

Underemployment and Overqualification among Fresh Graduates

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The Underemployment Ordeal

In reference to skill-related underemployment (which can also be referred to as underemployment, overeducation, and overqualification, although measurements may vary), the issue revolves around possessing qualifications that exceed the requirements of one's job. This phenomenon, on a large scale, leads to unoptimised human capital, skill deterioration, and eventually low wages. Based on data from the Graduate Tracer Study collected by the Ministry of Higher Education (MOHE)¹, KRI's analysis found that approximately one-third of fresh graduates are working in jobs that do not align with their qualifications or study fields right after university². This trend demands attention alongside youth unemployment concerns, as it impacts long-term career prospects and the youth's perception of returns on education.

Views are short opinion pieces by the author(s) to encourage the exchange of ideas on current issues. They may not necessarily represent the official views of KRI. All errors remain the authors' own.

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¹ <https://great.mohe.gov.my/>

² Mohd Amirul Rafiq Abu Rahim and Shazrul Ariff Suhaimi (2022)

Demographics and Discrepancies

Several factors contribute to underemployment; the expansion of higher education has flooded the job market, making it challenging for graduates to find vacant positions for jobs that match their qualifications. Additionally, there is a disconnect between what employers want and what graduates can offer, exacerbated by rapid technological advancements that disrupt the nature of traditional job roles and industries, leaving many workers struggling to adapt to the evolving demands.. For example, the widespread adoption of Artificial Intelligence and Deep Learning tools across various industries has significantly increased the workforce demand in the information technology and digital sector, with an increasing number of universities striving to meet those growing needs³. Economic factors also contribute to this issue, including sluggish job creation and the prevalence of low-paying, insecure gig work opportunities. Studies have shown how the emerging platform economy can lead to mismatches in education and employment, often because of its emphasis on flexibility and immediate income⁴.

Notably, graduates from low-income families are forced to accept low-paying jobs below their qualifications to survive, thus making underemployment a particularly pernicious issue for them. This cycle perpetuates reduced productivity, wage suppression, and limited career mobility within the labour market. Graduates stuck in overqualified roles face challenges advancing to higher-paying positions, hindering their prospects. This can be due to graduates experiencing skill deterioration in lower-skilled positions or the snowball effect of only being hired for low-skilled jobs due to a lack of experience. Women experience underemployment at a relatively higher rate due to gender-specific challenges, such as juggling between work and family responsibilities, discrimination in male-dominated fields like STEM/TVET and cultural stereotypes⁵. Everyone deserves a fair chance at career success based on their skills and qualifications.

The mismatch between qualifications and job opportunities is very pronounced in sectors like agriculture, non-modern service industries, and labour-intensive fields. Despite the heavy reliance of our economy on these sectors and their potential for job creation, there is often a shortage of skilled jobs that align with graduates' qualifications. There is a pressing need for comprehensive labour market reform and initiatives to empower graduates, particularly within the sectors with pronounced underemployment. Technological advancement can be a force of job creation, as any form of new digital infrastructure will need human hands to maintain and monitor it⁷. Potential industry-level strategies may involve targeted investments in technology and innovation to ensure that graduates are equipped for fulfilling career opportunities.

Industrial Expectations and How to Align Them

Underemployment is an issue that initially is at an individual level, but has the potential to impact the labour market as a whole. Graduates invest their time and money in an education with

³ Bean (2021)

⁴ Westhoff (2021)

⁵ Mohd Amirul Rafiq Abu Rahim and Shazrul Ariff Suhaimi (2022)

⁷ Hötte, Somers, and Theodorakopoulos (2022)

minimal returns, employers suffer a shortage of skilled workers and lower productivity, resulting in a society with an inefficient and unfair labour market.

Contributing to the issue of underemployment is the rise in fresh graduates enrolling into Master's programmes and PhDs right after their Bachelor's degree, instead of entering the workforce. Although it reflects improved accessibility to higher education, it also poses challenges in the job market. Despite their specialised qualifications, many graduates struggle to secure employment, with the unemployment rate among advanced degree holders as high as 15.5% in 2020⁸. Even those who secure employment typically begins with lower salaries, providing little solace. On the other hand, academic qualifications and practical experience are crucial in employability, as graduates with hands-on skills are more likely to land their desired positions.

There is a disconnect between graduates and industry in our current labour climate, with graduate qualifications misaligned with employer expectations⁹. Confusion regarding career paths among graduates and employers' concerns about hiring inexperienced graduates further exacerbate this disconnect. Common issues cited by employers include skill and experience gaps, which have become their justification for not hiring¹⁰. Graduates must navigate this gap by balancing academic achievements with practical skills and adaptability. Developing transferable skills through hands-on experience is essential to succeed in this competitive job market¹¹. Graduates must be proactive in understanding the job market's dynamics and equip themselves with the necessary skills to thrive. By being prepared, adaptable, and knowledgeable about industry demands, they can overcome challenges and secure fulfilling career opportunities in their respective fields.

The Allure of Social Media: Redefining Career Paths

The persistent issue of skill underutilisation poses significant challenges for the nation, exacerbating various vulnerabilities faced by youth, such as longer unemployment, early school departure, and discouragement from entering the labour market. This issue is compounded by recent revelations indicating a declining interest among youth to pursue tertiary education¹². The unappealing labour market outcomes, coupled with the pipe dream of becoming social media influencers, contribute to this trend. In recent years, with the rise in popularity of social media platforms like TikTok, a significant portion of the Malaysian economy (up to 22.6%¹³) has transitioned online. We have now reached a point where some influencers are emerging as genuine market players, shaping an industry of their own design¹⁴.

The allure of a social media career plays a significant role in shaping career aspirations. Platforms like Instagram and YouTube present curated content, offering an alternative to the typical 9 to 5 job. Up to 34% of those uninterested in further studies post-SPM want to become social media

⁸ Mohd Amirul Rafiq Abu Rahim and Shazrul Ariff Suhaimi (2022)

⁹ KRI (2018)

¹⁰ Radermacher and Walia (2013)

¹¹ Mohd Amirul Rafiq Abu Rahim and Umi Maisarah Kamis (2023)

¹² Awang (2023)

¹³ GOM (2021)

¹⁴ Arriagada (2021)

influencers¹⁷. The lives of the rich and glamorous, as showcased on Instagram Live and TikTok, influence career choices, leading individuals to question the value of investing 3-5 years in higher education only to secure low-skilled, low-paying jobs. Moreover, the prevalence of gig jobs offering better pay than traditional full-time positions further underscores the disparity between education and labor market outcomes.

Entrepreneurship, Education and Market Needs

Addressing underemployment and aligning education with market needs requires a comprehensive approach encompassing short-term fixes and long-term strategies. In the short-term In the short term, enhancing career counselling services at educational institutions and promoting entrepreneurship among interested graduates are vital. This includes instilling an entrepreneurial mindset from as early as primary school to foster innovation and economic growth. A greater focus on fostering entrepreneurship is clearly shown in the current national agenda¹⁸, with an increase in targeted microfinancing options, encouraging startups among the youth, and funding more comprehensive entrepreneurship courses¹⁹. Ultimately, it is essential that the jobs created via entrepreneurship are not just to put food on the table; they must contribute to our collective economic development, foster career-driven mentalities and ensure security for our graduates in all respects. Gender-sensitive policies are essential to ensure equal opportunities for female graduates, including mentorship programs and affirmative action initiatives. Similarly, graduates from low-income families need targeted support such as job search financial assistance, career guidance, and access to training programs.

In the long term, bridging the gap between academia and industry is crucial. This involves greater involvement of employers in shaping curriculum and providing hands-on experience for students, with potential examples coming from places like Australia or Sweden²⁰. Continuous monitoring of educational programs is necessary to ensure they remain relevant to evolving job market needs. Additionally, addressing wage issues by implementing wage subsidies and focusing on boosting workforce productivity can incentivise businesses to create more skilled jobs. By implementing these policies, we can better equip graduates with the skills and opportunities they need to succeed in the job market.

In conclusion, there is no easy fix to the complex challenges of the labour market and industry evolution. The labour market is constantly in flux, so it can be unreasonable to expect tertiary education institutions to predict the future. However, the collaboration between academia and industry is fundamental for a smoother transition of tertiary-educated talent into the workforce. Continuous improvement and robust partnerships are essential to adapt education to industry needs and ensure graduates are well-equipped for success in the job market.

¹⁷ Muhammad and Abdul Rahman (2023)

¹⁸ MOHE (2021)

¹⁹ MOF (2023)

²⁰ Wohlin et al. (2012)

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