

# Main causes and effects of unemployment



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## **DEMOGRAPHIC, PSYCHOLOGICAL AND GENDER EFFECTS**

Another fundamental point that affects graduates when the latter start looking for a job are the effects that demographic and psychological factors have on them. For instance, in Syria, individuals' chances were being diminished by beliefs of their community and decisions made by political bodies. Though a lot of previous research focused on the effect of sex when searching for a job, very little emphasized on demographical issues(Kabbani & Kamel, 2007). These types of countries find it very hard to attract graduates into the labour market (Buckner & Saba, 2010 adapted from Street et al., 2006; Huitfeldt and Kabbani, 2007).

In addition, employment law and rules pertaining to education help to increase the gap between graduates and the opportunities from obtaining a <https://assignbuster.com/main-causes-and-effects-of-unemployment/>

job (Buckner & Saba, 2010 adapted from Salehi-Isfahani & Dhillon, 2008). Furthermore a study was done in order to find out the impact that social values and beliefs has on individuals who were freshly graduated from the universities. Tertiary institutions were unsuccessful in helping individuals to get ready in order to enter the labour market. Similarly the research also found out that sex discrimination was a major obstacle when applying for a post (Buckner & Saba, 2010 adapted from Kabbani & Kamel, 2007).

In Syria, some individuals who were newly graduated were reluctant to take up a job due to the wage level and the conditions of work which would have been attributed to them. Rapid increased in population size and the rate at which developments were being carried out in different parts of the world meant that the number of graduates exceeded the number of high skilled jobs available. Furthermore graduates might also found it very difficult to get a job since they might not have the necessary experience and also the initiative that made them reluctant to take a loan in order to start a new business (Buckner & Saba, 2010 adapted from Kabbani & Kamel, 2007).

In addition, graduate unemployment seemed very high in villages compared to the level in urban areas. The percentage of females student in universities is much greater than that of males one. Nevertheless when applying the females would be more penalized due to the number of jobs availability in their field of study. The position that graduates' families occupied in the social class hierarchy might have also an effect when applying for a job, This could be due to the fact that in some countries those at the bottom of the hierarchy are not given equal chances (Buckner & Saba, 2010 adapted from Kabbani & Saloum, 2009). Another factor that might made it very hard for

graduates to find jobs is their level of participation rate in social/extra curricular activities in their countries or regions (Buckner & Saba, 2010).

On the other hand, it was stated that around 33% of working graduates were very happy in their current job position. The main reason was that they were guaranteed of not being fired from their job and moreover there was not only any other possible place for them to work( Bucker & Saba, 2010 adapted from WNFPA and SCFA, 2008). Similarly a reasonable law might be passed in order to increase job opportunity for freshly graduates and must also try to find out what are those individuals' perceptions on several tasks which would be put at their disposition. Similarly the State was making several developments to give a rise to the amount of job that will be put at the disposition of those who would be obtaining their degree or masters (Buckner & Saba, 2010).

## **OVERQUALIFICATION PROBLEM**

First and foremost, one of the main reasons to explain why there are so many unemployed graduates nowadays is over qualification. Highly over qualified individuals are often neglected by managers when applying for a job since the latter think that the former will leave the organization when they take notice of better job opportunities available on the labour market (Wald, 2004, adapted from Bewley, 1999). In addition, managers may at times, try to diminish the worker's involvement and participation to the job in order to provoke the latter to resign from his responsibilities (Wald, 2004, adapted from Bibbons and Katz, 1991). The managers also shun graduates who are overeducated as they have the firm belief that this will enhance in some way or the other a loyal workforce and thus reducing labour turnover

(Wald, 2004). It has to be noted that only 20% of firms are willing to employ overqualified graduated job applicants whilst the remaining 80% are reluctant to do so (Wald, 2004, adapted from, Bewley, 1999).

Moreover the process of recruiting new employees is a waste of time and money and also these employees need to have an adaptation period before attaining a satisfactory level of productivity, which is an additional cost to the business (Wald, 2004, adapted from Ritter and Taylor, 1994). Besides over education does not necessarily imply that the graduates are more capable compared to an unskilled or semi-skilled worker (Wald, 2004). It has been found that the lesser is the importance of the jobs; the lower will be the job search as the employee will better get along with his manager (Wald 2004, adapted from Jovanovic, 1979). At some point due to lack of choice, the graduates feel the need to take a job whose requirements does not demand an undergraduate degree (Verhaest & Omey, 2010). A recent example is that is UK, the average return from freshly graduate workers is getting lower and lower each year and hence showing that over education does not imply having greater knowledge of work. (Sutherland, 2008)

However, tertiary education is recognize as a type of financial and intellectual input in order to give the students each and every materials needed so that the latter can face the labour markets on their own feet. Furthermore, the idea of putting more emphasis on higher education will obviously result in the individuals possessing all the required quality to perform his jobs in the most efficient way as possible. This will be advantages when applying for a job, in term of qualification for the one who go for higher education compared to the one who decided not to go for it.

For instance, in England, there was a sudden upward rise in the demand for highly qualified worker which compensated by a parallel rise in its supply also leading to wage disparity between jobs(Sutherland, 2008).

An important things to point out is that to succeed in labour market nowadays, higher education is a must even though this may be completely true in reality (Sutheralnd, 2008).

## **EFFECTS OF ECONOMIC CHANGES ON GRADUATES**

It is obvious that economic changes will largely affect graduates when the latter go in search of jobs. Apparently, the mixture of several economic factors was having a great impact on the whole world economy, more precisely on the labour market. Freshly graduated students are prone to the negative effect in their effort of finding a job when leaving the university since the number of individuals who cannot find jobs is increasing year after year due to adverse economic changes. During the financial crisis in 2006, banks in USA were the ones who were employing more university graduates. However, they were as soon being laid out from their jobs since several banks indicators started to fall such as lending rates amongst others. Several companies in USA and UK, who were the major recruiters of, freshly graduated individuals, were being closed down and put to sales and hence resulting in no jobs for those who were expecting to get employed by these companies (Rae, 2008).

The financial crisis impacted on the graduates in the sense that they to remain unemployed since they were not able to obtain any form of loans in order to start up and develop their own business and entrepreneurial skills.

In addition, since the Asian countries are more and more emerging as an economic force, job opportunities will open up in Asia leaving graduates in Europe and America unemployed unless they shift to countries like China or India. In addition rising prices refer to high price of factor inputs which lead to an increase in cost of several companies. This had a negative effect on the recruitment of graduates by these firms since production cost obviously made an impact on employment. Similarly the trend in the political field as well as in the health sector was to decrease the number of graduates recruitment as compared to previous years and thus leaving more university leavers without jobs (Rae, 2008)

As economic factors were fluctuating, the difficulties that graduates are facing were really strong. Although managers were requesting to universities that their graduates possessed the necessary qualification and qualities, the negative impact falling on the world economy and labour market for graduates, means that finding a job was not the only things that they needed. This were due to the fact that the company who were used to recruit graduates were no more secure and is affected by drastic economic changes. For instance, workings for a long time in financial companies were not assured. Nevertheless, as more and more companies were being concerned by environmental issue, more and more graduates that study in this field would be recruited by these different firms. Moreover the demand for individuals with a degree in this field increases considerably following environmental issues awareness campaign. Thus students studying science would have more chances of getting a suitable job (Rae, 2008).

## **CAREER STRATEGIES**

For graduates to obtain a job as soon as they left the university, they should possess sufficient quality in order to be able to set proper goals and target about their careers. They should know how to perceive their career in order to obtain a job as soon as possible and have a well ongoing career for at least the first two years of their employment. Moreover the labour market in Asia is not as it was in the past since nowadays the chance to find a job for graduates taking into considerations their qualities and skills would be quite difficult to find. Furthermore highly academically qualified individuals who left their country to go to work abroad came back in their own country after some years in the hope of finding a suitable job, this means that chances for freshly graduated persons to get a job would be also highly decreased. Firms also give them more consideration since their communication skills are better than those who just obtained their degree (Lau & Pang, 2000).

Hence, these students were usually forced to think of a good strategy and set up an achievable goal. They were needed to do so since workers in different companies have already a better edge on them. It was also stated that graduates were not strong enough in setting targets for their career since they were still in the process of searching for a job. The new working environment prevailing meant that the individuals need to perform their career plan on their own. This would be very beneficial for them later in their working life and time when they would already get established on the Market (Lau & Pang, 2000).

Nevertheless, if an individual made too much planning with their career, this may lead to the graduates getting confused. This might be due to the fact



that working environment was being constantly changing. The different universities should give its last year students lecturer in how to communicate with others in order to facilitate their entrance in the labour market. In addition, the freshly graduated individuals must take into account the changing need of the work environment in order to be able to deliver what is required from them. Moreover, the graduates must be able to make a self assessment of their potentials and lacking in order to know if they matched the job requirements or not and what to improve in themselves in order to be fit in for the jobs (Lau & Pang, 2000).

## **CREATIVITY**

Being a degree holder is not just enough in order to find a job, creativity has also become an important criterion in today's world. Graduate entry is very competitive mostly in creative industries (Bridgstock, 2010, adapted from Ball, 2003, Harvey and Blackwell, 1999). Obviously, graduates having strong internal drive and well-developed career-management abilities will be exposed to greater chances of holding a job (Bridgstock, 2010, adapted from Galloway et al, 2002).

However, after few studies have been carried on the early labour market experiences, it was noted that emerging creative find difficulties in establishing themselves on the market (Bridgstock, 2010, adapted from Ball et al., 2010 ). One of the main reasons to account for this is that demand exceeds supply (number of jobs requiring graduates). It may also happen that graduates are offered job but only on the basis of “ who you know”. (Bridgstock, 2010, adapted from Ball, 2003, Blackwell and Harvey, 1999).

National level reviews has pointed out that there is mismatch between the skills and abilities of graduates and the work requirements (Bridgstock, 2010). Despite much effort put by creative industries, some degree of mismatch still exists (Boswell et al., 2004; Gordon, 1986). There are rapid changes in the work requirements and this implies that the forecast becomes outdated. In fact, this is why Universities focuses on the domain-specific skills and knowledge and students are held responsible for their own career development. Graduates must therefore have intrinsic career motivations and self career management skills (Bridgstock, October 2010) .

## **ENTREPRENEURSHIP**

Every year there are thousands of graduates on the market who try to find a job. At the end of the day there will be some who remains unemployed. (Ekpoh, 2011). Here again, it was argued that the skills that tertiary students received differs from that of the employment requirements (Ekpoh, adapted from Madumere-obike, 2006, Amaewhule, 2007 and Nwangwu, 2007). This is why many universities have started providing entrepreneurship courses which in turn will enable students to acquire skills and at the same time consider self employment as career option. In other words, it means that the courses offered at the University have been re-designed in order to maximize work-based learning through work placements, internships and training (adapted from, David Rae, 2008). As such, the trend of graduate unemployment will be reversed (Ekpoh, 2011). The aim f entrepreneurship courses is in fact to encourage all graduates, irrespective of their field of studies, to set up their own business. In other words, better be job creators than job seekers (Ekpoh, adapted from Bassey and Archibong (2005) ).

Cotton, O’Gorman and Stampfi (2000) also shared same point of view (Ekpoh, 2011). In short, it means that graduates can become employer rather than employees. Through entrepreneurship courses graduates are able to develop skills, abilities, personal qualities, become creative, self-confident and responsible. These factors would in turn help them to start their new ventures (Ekpoh, 2011 adapted from European Union, 2002, Rae, 2008). As such, students with entrepreneurial skills will contribute towards the reduction of graduate unemployment. Therefore the fact there was no market for the graduates is void. (Ekpoh, 2011).

Moreover, enterprising people will help the economy to flourish especially in times of difficulties and uncertainty (Rae, 2008). Enterprising people means that the graduates will start up their own business, however, it may be difficult for them to finance their projects. The availability of loans and interest rates will have negative impacts on these graduates. Indeed, this will discourage them to be entrepreneurs (Rae, 2008). Nevertheless, as at today there are schemes provided by the government that help small and medium sized enterprise to start operation.

## **TRAINING AND DEVELOPMENT**

In our today’s increasingly competitive graduate market, quantitative and numerical skills are not always well developed in degree courses, however, these skills are more looked for by employers (Rae, 2008, adapted from HECSU/ AGCAS, 2008).

It was also argued that 86 per cent of employers agreed to the fact that employability skills are more important but graduates are unable to express

themselves effectively (Helen Connor, Sue Shaw, adapted from Archer and Davidson, 2008). Therefore, training and development schemes are considered to be a must as it enhances the opportunities of being employed in firms.

Different types of schemes have emerged over the past recent years which range from conventional graduate programmes to fast track programmes for high potentials and which enable graduates to be recruited directly to jobs where their subsequent development is more informal (David Rae adapted from Purcell et al., 1990).

In addition, it is also argued that during the recent years, training and development schemes have not only grown in popularity but have also contributed in the acceleration career progression of graduates (Hayman and Lorman, 2004).

Nevertheless, providing training and development schemes may not necessarily result in graduate satisfaction (Helen Connor, Sue Shaw adapted from Mc Dermott et al., 2006). For instance, graduates can have the likelihood of being disappointed when not reaching the expected returns on graduation after having invested in a costly university course (Helen Connor, Sue Shaw, 2008).

## **REFORMS TO FACILITATE EMPLOYMENT OF GRADUATE**

Since some years back, there have been more youngsters getting seats at Universities or in colleges. Therefore, finding an appropriate job, that best suits the job seeker, after graduation is becoming of big concern. Despite

being highly educated, graduates seem to be not well prepared to face the labour market. In order to remedy the situation, educational institutions are broadening their curricula by providing general business base modules. This is done mostly in the first two years of study (Zhiwen, 2008).

Graduates find themselves in a ghetto (Zhiwen, 2008, adapted from, Brown and Lauder, 2001). In addition, it has been observed that in China, Females graduates are subjected to some forms of unfairness compared to male, especially when being recruited for a job. Put differently, it means that employers prefer to recruit male graduates rather than female ones. Another example would be that local residents have greater chance in obtaining a job. As mentioned earlier, there is a mismatch between the market demand and the graduates' abilities. Employers want individuals who are not only brilliant but someone who is talented and can add value to the organisation (Zhiwen, 2008).

Nowadays life-long employment is disappearing. As such, graduates employability and flexibility should be enhanced. According to Van der Heijden, if graduates want to be successful in finding a job, they should develop transferable skills for instance, have critical thinking, be able to solve problems, have good communication skills, able to handle data and have team spirit, in addition to their degrees (Van der Heije & Van der Heijden, 2006).

It can be said that as long as Universities will exist the debate about graduate unemployment will still be gaining momentum (Nilsson, 2010). Work is in fact a place where graduates need to put into practice what they

have learned. However, this might not be an easy process. It was been argued in Sweden that university students should undergo direct vocational training (Nilsson, 2010). On the other hand, Hesketh argued that personal characteristics, general competences, interpersonal skills, informal social network and so on are more vital compared to vocational and technical aspects (Nilsson, 2010, adapted from Hesketh, 2000). Moreover, there has been an increase in the number of universities and the emergence of mass education (Nilsson, 2010, adapted from Brennan et al. 1996). Tertiary institutions are becoming like a “ tick in the box” (Nilsson, 2010, adapted from Tomlinson, 2008).

## **GRADUATES AND SMALL FIMRS (SMEs)**

Graduate unemployment within small and medium sized enterprises is considered to be the main issues within the economy. Traditionally, SMEs are not the major recruiters of graduates or attractive employment and career prospects are viewed by graduates (Clare Brindley, Bob Ritchie).

Many small firms find that graduates are too academic, lack basic business skills or may not stay long in the organisation therefore; they are unwilling to employ graduates (Helen Connor, Due Shaw adapted from Holden et al., 2002).

The workforce within SMEs that graduates forms is estimated to be 8 per cent (Brindley& Ritchie, 2000 adapted from Williams and Owen, 1997).

Though the Department for Education and Employment (1998) it can be said that most SMEs are very small indeed, but those with between ten to 99 employees have the capacity to absorb considerable numbers of graduates.

However they are less well equipped to recruit graduates than larger firms (Brindley & Ritchie, 2000).

SMEs lack the experience in employing graduates instead of the management of the size of the sector. However, there exists a paradox where graduates from the business and management fields of their studies often espouse the intention of becoming entrepreneurs when they look for job opportunities mostly in large organisation (Brindley & Ritchie, 2000).

The undergraduates were invited to identify and prioritise the advantages and disadvantages (up to five in each category) they personally would expect from working within the smaller organisation. The responses from the undergraduates were categorised under common headings to provide a summary of their expectations. They identified the key advantages as working and being part of a team, having responsibility, opportunities for self-motivation, being able to work closely with management; and, having a holistic view (Brindley & Ritchie, 2000).

Nevertheless, the key disadvantages were identified as lack of opportunities for promotion, low pay and lack of job security. That was why some undergraduate student who left university prefers to work in small enterprise so as to be able to get certain experience and skills which would be helpful to them in the future. They can eventually move to a more pay job after a certain time of experience. Hence they prefer to be employed in small company with low pay to start rather than nothing. The employers could gauge the qualities of the undergraduates at first hand and assess the contribution they might make to the business as full-time employees. From

the undergraduates' perspective the implicit objective was to provide a direct insight into the smaller organisation in order that they might understand the nature of the career opportunities in the smaller organisation. The key features of the explicit process involved the briefing of both parties prior to any engagement. It was important that the undergraduates understood what was expected of them, not only in terms of their project work, but equally in terms of their relationship with the SMEs and their staff (Brindley & Ritchie, 2000).

The Council for Industry and Higher Education (1998) stated that recommendations for good practice during such partnerships stress the importance of pre-placement planning. It was also important that the management within each of the SMEs had realistic expectations concerning the nature and scope of the project work that the undergraduates could undertake. A key constraint imposed on the partnership was the minimisation of the time spent collecting data within the small businesses themselves. This was regarded as necessary to encourage the SMEs to participate in the first instance and equally to retain their continuing support throughout the projects. The undergraduates were required to plan their interactions with the SMEs to ensure that the time spent was both effective and efficient for both members of the partnership (Brindley & Ritchie, 2000).

Graduate unemployment has expanded as being one of the main problems in today's world and has already started to affect Mauritius. As seen in the literature review it can be caused by several factors such as wrong choice of field of subjects, improper career strategies, over qualification, economic changes, reluctance of firms to employ freshly graduates and gender and <https://assignbuster.com/main-causes-and-effects-of-unemployment/>



psychological problem amongst others. Possible actions that can help to remedy to the situation is entrepreneurial courses to set up own businesses, training and counseling. In addition, in the Mauritian context, several schemes can be formulated in order to ease the way for our new graduates in the labour market.

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