Graduate Labour Market Mismatches: New Features of an Older Matter

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Abstract: In the knowledge society progress depends on innovation, on the knowledge acquired through education, on the science put in practice with the purpose of improving the natural, economic, technical and social condition of human life. Universities are in that favored position of keeping and creating science, of training through and for science. But, universities face today a series of challenges originated in their relation with the state, with the actors from the national and international extra-university environment, in particular with those active in the labour market. The article explores a variety of education mismatches in the graduate labour market: from over-education to skill mismatches and their impact on the employability. It also focuses on the expected improvement of quality management and of the shared responsibilities for the employability of graduates in the interaction between universities and employers.

Role of Higher Education in the Economic and Societal Development

Shared concerns of governments in the European Union for economic recovery, enhanced competitiveness and income convergence bring higher education and employability of graduates in the spotlight.

For Romania, “While education is not the only policy lever available to policy makers interested in accelerating convergence, there are persuasive reasons that education should not be ignored. First, fiscal spending on education constitutes

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the third largest functional spending category on the budget (after spending on transportation, public works and housing and national defense) making it one of the most potent levers available to policy makers. Second, demographic forces will continue to shrink Romania’s workforce, placing the onus on policy makers to ensure that the remaining workers are better prepared to make up for the shortfall in numbers. Third, as Romania continues to integrate its economy with the rest of EU, the demand for more and better educated workers is likely to rise.”

Universities have an important role to play in the present and future economic and societal development, in a context in which the concept of higher education itself is going through a deep reconsideration of the modalities of responding to the expectations of the extra-university world, as well as of the means of dealing effectively with the challenges of the future and with the potential opportunities. Both on the short and long term humankind will depend to a great extent on the high qualified professional competences and on the knowledge and aptitudes acquired through research and innovation. It is becoming increasingly obvious that in the knowledge society progress depends on the original scientific creation, on the advanced knowledge acquired through tertiary education, on the science put in practice with the purpose of improving the natural, economic, technical and social condition of human life.

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MISMATCHES IN THE UNIVERSITY – LABOUR MARKET INTERACTION

In a complex economic, social and cultural environment, complemented by post-crisis turbulences in the labour market, universities have to project and implement appropriate responses to these challenges from an academic, managerial, financial and logistical perspective. It is generally accepted that universities generate remarkable economic and social benefits only to the extent to

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which public policies concerning the higher education sector are complying with the sustainable development and the functional mechanisms of the modern society.

What is showing a short retrospective analysis of the post war period?

First in the USA, then in the European countries, higher education was affected by the fever of increasing the access to education. Only few states were concerned with creating input levels that would ensure the preserving of an acceptable quality of the teaching-learning process, as well as a favourable balance between the resources used for fulfilling the two primordial functions of the university – education and research. A study published by The Economist in mid May 2005 concluded that: “The problem for policymakers is how to create a system of higher education that balances the twin demands of excellence and mass access, that makes room for global elite universities while also catering for large numbers of average students, that exploits the opportunities provided by new technology (on-line education), while also recognizing that education requires a human touch”.3

The catering of large number of students, disregarding the specific needs of the labour market generated the first mismatches in terms of level of education: the over-qualification put a pressure on the employability of the steadily amounting number of graduates. After the first cohorts of mass higher education graduates, two imbalances of the labour market were considered as education mismatches. On one hand, only a part of the graduates were able to find a job corresponding to their level and content of education. On the other hand, graduates diminished the employment opportunities of less educated people. Even if the jobs are not requiring higher educated competences, employers tend to ask for graduates and graduates accept frequently these positions in the labour market.

Employability of graduates has become a high priority in the reform of European universities which is enhanced by the Bologna Process and at the same time strongly challenged by the impact of the global economic and financial crisis on the labor market.


“When regarding the Romanian labour market it is worth to notice that the actual imbalances did not come up only with the economic crises. They have just met more proper conditions to deepen under the impact of the global crises. Labour market imbalances might be related to many factors and policies. An example in Romania’s case is the characteristic of the economic and social policies promoted in the recent past. They were not at all centred on an efficient motivation of unemployed persons to search for a work place. Another factor with a substantial contribution to the imbalances in the labour market is the hidden unemployment, which originates in the rather large subsistence agriculture of the country. Finally, there are significant structural mismatches between the professional and transversal competences a graduate can demonstrate and the current needs and expectations of a labour market”.4

This is not a singular symptom of the Romanian labour market. When regarding the unemployment rate of those aged 25 to 34 years in the OECD countries, one finds that the proportion of over six months’ unemployed persons with tertiary education has reached in 2007 an average of 42%, but in some countries long term unemployment is at a level of 60% or more, which suggests clear mismatches in the education for jobs in the graduate labour market.5 These rates are currently even higher as the recovery in the labour market is still expected after the strong hit of the global economic and financial crisis.

ARGUMENTS SUSTAINING SHARED RESPONSIBILITIES FOR THE EMPLOYABILITY OF GRADUATES

Standards and contents of higher education have been among the drivers of the Bologna Process6 from its very start in 1999 and the Lisbon Agenda 2000 enhanced significantly their role in achieving social efficacy and personal satisfaction of graduates in the labour market. Today, higher education providers appear to be more aware of the fact that design and delivery of study programs have to comply with requirements that would make it easier for graduates to find

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4 For more details, see Dimian, Gina Cristina and Mihai Korka (2010): A Matching Theory Perspective on Disequilibria in the Romanian Labor Market. A paper presented in the 17th International Economic Conference organized by Lucian Blaga University, Sibiu, 13-14 May 2010
jobs later in their professional life. This is a big change in the conduct of universities considered until the beginning of the 1990s real “ivory towers” of the modern society. The pro-active attitude of universities in solving problems of the host community, here including the flexibility and adaptability of the offered study programs to the expectations of the labour market is often seen today as a way of responding to the needs of the society, but also as a way of attracting students and financial resources, of gaining competitive advantage and visibility in a crowded educational environment.

As higher education increased in terms of number of intakes and of diversification of the educational offer, the employability of the graduates has definitely become a topic of frequent debate allowing for contradicting arguments. The discussion focuses either on the personal satisfaction of a university diploma holder or on social efficacy of higher education institutions. Employability has been defined as “the ability to gain initial meaningful employment, or to become self-employed, to maintain employment, and to be able to move around within the labour market”. In this context, the employability of graduates generates a two sided responsibility of the university in ensuring an easy labour market entry and a smooth labour mobility for the diploma holder:

- On one hand, students should get those academic qualifications – defined as knowledge, skills and abilities – which are expected and requested by the employers in the very moment of hiring a university graduate;
- On the other hand, graduates should be given through education the opportunity to keep, renew, complete or improve the level of initial qualification by lifelong learning programs available throughout their lifetime and professional career.

The progress of humankind towards the knowledge society is strengthening the dependence of the economy and public administration infrastructure on highly qualified specialists. The awareness of the special role played by higher education institutions was triggered during the last decade by the Jacques Delors Report to UNESCO (1996), the Bologna Declaration (1999) and the Lisbon Strategy (2000). The ever changing workplace requirements (under the impact of the new information and

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communication technologies and of the international openness of the labour market) have a common denominator: low skilled labour force is more and more replaced by high skilled persons, which shows a higher propensity towards complementary qualification and/or supra-qualification or interdisciplinary further education.

The current data and facts of the economic and financial crisis’ aftermath which affects more or less all the countries around the world confirm the fact that low educated workforce is facing a higher risk of unemployment than high skilled personnel. The professional flexibility of the personnel possessing a tertiary education is by far higher than the low skilled employees.

Despite all the rhetoric and statistical evidence which persuade people to enroll a higher education program, graduates have more and more problems in getting a job. It is also proved that the time span required to enter the labour market after graduation is becoming longer and that job satisfaction is quite rare. This is a new feature of the educational mismatch in the labour market: knowledge and skills of graduates are not complying with those expected by employers.

A final observation: in the first months of economic recovery the unemployment rates remain high and the reason of this contradictory reality is originated in the deepening discrepancies between the standard competences of both graduates and non-graduates and the new, more flexible and more complex skills required by employers (new competences in the modern industries).

A survey of mid 2009 conducted among Romanian graduates of the last cohorts in four study fields (communication sciences, computer and information technology, law and mechanical engineering) shows that only 62% of the surveyed persons did not had difficulties in entering the labour market in the first 12 months after graduation, while only 17% of those employed declared to be professionally satisfied in the current job. There are, significant differences from a study field to the other, but it is a common fact that employers tend to be satisfied with the professional skills of graduates but are not at all satisfied with graduates of the recent cohorts when it comes to communication skills, adaptability to the specific requirements of integrating a team that assumes a professional task and distributes personal responsibilities for each member, etc.¹⁰ The main concern is not focusing on knowledge performance or professional skills but on the lack of transversal competences and pro-active attitudes in concrete work environment. This belongs

to a recently discovered new feature of educational mismatch. It touches this time the curriculum design, which does not meet the needs of the labour market. Furthermore, it touches the educational content of the disciplines, which focus too much on technicalities but neglect fundamental operational skills. It is a clear mismatch in the skills of the graduates, skills that allow for a rapid and effective entry in the professional life.

Qualitative research reports in various businesses and industries illustrate a variety of practices both on employers’ side and on education providers’ side which can either perpetuate or eliminate job-skill mismatches, over-qualification or insufficient training. “Changes in the nature of skill demand are often dictated by labour market constrains or by market pressure.”\(^{11}\) It is generally recognized that there is little workforce planning actively linked to the business mid- and long-term planning. On the other hand, education providers and particularly universities should be more responsive to the needs of a continuously changing labour market. That reveals two different concerns in modern education and training:

- To strengthen the dialogue with employers and other external stakeholders in the design of new curricula and in the delivery of study programs. This concern is only one of the dimensions that express the need to improve the university communication to the rest of society in order to make more transparent, more understandable the reforms taking place in the higher education sector. Employers rank first when it comes to the correct understanding of learning outcomes;

- To change the quality culture in universities and make employability of graduates a key feature of personal and institutional responsibility. Every member of the academic community should be aware of his/her role in the success of each graduate searching for a job. Employability of graduates is not the sole responsibility of the university or of the managing team. The student himself and each member of the teaching and research staff which is involved in the teaching and learning process should act as co-responsible individuals having internalized their contribution to the labor market entry of the graduates.

THE ECONOMIST’S PERSPECTIVE ON GRADUATE LABOUR MARKET MISMATCHES

The accuracy of the match between graduate education and the labour market needs has attracted the attention of economists and sociologists over the last four decades12 as the number of graduates amounted sharply and the needed time to get a job became longer and longer.

The main reason for this interest is that education-job mismatches reflect social inefficacy and financial inefficiency of public and private investment in higher education. It means that irreversible decisions to invest in the initial higher education of the human capital are made by the state and/or by individuals and their supportive families in a context of uncertainty regarding the outcome in terms of getting an appropriate job corresponding to the content and level of qualification. The magnitude and diversity of the many-facetted education-job mismatches are still poorly researched in most of the countries.

On the other hand, education-job mismatches go alongside with other critical issues of the graduate labour market like: over- and under-qualification of available labour force, job dissatisfaction, underpayment of over-qualified employees, skill mismatches, under-utilization of educated skills, decreasing trends in the interest for certain study field in higher education, higher unemployment rates for the least skilled people, cross border migration in search for a better job (inward and outward migrant workers with various levels of education), etc. All in all, they reflect the complexity of disequilibria in a more or less open labour market and the difficulty in designing long term educational policies aiming at consolidating the graduate labour market.

In more recent years, higher education analysts, education policy makers and university managers were also focusing on labour market mismatches of the graduates and on their impact. Empirical studies revealed a deepening shift between learning outcomes and labour market needs and expectations, lack of communication between universities and the different categories of employers,

insufficient transparency concerning the differences in terms of skills and competences of the three cycle Bologna system of higher education, insufficient involvement of professional associations and of representative employers in the shared responsibility for higher education learning contents and learning outcomes.

Empirical evidence shows that lack of professional career advice for students, poor learning outcomes and skill mismatches of graduates in the labour market tend to negatively influence the aggregate grading systems over time in those fields of study, departments or institutions that are less demanded by students and by the labour market.\textsuperscript{13} This aspect is becoming even more evident in the context of shrinking demography in most of the European countries which ends in smaller number of new enrolments (freshmen) in universities and unfair competition between the many local and international higher education providers.

The increase of unemployment among individuals having graduated a higher education program, the high number of graduates accepting jobs which require lower education and the many impediments in moving from a first job to a second one represent only the more visible features (tangible in terms of measurement) registered as new features of graduate labour market mismatches.

\textbf{WHAT KIND OF SOLUTIONS?}

Higher education experts and policy makers at country and at university level have imagined a threefold package of solutions aiming to diminish the impact of labour market mismatches for graduates:

- Quality of learning outcomes should be improved;
- Qualifications’ framework for university graduates should be developed as a transparent means to support employability and mobility in the labour market;
- Employability of graduates should become reference points for the strategic development of universities by taking into account that a modern, dynamic society is driven by new knowledge, new technologies, and new information and communication skills.

During the first decade of the new millennium learning outcomes, student centered education and content standards fit to respond to the graduate labour

\textsuperscript{13} An interesting econometric analysis confirms the asserted idea based on empirical data. See, for instance, Bagues, Manuel F., Mauro Sylos Labini and Natalia Zinovyeva (2007): The Endogeneity of University Grading Standards and Labour Market Mismatch: Evidence from Italy. Second
market expectation belong to the key topics discussed in each country of the European Higher Education Area.

Most of the quality assurance agencies in Europe have launched a review of their methodology concerning the evaluation of the educational efficacy. Criteria, standards and performance indicators are related to quantitative and qualitative needs of the graduate labour market expressed in terms of knowledge, skills and other learning outcomes required by the functioning of the modern companies and organizations in the public and private sector.

On their side, leading European universities are experiencing the implementation of new tools in the quality management of the study programs they offer in the context of a vivid competition for students and complementary resources. The employability of graduates is the best tool they might use in order to show the competitive advantage to study in a university. The higher the employment rate of graduates is the less labour market mismatches are accounted.