Impact of the Quality of University Education on Labour Market in Sri Lanka.

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ABSTRACT: *The unemployment rate of graduates is being a major threat to the economic growth of Sri Lanka during the past decade. The reason for this unemployment was evident as the mismatch between the labour market expectation and skills acquired by the graduates. During past years due to the establishment of private universities a huge competition is being observed among public and private university graduates to secure their places in the labour market. Thus this research aims to explore the relationship between quality of the university education and labour market performance of graduates. This research studied the objectives via questionnaire with 5 point likert scale with 100 employed business graduates from selected three firms and with HR managers of the respective firms. The collected data was analyzed through Pearson's correlation test and by simple linear regression analysis. The study concluded that the quality of education has a weak impact on the labour market outcome in Sri Lanka. Moreover it also pointed out that although the personality trait as the sub variable of quality of education, it has no significant impact on the labour market outcome. The increased mismatch between the quality of university education and the labour market outcome occurs due to the benchmark on the quality of education set by the HR managers.*

Keywords: Capacity, Labour market, Personality traits, University education

I.   INTRODUCTION

The unemployment rate of graduates is being a major threat to the economic growth of Sri Lanka during the past decade.For a third world country like SriLanka raising the employment opportunity of young people is a key challenge. The need to modernize Sri Lanka higher education by benchmarking the performance of university and its academic outcomes is increasingly under debate. A prominent educational level may help employability and lead to a raise in the employment rate which in turn helps to reduce poverty in the country. Since 2000, the Government of Sri Lanka has rehabilitated the academic system in the effort to increase the contribution rate of youngsters in higher education, and to adequately supply human capital to the increasing demand for skilled labour in the knowledge-based society.

According to the definition of employment by Duvander (2001) a person is considered as being employed when he/she works at least one hour during the reference week. The Department of Census and Statistics (2014), defines the unemployed as a person who is either available for work or has worked less than one hour in the previous week   and is actively looking for work. It also indicates that the highest amount of unemployment was amongst the graduates who account for 10 percent of unemployment. Department of Census and Statistics (2014) also stated that personals unemployed for more than 12 months accounts for 42 percent of total unemployment of the country. Such long term unemployment drastically intimidates the economic growth of country. It is clearly shown in figure 1 that graduates of public universities stayed prominent and holds 80 percent of graduate employment in labour market.
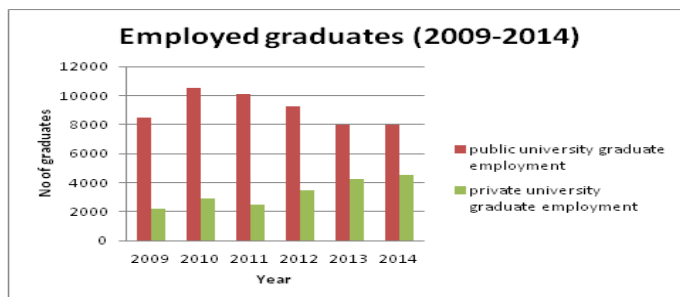

Figure 1: Employment of public university and private university graduates (2009-2014), developed by the author according to survey conducted by Department of Census and Statistics and LIRNE Asia.

However a gradual decline was observed in public graduate employment in the following year whereas in the private university graduates employment rate was increasing over the years. Thus it is well clear that there is a massive competition growing in between public and private university graduates in securing their places in labour market. To find which university graduate will excel in the labour market performance, it is important to study and analyze the expectation of labour market toward the graduates and its relationship with the acquired competences of the graduates. Hence this research studied on this aspect to reveal the myth behind the labour market performance of the graduates and the reason behind the increasing rate of unemployment of the public university graduates.

II. THE OBJECTIVE OF THE STUDY

The core objective of this research is to explore the relationship between quality of the university education and labour market outcomes. The specific objectives of the research were developed based on the core objective of the study are to explore the relationship between labour market outcome with employee's capacity, and personality traitsas well as to understand the mismatch between employee's acquired knowledge and required capabilities by the labour market.

III. METHODOLOGY

A. Sample and Data collection

To analysis the impact of the quality of university education in the labour market outcome, three representative firms in Sri Lanka that represent banks, insurance company and a consumer goods company were selected as majority of Sri Lanka business graduates are employed there. In order to carryout quantitative analysis, the sample size of the research was 100 people in total. As the data collection method, primary data collection method was used in the research. Close ended questionnaires with 24 questions based on the objective of the research was given to the selected cohort of the employees. These questionnaires adopted the five point likert scale to make the answering method more users friendly. Furthermore with regard to qualitative method, an interview was carried out with HR mangers of each firm to make the analysis more specific.

IV. ANALYSIS AND FINDING

The dependent variable of the study was the 'labour market outcome'. It was tested using ten different questions. The independent variable of the study was 'quality of the university education'. It was further divided into two sub variables such as capacity and personality traits each constructed by 6 items.
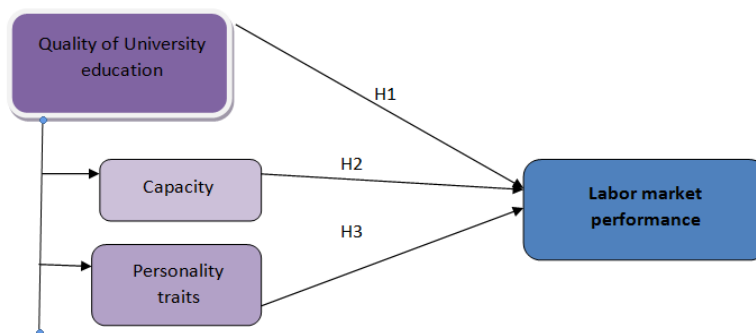

Figure 2 The conceptual frame work of the research, Impact of Quality of education on Labour market performance. Source: Developed by the author.

Hypothesis
H1: There is a significant impact of the quality of university education in the labour market outcome.
H2: There is a significant impact of capacity in the labour market outcome.
H3: There is a significant impact of personality traits in the labour market outcome.

Reliability test
In order to generate a reliable construct of the variable the Cronbach's alpha value higher than 0.7 is required.

Table 1: Cronbach's alpha for the variables used in the research (Developed by author, source questionnaire, 2016)

Variables	Cronbach's alpha
Labour market outcome	0.856
Personally trait	0.896
Capacity	0.893

The Crobach's alpha for all three variables are more than 0.7. Therefore the items that construct those variables are reliable to carry out the data analysis of this research.

Table 2: Pearson correlation & regression analysis results generated to the variables of the study (Developed by the author, source questionnaire, 2016)

	Independent variable	Pearson Correlation	Regression analysis (R^2)	P value
Labor market Outcome	Quality of education	0.392	0.504	0.024
	Capacity	-0.169	0.180	0.007
	Personality Traits	0.546	0.916	0.176

With respect to Pearson Correlation, relation between quality of the university education and labour market outcome was weak positive linear relationship (0.392 < 1). Since the obtained r showed a weak relationship, the Pearson moment correlation test was carried out for the sub independent variables. Bothe sub independent variables personality traits and capacity had a very low correlation values. However the correlation value of capacity was higher than that of the personality traits and was closer to +1 indicates a moderate positive relationship to the labour market outcome (dependent variable). On the hand the correlation value of the personality traits was near -1, which showed a weak negative relationship with the labour market outcome. The regression analysis indicates that the quality of the education accounts for 51.4% variance in the labour market outcome. The p value less than 0.05 accept the hypothesis. Therefore the findings of p values of the research accepted the H1 and H2 hypothesis, where as it rejected the H3 hypothesis. Thus the quality of education has a weak impact and the capacity have a significant impact the labour market outcome. On the other hand personality traits have no significant impact on the labour market outcome. The obtained p values for the quality of education and capacity were less than 0.05. Therefore they have a significant impact on the labour market outcome. However, the obtained p values not showed much different from the standard deviation (0.05), where the difference is ≈ 0.01. Such phenomena only showed that even though the independent variable quality of education and its sub variable (personality traits, capacity) have an impact on labour market outcome, such impact was very weak. The calculated Pearson's correlation supports this phenomenon too.

The correlation of the quality of the education (independent variable) to the labour market outcome was weakly positive. However the R-square value of the regression analysis indicates that 51% of the total variation in the dependent variable (Labour market outcome) is explained by the independent variable (Quality of education). Thus R^2 showed there was an impact of quality of education in the labour market outcome. Anyhow the proportion explained by quality of education is very less, that is if it's less than 50% it might fill in to no impact category. Hence borderline R^2 also support a weak impact of quality of education in Labour market, which eventually showed a mild mismatch between the knowledge acquired from the university and knowledge required by the labour market. Yet it broadly implies as 'Knowledge', it can illustrate both personality traits and capacity.

V. FUTHER DISCUSION

1. Impact of Personality traits in the labour market outcome

The research assumed that personality trait could be one of the measurements of the independence variable of this study; quality of university education with reference to literature of the similar study (Hennemann and Liefner, 2010). The study observed that, personality traits have no significant impact on the labour market outcome (H3 rejected). Furthermore the Pearson's correlation of personality traits with labour market outcome was weak negative. This might indicate that there could be very less or weak relationship between personality traits with quality of university education, the interview with the HR manager supported this phenomenon. The HR manager of firm A said that there is no impact of personality trait on the labour market outcome as it is not realistic and can vary during the journey of an employee, thus the HR managers recruit the employee according to their capacity includesthe knowledge, skill and competence which can be acquired through better quality education and experience. Furthermore He said "Due to time constrain, only one or two questions we ask to check the personality traits of the employee during recruitment". Thus it is well seen that the importance or priority to the personality trait is not given while recruiting for labour market in Sri Lanka, as well as there are no specific test or methods to assess the personality traits of recruits of leading companies in Sri Lanka.

Many leading firms in the world give higher priority to the personality traits. They offer personality training and developing canters for their employees. Since Sri Lanka is a developing countries with minimal competitive environment in the labour market compared to other countries. It may omit personality traits of employee while recruiting.

However such assumption cannot be taken because the sample size of the cohort of this study is very small. It cannot represent all the employees of Sri Lanka. Furthermore the study only assessed the business graduates

therefore the recruitment policy may vary for other fields of employment in Sri Lanka. Moreover the conclusion of negative impact of personality traits in labour market outcome was made by interviewing the HR mangers of only three firms of Sri Lanka. Thus it will not represent the entire population of firms /companies of Sri Lanka. Additionally Berggren, (2010) stated that attending university increase personality traits by the peer effect, that is interacting with capable classmate as well and by faculty- student interaction.

In split of the personality trait showed an overall negative relationship with labour market outcome, the correlation of the items observed for personality traits showed different results from personality traits, there were six items tested for personality traits. Among them the honesty showed a moderate positive correlation with the labour market, followed by dedication. It is also well supported by the interview with HR manager as they are more interested in employees who are honest and dedicated to the company. According to the HR manager more honest and dedicated employees work effectively, toward achieving the company's goal. They feel that company as their home and life thus work hard. HR managers prefer these employees as they can excel in team work. Nevertheless employees with honest and dedication have sufficient growth in their labour market performance, The results of this study showed a weak negative correlation of the dedication and honesty with the labour market outcome. Thus these category people have less job satisfaction. It may be they might feel that they are not rewarded enough for their hard work, as they expect more from the company. With regards to this manner the HR managers were questioned regarding the reward system of the firm. The answer from the HR manager of the firm A was as followed;

"The company choose the best employee of the year and reward him/her. We verbally encourage the employee and celebrate their achievement".

Even though the answer implies that the company A has a reward system it clearly showed as not sufficient to encourage enthusiastic employee. With respect to the honesty and dedication the HR managers were questioned whether the quality of education impact on both honesty and dedication, the HR manager of Firm C shared his experience as graduate of the public university that attending the public university will increase personality traits such as honesty and dedication which has a positive impact on labour market outcome. Regardless the answer was person oriented it was considered in his study because the person responded is one of the most valuable respondent of this research.

2. Impact of Capacity in the labour market outcome
Among the two sub variables that were tested for the independent variable; the quality of education, the capacity predominated the personality traits. Yet a weak relationship was observed between quality of education and labour market outcome, a moderate positive correlation was observed between the capacity and the labour market outcome. Since capacity made out of knowledge, skills and competence, the competence might influence on such impact of capacity on the labour market outcome. It was well evidence when analyzing in-depth on the items that were used to measure the competence sector of the capacity the problem solving and teamwork scored high in the correlation than the Field specific theoretical knowledge and the English language proficiency that were classified under the 'knowledge' sector of the capacity variable. This indicates that employee with higher competence and lower knowledge can excel in their labour market performance than those who have better knowledge and less competence. It was well supported by the interview with HR manager of Firm B where he stated that, "We prefer employees who can rapidly negotiate and solve problems of customers as it is an important aspect we look for because in our bank the customer satisfaction rely on how fast their needs are fulfilled". He also stated that they give priorities to employee who can work with anyone without language or any other bountries, which shows that a teamwork competence is one of the aspect needed to acquire higher labour market outcome in this firms especially in the banking industry. However on the other hand even though the leadership quality is much required for an employee to achieve success, the survey gave a weak negative result for the impact of leadership on labour market performance. Such phenomenon was not observed generally and the research failed to find out the reason behind it. However the study carried out by Kalleberg and Dunn, (2015) showed that employees with higher leadership tend to point out the mistake of their follower which might sometime cause disturbance between their relationship and thus end up losing their social climate (one of the factor that construct labour market outcome).

Another aspect that should be elaborated on the capacity of the employees of this study is that the less score factor on the capacity variable was the English proficiency. Such low importance for English proficiency was given because as in majority of companies English is implemented as a medium of communication due to ethnicity variability and overseas transactions. Therefore only employees who were excelling on the English proficiency were selected for the job. Hence all the employees, whether they are satisfied or not with their jobs, they score high for the English proficiency during the survey. Thus it didn't have any correlation or impact on the labour market performance. The same reason can be give to the zero impact of the "Field specific theoretical knowledge" factor of the capacity on the labour market outcome, since while recruiting such knowledge was considered as the primary eligibility thus all employees score high for it while surveying.

3. Contribution of the quality of university education in the employee promotion

The study was curious to find out the factors of labour market outcome that are more influenced by the quality of education. As rate of promotion its the most important criteria and expected by majority of the employee, the study tested the Pearson correlation and regression analysis for the rate of promotion considering the rate of promotion as the dependent variable. According to the regression analysis and the correlation test showed above, a very weak positive relationship between quality of education and rate of promotion, including both capacity and personality traits.

As previously mentioned the capacity consists of knowledge, skill and competence. Thus the result indirectly indicates that the individual employee skills have no or less impact on the rate of promotion. Such similar result was also obtained in the study carried out by Muhammad *et al* (2011) on the quality of private university graduates of Bangladesh under the employee prospective.

To understand the reason behind such inconsistent rate of promotion it is important to evaluate the policies of promotion of different companies. Through the interview with the HR manager of the two companies the study finds out that the rate of promotion highly varies in different organization. Ex: the promotion rate at Firm A was around 40% whereas the promotion rate at Firm B is around 10 % and that of Firm C is 30%. This showed that more than the quality of education and individual skills there are other factors that influence in the rate of promotion. Most of the companies in Sri Lanka use 'years of service' as a pre requisite for the promotion. Therefore even the graduates who excel in performance may have to wait in line up to their service time meet the company's requirement. It is also supported by the correlation test for the experience on the rate of promotion (+0.725) as illustrated in Table 4.9, which showed a moderate positive linear relationship between the work experience and rate of promotion; the office policy also influence the employee's promotion rate. The higher lobbling (influence of employee in the company) relationship with employers determines the promotability of the employees.

4. Consistence of the obtained results of the study

As per my knowledge this is the first study carried out in Sri Lanka with respect to the quality of university education and the labour market outcome. Even though many research carried out to answer the unemployment rate of Sri Lanka graduates the aspect on the correlation of the above two variables were not tested up to date. However there were numerous research performed worldwide similar to this study. Thus this section compare the result of this research of that of other countries to find out the consistence and the reliability of this research. Table 5.1 showed the comparison of the literatures on the impact of the quality of education on the labour market. Note that regardless though those literatures had similar objectives each research considered different variables and performed with different methodology. However research that carried out Pearson's correlation test on their independent variables in the labour market outcome was considered in this comparison.

Table 3: Comparison with the literatures on the impact of the quality of education on the labour market

Country	Literature	Pearson's Correlation
Sri Lanka	Current study	0.40
Netherland	Tholen, (2012)	0.98
Africa	Strayhorn, (2008)	0.35
Ireland	McGuinness, (2003)	0.88
Australia	Mavromaras*et al*.(2013)	0.54
Sweden	Berggren, (2010)	-0.24
Bangladesh	Muhammad *et al* (2011)	0.43
Germany	Hennemann and Liefner, (2010)	0.21
Scotland	Chillas, (2010)	0.74
North Carolina	Kalleberg and Dunn, (2015)	0.19
Italy	Ciriaci and Muscio, (2014)	-0.73

As illustrated in table 3, studies executed in Africa and Bangladesh had a very similar significant correlation (±0.05) to this research than the west countries. Such occurrence showed a new paradigm, where the quality of education might have a weak positive impact of labour market of developing countries. However further data and more extensive research are needed to reason such similarity.

VI. CONCLUSION AND RECOMMENDATION

The regression analysis showed that the quality of education has an impact on the labour market outcome. Whereas the Pearson's correlation indicated such impact was weak positive. Thus it is concluded that the quality of education has a weak impact on the labour market outcome in Sri Lanka. Moreover it also pointed out that although the personality trait as the sub variable of quality of education has no significant impact on the labour market outcome.

The mismatch between the quality of university education and the labour market outcomes is due to the failure of Human resource management (HRM) practice. Regardless many theories were proposed to a better HRM practices, these theories were not followed in reality mainly in the developing countries like Sri Lanka, which is commonly seen in the recruiting and selecting policies of HRM of different companies of Sri Lanka.

The result of this study indicated employee who over qualified have less labour market outcome than that of others, as they are not satisfied with their job, mainly in the wages and social climate. On the other hand employees with inadequate skills are well satisfied with their labour market outcome. The firms analyzed in this study consist employees who are above this benchmark (overqualified) causing the mismatch of the quality of education and the labour market outcomes in those firms. Thus employees tend to leave jobs (evident by the negative correlation between quality of education and job satisfaction). This can answer the research problem of the study the increased unemployment rate in Sri Lanka. Hence the research concludes that increased mismatch in the job as one prominent reason for the unemployment rate in Sri Lanka.

The increased mismatch between the quality of university education and the labour market outcome occurs due to the benchmark on the quality of education set by the HR managers. The bench mark is placed according to the HR manger's personal preference, experience and the role of the specific job. Therefore this study proposes certain recommendation to reduce the mismatch rate and to increase the labour market outcome of employees. Firstly maintaining a better social climate between the employees and employer can reduce such mis-match, where training and development must given to employees who lack capacity for their job and employees who excel should be recognized and encouraged frequently with a improved reward policy in the companies.

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