and prioritize experienced and skilled graduates equipped with employability skills rather than those only with good grades. This finding is supported by Hossain et al. (2018) who state that good grades no longer ensure employment as employers seek graduates with theoretical and practical skills. This is because the lack of key skills and abilities are not shown by perfect grades nor does it reflect employability values of graduates. Study conducted by Nazron, Lim, and Nga (2017) reports that the industrial training programs help graduates gain practical experience and technical skills to be more ‘work ready’, those who perform well during the training sometimes even get the opportunity to be absorbed into the organization. Whereas, graduates with no industrial training experience will face hard times in job seeking as they are lacking in employability skills.

On the other hand, English proficiency is seen as a vehicle towards opportunities and economic benefit and it is highly demanded in Malaysia. A survey done by Cambridge English Language Assessment (2016) in association with QS Global Employer Survey shows that Malaysian employees use the English language as much as 67 percent for tasks, 63 percent for delivering presentations and during meetings, 64 percent for reading reports, and 61 percent for writing emails and letters. The data also shows employers demand proficient speaking skills recorded at 49 percent as compared to the lower global expectation at 35 percent. Having poor English proficiency could lead to a smaller employment chance as most Malaysian employers use the method of conducting their job interviews in English to evaluate their language skill (Pandey & Pandey, 2014). Knight (2015) found that high English proficiency enhances communication skills, helps companies to succeed, build trust with colleagues and clients, and improve international relationships.

Demand for unrealistic salary by graduates is the top factor for companies to reject applications especially for those who do not seem fit for the salary where employers are only able to offer salaries ranging from RM2,100 to RM2,500 (Kalra, 2015). Yet, there are 32 percent of graduates who ask for RM3,000 and above as a starting salary while only 9 percent of employers are willing to offer this (Leo, 2019). According to Simon Si (2017) the Regional Communication Head of JobStreet.com, this demand may root from the financial support from parents which exposes graduates to high life standards during study years. Bank Negara Malaysia (2017) puts the standard
minimum wage to RM2,700 to ‘survive’ in this country while the Malaysian Trade Union Congress argue that the starting salary for graduates should be from RM3,000. Despite all this, a recent survey done by the Khazanah Research Institute (2019) depicts a different notion where graduates actually have a very low salary expectation, especially for those graduates with labor market experience. This is supported by a study by Zahid (2018) which found out that half of the unemployed degree holders expect salaries less than RM2,500 while two-thirds of unemployed diploma holders expect to earn less than RM2,000.

Job mismatch also contributes to the unemployment issue among graduates. There are three categories of job mismatch which are education-job mismatch meaning a mismatch between the education acquired and job requirement, qualification-job mismatch which happens when graduates are overqualified or not qualified for the job, and field of study-job mismatch is the wrong match of field of study and the field of job (Farooq, 2011). There are issues where graduates seem to be not ready for jobs or do not possess the skills and knowledge needed for the applied job (Affleap, 2010). However, according to a UK University research, the real problem of job mismatch is the abundance of graduates from the same course resulting in strict filtering by employers to find the one who rightly deserves the job (Steed, 2018). In Malaysia, there were 1.4 million job vacancies in 2017, but 86.9 percent of those vacancies were for low-skilled jobs only requiring primary education and are not suitable for fresh graduates as reported by The Star (2018).

Unemployment has been a long-standing issue for the country. This is especially for those graduating, so the right steps are needed to continue to influence the human capital and worker productivity in the country. Driven by the Human Capital Theory, knowledgeable and highly skilled human capital contributes to the economic productivity of a nation, so that high investment in producing useful human capital is essential for the country. For example, Kadir (2017) and Kadir., Hassan, and Yusof (2020) stress that the government’s target to improve the national education as a primary indicator of economic development will lead to enhancing and providing the fundamentals for a better future of the society.

Hence, this study is important as a further investigation of factors influencing unemployment among young graduates.

3. RESEARCH METHODOLOGY

The sample for this research comprised of people who are working in Shah Alam. Questionnaires were distributed to 184 respondents, however 25 of the respondents were rejected as they did not fulfill the purposive sampling criteria which are i) must live in Shah Alam and ii) had experienced unemployment for more than 6 months. Thus, only 159 questionnaires were usable. The age for respondents was restricted to 30 years and below to prevent any complication of the experience gap that does not conform to the current situation. The respondents’ profile is summarized in Table 1.

This study adopts a quantitative approach to measure the factor of graduate attributes, employability skills, English proficiency, unrealistic salary and job mismatch on unemployment among graduates. The questionnaire for this study contains 19 questions with a five-point Likert scale, which are strongly disagree, disagree, neutral, agree and strongly agree, was used for all the variables. The questionnaires were collected in April 2019 and the data was coded and analyzed using SmartPLS. The data were analyzed using the following steps; first, the model measurement was examined using confirmatory factor analysis and secondly the structural model measurement was assessed by examining the standard path coefficient and t-statistics (t > 1.645).

4. FINDINGS

4.1. Demographic Characteristics of Respondents

The results presented in Table 1 indicate the characteristics of the respondents of the study. Most respondents are female (60.4 per cent). Respondents are between the ages of 20-22 (59.7 per cent), 23-25 (28.9 per cent), 26-27
The majority of the respondents hold a bachelor’s degree (64.2 per cent), followed by STPM/Diploma (30.8 per cent) and Master Degree (5.0 per cent). Most respondents are graduates from public universities (81.8 percent), followed by private universities/college (13.2 per cent), polytechnics (2.5 per cent) and others (2.5 per cent). The highest number of respondents are Business/ economics/ finance/ banking graduates (41.5 per cent), other respondents are from science (15.7 per cent), technical (13.8 per cent), arts and social science (8.8 percent), accounting (6.9 per cent), education (4.4 per cent) and others (8.8 per cent). This table also shows the unemployment duration of the respondents, being 6 months–12 months (79.2 per cent), 12 months–18 months (15.1 per cent), 18 months–24 months (2.5 per cent) and 24 months and above (3.1 per cent), with a majority of them (79%) have been employed less than one year.

The results of the measurement model assessment are reported in Table 2. All factor loadings are greater than 0.5 (ranging from 0.697 to 0.938). Also, composite reliability of the constructs are greater than 0.7 indicating good construct reliability (ranging from 0.794 to 0.934). The average variance extracted of greater than 0.5 establishes the convergent validity of the constructs (ranging from 0.564 to 0.826) (Pahlevan & Sharif, 2018).

Discriminant validity was assessed using (Fornell & Larcker, 1981) criterion, as reported in Table 3. As it is shown, for each construct square root, AVE is greater than its correlation with other constructs, supporting discriminant validity of the constructs.
Table 2. Measurement model.

<table>
<thead>
<tr>
<th>Construct</th>
<th>Items</th>
<th>Loading</th>
<th>CR</th>
<th>AVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employability Skills</td>
<td>ES1</td>
<td>0.878</td>
<td>0.910</td>
<td>0.772</td>
</tr>
<tr>
<td></td>
<td>ES2</td>
<td>0.910</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>ES3</td>
<td>0.847</td>
<td></td>
<td></td>
</tr>
<tr>
<td>English Proficiency</td>
<td>EP1</td>
<td>0.910</td>
<td>0.934</td>
<td>0.826</td>
</tr>
<tr>
<td></td>
<td>EP2</td>
<td>0.938</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>EP3</td>
<td>0.878</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Graduate Attributes</td>
<td>GA1</td>
<td>0.765</td>
<td>0.836</td>
<td>0.629</td>
</tr>
<tr>
<td></td>
<td>GA2</td>
<td>0.804</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>GA3</td>
<td>0.810</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Job Mismatch</td>
<td>JM1</td>
<td>0.814</td>
<td>0.851</td>
<td>0.655</td>
</tr>
<tr>
<td></td>
<td>JM2</td>
<td>0.829</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>JM3</td>
<td>0.792</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrealistic Salary</td>
<td>US1</td>
<td>0.820</td>
<td>0.894</td>
<td>0.737</td>
</tr>
<tr>
<td></td>
<td>US2</td>
<td>0.729</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>US3</td>
<td>0.697</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unemployment</td>
<td>U1</td>
<td>0.898</td>
<td>0.794</td>
<td>0.564</td>
</tr>
<tr>
<td></td>
<td>U2</td>
<td>0.896</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>U3</td>
<td>0.777</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 3. Path coefficient assessment.

<table>
<thead>
<tr>
<th>Construct</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Employability Skills</td>
<td>0.879</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. English Proficiency</td>
<td>0.783</td>
<td>0.909</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Graduate Attribute</td>
<td>0.834</td>
<td>0.659</td>
<td>0.793</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Job Mismatch</td>
<td>0.510</td>
<td>0.432</td>
<td>0.499</td>
<td>0.809</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Unemployment</td>
<td>0.496</td>
<td>0.370</td>
<td>0.468</td>
<td>0.686</td>
<td>0.751</td>
<td></td>
</tr>
<tr>
<td>6. Unrealistic Salary</td>
<td>0.258</td>
<td>0.261</td>
<td>0.529</td>
<td>0.781</td>
<td>0.582</td>
<td>0.859</td>
</tr>
</tbody>
</table>

The results of the structural model assessment are reported in Table 4. There is a significant positive relationship between ES ($\beta = 0.239, p < .05$), JM ($\beta = 0.251, p < .05$), and US ($\beta = 0.244, p < .05$) with unemployment providing support for H1, H4, and H5, respectively.

Table 4. Hypothesis testing.

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Relationship</th>
<th>Beta</th>
<th>SE</th>
<th>t-value</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>Employability Skills &amp; Unemployment</td>
<td>0.239</td>
<td>0.112</td>
<td>2.128*</td>
<td>Supported</td>
</tr>
<tr>
<td>H2</td>
<td>English Proficiency &amp; Unemployment</td>
<td>-0.009</td>
<td>0.086</td>
<td>0.107</td>
<td>Not Supported</td>
</tr>
<tr>
<td>H3</td>
<td>Graduate Attribute &amp; Unemployment</td>
<td>-0.041</td>
<td>0.123</td>
<td>0.336</td>
<td>Not Supported</td>
</tr>
<tr>
<td>H4</td>
<td>Job Mismatch &amp; Unemployment</td>
<td>0.251</td>
<td>0.106</td>
<td>2.355*</td>
<td>Supported</td>
</tr>
<tr>
<td>H5</td>
<td>Unrealistic Salary &amp; Unemployment</td>
<td>0.244</td>
<td>0.118</td>
<td>2.067*</td>
<td>Supported</td>
</tr>
</tbody>
</table>

Note: *p < 0.05.

However, this study failed to support H2, that is the relationship between EP and unemployment ($\beta = -0.009, p = 0.915$) as well as H3, that is the relationship between GA and unemployment ($\beta = -0.041, p = 0.737$). The model explains 29.7 percent of the variance of unemployment. Figure 2 shows the model and results.
Employability skill is a determinant for unemployment among graduates. Employers are seeking for additional skills that graduates can offer as most graduates have acquired skills such as communication skills and soft skills which help them in adapting into the work environment smoothly. It has been proven that most graduates nowadays are taught on how to establish their employability during their study period compared to the earlier times where institutions only focused more on theoretical subjects rather than the practical sides. This result is consistent with Nazron et al. (2017) who mentions that job opportunities nowadays are very slim and becoming more competitive for graduates since employability skills is one of the factors of employment. In addition, Abd Hair (2007) found that technical and employability skills have become a determining factor for a graduate to secure a job. However, employability skills alone are unable to help graduates in getting jobs.

In addition, job mismatch is another factor that contributes to unemployment among graduates due to the difficulty for graduates to master a field of work that is out of their field of qualification. This positive relationship between job mismatch and graduate unemployment is in line with studies by Md Razak, Mohd Yusof, Syazana, Jaafar, and Talib (2014). A norm for graduates to accept jobs with different core activity than their qualification causes a hassle for them during working. An engineering graduate who enters a finance company would take a longer time to be skillful in the job, and hence this mismatch disrupts their ability to continue working in that role. Hence, graduates should not embark on a job that is totally foreign to their qualification, but to know which risk is appropriate enough to take.
The study also found unrealistic salary and unemployment among graduates are closely related. Graduates nowadays are desperate to seek jobs due to the limited supply. So, if there are any job offers with salaries less than it should be, most graduates would accept it in order to survive in this current economy. The salary mostly depends on firms since the demand is more than the supply. However, there are some firms that are taking advantage of this situation by offering lower salaries. Hence, firms should be more relevant in offering a salary to graduates. From the recent survey done by Khazanah Research Institute in 2019, the claim by employers where graduates often ask for unrealistic salary turned out to be unfounded. Instead, Zahid (2018) said that the survey shows that half of the unemployed degree holders and two-thirds of unemployed diploma holders expected salaries less than RM 2,500 and RM 2,000 respectively.

However, graduate attributes are not a main factor affecting unemployment among youths. According to Hanapi and Nordin (2014) there are also situations where some graduates face difficulties applying their attributes to the workplace. It is believed that graduates without good attributes could face difficulties getting jobs in the future but this is not the most important feature for the industry. Malaysian universities also emphasize on the grooming of other important skills and morality of their graduates. As supported by a study by Tahir et al. (2018) employers believe that students are too focused on their academic achievements to the point that they have lesser ability to practice the skills. Focusing more on co-curricular subjects and the academic subjects are far more important than building up good attributes in attaining future employment.

English proficiency was not supported in this study. In order to secure a job, a graduate must have good English skills. However, without it, graduates are still able to secure jobs since English proficiency is not the major factor for unemployment. Additionally, not all firms and companies accentuate the use of English language in their daily work, especially referring to local companies. Some of these companies tend to use the local language for the convenience of their staff. For example, most of those in the factory side are not concerned about having English speaking workers since they do not need much communication in their daily work but rather consider skills and techniques to be most important. Vincent (2013) found that companies actually do not pressure workers to be really proficient in English but just to at least have a good sense of the language while speaking and writing.

5. CONCLUSION AND POLICY IMPLICATION

This study examines the link between graduate attributes, employability skills, English proficiency, unrealistic salary and job mismatch and unemployment among graduates in a developing country like Malaysia. The respondents were chosen from workers in Shah Alam who are below 30 years of age and experienced unemployment for at least six months. The study concludes that out of the five factors, three factors have a positive and strong relationship with graduate employability.

Firstly, employability skills, job mismatch and unrealistic salary demanded play a crucial role in explaining the issue of unemployment among graduates in Malaysia. Secondly, even though English proficiency and graduate attributes are important, the findings in this study show that these factors do not have a strong relationship to the unemployment issue in the country. Thirdly, the findings answer the question about the ‘mismatch’ being present currently and this due to job unavailability and the need for income.

The findings of this study can contribute at both micro and macro level for policy makers and firm level decisions. As for unrealistic salary demanded, it will be crucial for the Government and employers to revise their salary based on the inflation level of the nation. As for employability skills, institutions of higher learning should make it mandatory for graduates to acquire certain skills, both technical and soft skills before they graduate. The graduates themselves need a reform in their attitude to enhance their attributes in changing times to be more employable.

Future studies should include external factors that may affect graduates' unemployment i.e. lecturers' competency, quality of education and personal factors into the model findings. This may help policy makers in
making generalizations in terms of different demographic backgrounds. This study is only confined to graduates from a single country, Malaysia. A comparative study may show the various situations of graduate employability in different countries and the contributory factors.

Funding: This study received no specific financial support.

Competing Interests: The authors declare that they have no competing interests.

Acknowledgement: The authors would like to thank the anonymous reviewers for providing constructive and insightful comments as well as to the participants of this survey for providing a sincere response to the questionnaire.

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