

# AN OVERVIEW OF THE RELATIONSHIP BETWEEN EDUCATION AND UNEMPLOYMENT RATE

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## 1.0 Introduction

Education is one of the most important elements of being a developed country. This is because education, among other things, can boost the country's economic, cultural, political, and social development. Education can change a person's life in the blink of an eye, and it is a necessary foundation for every individual. Swift D.F. in her book "The Sociology of Education" that education is a continual process that permits individuals to gain a variety of physical, moral, and even social abilities that are offered in a country. In her book "Philosophy of Education," Sharifah Alwiyah Alsagoff defines education as a process or activity that can be obtained for free or for a charge. Education is a process of formal schooling, training, and the individual's physical, intellectual, social, and emotional growth, as well as a continual process to achieve advancement in the individual. Besides, education is a unified and consistent activity for acquiring skills, knowledge, and positive attitudes. Furthermore, education is a discipline, an art form, and a science. Mok Soon Sang concludes in his book "Education in Malaysia" that education is a process or activity that seeks to develop an individual's physical, intellectual, social, and emotional development as well as increase skills, abilities, knowledge, and experience to provide joy, benefits, and progress in his life, assisting and encouraging him to act in a healthier manner for the benefit of himself, his community, nation, and country.

Unemployment refers to a situation in which there are insufficient job options for people. Markets are unable to create new job opportunities owing to a variety of circumstances, including a lack of money and financial challenges. High productivity is one of the keys to a company's ability to maximise earnings while minimising personnel costs. For long years, Malaysia has struggled with unemployment.

Nowadays, an increasing number of university graduates or recent graduates are facing unemployment in our own country as a result of a graduate surplus compared to the employment sector offered, namely excess labour in the labour market and an excessive demand for the employment sector compared to the employment sector offered. According to the Department of Statistics Malaysia Official Portal in "Laporan Sosioekonomi: Negeri Sabah 2019," Sabah had the highest rate of unemployment. In 2010, Sabah had 5.5 percent unemployment and a labour force participation rate of 65.9 percent. In 2019, the unemployment rate increased to 5.8 percent while the labour force participation rate increased to 70.0 percent.

In Sabah, the lack of education was a major source of unemployment. Some parts of Sabah are remote from higher education institutions such as colleges and universities, while others, understandably, do not provide the work credentials that some firms

seek. Because of a lack of education, Sabah has the highest percentage of unemployment among recent graduates, and they prefer to hunt for work rather than invest in human capital. Thus, the purpose of this study is to provide an overview of the relationship between education level and unemployment rate and how education level affects unemployment in Sabah.

## **2.0 The overview of education and unemployment**

### ***The concept of education***

Education is the process by which an individual acquires physical, moral, and social capacities required of him by the group into which he is born and functions. Education is one of the most crucial parts of a developing country (Swift, 2017). This means that education is an important system for the development of our country. Education is a system of teaching and learning that tries to socialise individuals and enhance their performance development. Education, in reality, is related with information that continues to expand as they seek to enhance their education to a higher level since education can bring about intrinsic and enduring changes in a person's thinking and ability to do anything to achieve.

Many people believe that education has only one meaning: to improve an individual's morality. In fact, they believe that persons who pursue a path of study will obtain certain certifications because study is a valuable experience that may be earned through time to enhance their studies. As a result, simply reading a book and comprehending what you read does not imply that the individual has been educated (or permanently changed), but the more you get in education, the more you as students adapt everything you have learned, especially in daily life, and the more knowledge and experience you could gain.

Education is more important for individuals to educate themselves because education is a process or activity that seeks or develops we with knowledge, skills, ability, and experience to provide joy, benefits, and progress in his life, while also assisting and encouraging him to act in a healthier manner for the benefit of himself, his community, nation, and country. Overall, education is an endeavour to acquire knowledge in order to live a productive life and obtain a good job in terms of compensation, rank, and a suitable work environment, among other things.

### ***The concept of Unemployment***

In layman's terms, unemployment is primarily concerned with men and women who are physically capable and ready to work, and who have all the potential to contribute to the country's labour force but are not gainfully employed (Hamermesh, 1993) According to the Organization for Economic Cooperation and Development (1987), unemployment is defined as anyone over a certain age (typically over 15) who are not in paid job or self-employment but are currently eligible for work during the reference period (B. Sareya et.al, 2015; Abdullah. B et.al, 2020; Abdullah. B (2019)). According to the International Labour Organization (ILO), a person is unemployed if they are not working, are currently available for employment, and are looking for work.

Unemployment is defined as unemployed employees who have grown discouraged by a difficult labour market and are no longer looking for work, according to the United States Bureau of Labor Statistics (BLS) (2013). According to the Central Statistics

Office (CSO), the unemployed include not only those who are now unemployed but also those who sought for employment in the three months preceding the interview and who did not have a job at the time of the interview but still wanted to work. The European Union Statistical Office (2010) defines jobless people as individuals aged 15 to 74 who are not working, have looked for work in the last four weeks, and are ready to resume work within two weeks.

The Eighth International Conference on Labour Statistics, held in Geneva in 1954, defined unemployment as a person above a certain age who is unemployed and looking for work for pay or profit. However, unemployment, according to Rudolf Gyan D. Mello (1969), is described as a circumstance in which an individual is not in a position of remunerative occupation despite having the ability to do so. According to Harris and Levenly (1975), it is a condition in which a person is able to work but unable to find it. Sinclair (1987) has emphasised the need of negatively defining unemployment by stating what it is not, i.e., unemployment is plainly not employment, and hence the unemployed are a subset of those who are not employed.

According to Adebayo (1999), unemployment exists when people of the labour force want to work but are unable to find work. Unemployment, according to Fajana (2000), is a condition in which persons who are eager and capable of working are unable to obtain adequate paid job. Meaniqhile unemployment is defined by Dholakia (1977) as a state of being without gainful employment and is commonly seen as an involuntary failure to obtain income-producing work. According to Thakur (1985), when an individual, despite his best efforts, is unable to find job at the current wage rate or even at a low wage rate to earn his means of sustenance, he is classified as 'unemployed' as well as impoverished. According to Tejvan Pettinger (2010) and Sravani (2016), different types of unemployment exist in different societies. Voluntary unemployment occurs when a person is unemployed not because of a lack of jobs in the economy, but because he or she is unable to find a job of his or her choosing. Involuntary unemployment happens when a person is willing to work at the prevailing wage but is unable to find work. This is distinct from voluntary unemployment. Meanwhile the cyclical unemployment is generated by trade cycles at regular periods, which are mainly caused by capitalists. Unemployment occurs from a drop in corporate activity. Educated Unemployment, in addition to open unemployment, many educated persons are underemployed because their qualifications do not fit the work owing to a lack of career counselling, a lack of skills, a mismatch in salary negotiation, and so on. Technological unemployment occurs as a result of advancements in manufacturing techniques that may not require a large amount of labour. Because modern technology is capital expensive, it necessitates fewer labourers who contribute to Unemployment (Tejvan Pettinger,2010).

### **3.0 Theories**

#### ***Theory of Demand.***

Businesses require personnel and capital as inputs for their manufacturing process for producing goods and services. Labor demand is derived from the demand for a firm's production. In other words, if the demand for a firm's production rises, the firm will require more labour, using more manpower. According to Hamermesh (1993), labour demand is any decision made by the employer about the company's employees, such as their employment, salary, and training while working in our firm. In his research, Hamermesh also discovered that the labour demand curve is not perfectly elastic.

Employee demand in neoclassical economics (1920) is the choice of the employer demand by the company and the amount of time they labour. This is due to six factors influencing the labour demand curve: output demand, education and training, technology, the number of companies, government regulations, and pricing and availability of other inputs.

### ***Theory of Supply***

Labor supply is critical because it serves as the foundation for other more applicable parts of the labour economy, such as unemployment in the context of the social benefit system, which can impact labour supply decisions. According to Wasmer's (1999) model, an increase in the supply of inexperienced young employees and an increase in female labour force participation can lead to a fall in unskilled worker earnings and an increase in unemployment. Unemployment occurs when the demand for work falls below the supply. Meanwhile, Samuel (1974) contends that unemployment is never adequately addressed in the labour supply model. Based on this, three factors can affect the supply curve: the number of employees, the education required, and government policy. In terms of job market supply, an increase in educational attainment might result in an adjustment of labour supply by luring new graduates to work since they have easy access to jobs that prepare the organisation to discover acceptable applicants.

### **4.0 The Relationship between Unemployment and Education**

Many past research have been done and completed to better understand the relationship between education level and unemployment, as well as the impact of education on unemployment, particularly in developing nations. According to Bairagya (2015), the higher the degree of education, the lower the possibility of unemployment; however, this condition may occur in industrialised countries, however in underdeveloped countries, as the level of education rises, so does the rate of unemployment. Meanwhile, Mohd Shahidan Shaari, Diana Nabila Chau Abdullah, and Salimah Allias (2016) found a long-term positive link between higher education and the unemployment rate in their study results. However, if the association is short-term, there will be no relationship between education and unemployment. This is due to the fact that there are factors that will demonstrate the unemployment rate among high graduates among fresh graduates, such as the cost of topics supplied by the University, which do not have a large market opportunity but many students. As a result, higher education institutions, such as universities, will allow students to adapt all skills and training to ensure that fresh graduates discover the employer's will. Entrepreneurship courses were created at universities, and the higher education curriculum was changed.

Following that, the relationship between income and amount of education is that persons with a greater level of education earn more money. This is because the association between education and unemployment rate is positive, with higher education levels resulting in lower jobless rates. Education might improve one's chances of landing a suitable employment. Educated people are not always unemployed because many firms seek to hire recent graduates with strong qualifications, as well as additional skills and experience in the employment market. The role of education nowadays is to reduce unemployment by providing the necessary skills and information to carry out a certain job or profession. Education geared toward employment lays the groundwork for national development through

economic activities. Education fosters the development of an individual's creative potential, which is crucial for employment creation and retention. Unemployment decreases when one's education level rises (Ionescu, Ionescu, and Jaba, 2013). Work and schooling experience can reduce unemployment, but this does not imply that additional education can lower or lower the overall unemployment rate (Ashenfelter and Ham, 1979).

### **Impact of level education towards unemployment rate**

#### *Job Opportunity*

Education level can have an essential influence in obtaining and retaining employment and can open the door to high-paying occupations for people who have pursued and finished higher education. This is due to the fact that education will be more stimulating and advantageous in one's professional options as well as those looking for work. A higher education can broaden your employment options because education is designed to assist people obtain the skills and knowledge required to work in a specific profession, such as business administration or industrial technology. Indeed, many businesses will consider such individuals' qualifications to operate in their organisational area. This demonstrates that individuals who have schooling at a low cost and meet the demands of the job market outside will have a better chance of acquiring a job than those who appear to face competition in seeking jobs in the labour market. Furthermore, greater education will encourage us to occupy top roles or positions when we have worked in the organisation for a long time. Then, because many jobs demand education, highly educated persons will have access to a wider range of opportunities. By pursuing education in the field of their interest, they will almost certainly ensure that they are prohibited from the job they desire due to a lack of education. Human capital theory is based on the notion that formal education is extremely significant and vital for increasing the population's productivity capacity.

In a nutshell, human capital theory explains why a more educated population is more productive. Human capital theory highlights how education boosts productivity and employee efficiency by profitably improving the degree of production of human capabilities from an economic standpoint, which is the outcome of natural abilities and human capital investment. As a result, education can alter the quantity of unemployment because many firms would hire graduates who provide work opportunities.

#### *Salary, Skill, and communication*

The most quantifiable benefit of higher education is, of course, the graduation wage, because more education leads to increased income generation. Unemployment can have a negative impact on the economy as a whole. Income loss has a direct impact on consumer spending. From a dynamic standpoint, it is also suggested that wage inequality should decrease with growing levels of education (Tilak, 1986). In the short run, higher-paying jobs are those that need more expertise. The more people who desire to pursue higher education, the more money he or she earns with a more responsible job. This is due to the fact that many firms will accept or offer positions that are relevant to a graduate's academics as well as their talents and activities while in school.

High-quality education will improve thinking power, expand knowledge, develop personality, modify attitudes, and train unique talents, all of which are necessary for

success in the workplace. More complicated tasks will be able to be accomplished with a higher quality of education, and behaviours will suffer fewer and fewer infractions. This is due to the fact that most institutions will run curriculum activities because they are thought to be very successful in developing balancing mental growth as well as spiritual, physical, and social development of students. Co-curricular activities teach and direct pupils to participate in positive activities. Co-curricular activities provide children with spiritual education, leadership, teamwork, and self-confidence that they would not receive in the classroom. Participation in this activity is expected with skills learned through these activities can foster a healthy lifestyle, steps to become a more relevant decision maker and be a good leader as well as encourage the implementation and involvement of students in the co-curriculum is a positive step because today's young generation needs to have a balance in academics and cocurricular as well as personality skills. Because many firms currently value individuals who can interact, are skilled, prudent, and can operate in groups. As a result, pupils in schools and students in Institute Higher Education must develop skills through co-curricular activities to aid in the development of the individual's potential.

Education provides us with adequate information to organise our thinking power clearly so that we may express it to others in an effective and intelligible manner. Once our thoughts are clear enough, we will be able to communicate successfully due to our high vocabulary, which aids us in accurately conveying our thoughts and facts. On a continuous basis, education assists us in initiating and improving our vocabulary. The third criterion is grammar, and no one wants to obtain a clear notion and understand the rules of grammar through education. When compared to the communication of educated smart people, the communication of such persons who do not have a strong command of grammar will always be deficient in certain crucial respects, and their message will always be second to none. Education gives a platform for people to interact with other educated and intelligent people on a regular basis, which enriches one's practical knowledge and adds depth and brightness to one's expression. Education is a powerful impulse that motivates people to strive for long-term development and evolution, and communication is one of the most crucial parts of human evolution. The necessary growth will be stifled in the absence of education. This will make it easier for us to talk and interact with interviewers who will be interviewing us for jobs, and schooling will give us a high level of confidence in communicating in English.

On the other side, the number of unemployed will decrease if fresh graduates have been educated since they have skills and effective communication, which will make them more competitive among candidates seeking jobs. Teulings (1995, 2005) attempts to bridge the gap between short-term and long-term dynamic trends by arguing that highly educated people are more adept in complicated tasks and command higher wages. Longer term, a rise in the supply of highly educated persons puts pressure on the wages of complicated jobs, or pushes the highly educated into lower-wage jobs with fewer skill requirements.

### *Training*

Training is vital because it allows employees to broaden their knowledge base and develop their job abilities in order to be more productive in the workplace. It enhances abilities and knowledge. Employee training programmes assist in improving employees' knowledge and abilities in order for them to adapt to numerous changes in

the industry. This rise will have a beneficial impact on employee productivity, which will boost the organization's profitability and efficiency. Work ethic, human relations, and safety are some of the things that employees may learn through training. IT and computer abilities can be improved through education. This is due to the fact that students will be exposed to training programmes that will assist them in learning computer skills and specific IT issues such as the use of software systems. This is because many students are IT and computer savvy because they tend to do and complete work or assignments with computers given during lectures, and even teachers use IT during learning. This can change the mindset of young people, especially Sabah's young generation, to use skills and facilities as best as possible. Furthermore, because they have studied IT and computers, the Company will save money on training its employees to generate graphics and spreadsheets, update data in databases, and comprehend network layouts.

### 3.0 Conclusion

Based on the discussion in the preceding section, it is clear that education does have an impact on unemployment. A high degree of education can help to lower an area's unemployment rate. However, it should be noted that a high degree of education does not guarantee a lower unemployment rate. For example, if the degree of education is greater but the information gained from the education is not in accordance with the demand in the market or industry, the individual would suffer since it will be difficult for them to find work with the education they have earned. This is known as job mismatch, and it will have a significant influence on the unemployment rate. As a result, it is clear that education has a significant likelihood of influencing the unemployment rate.

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