# RELATIONSHIP BETWEEN ACADEMIC PERFORMANCES AND SKILLS WITH EMPLOYABILITY MODERATING EFFECT OF WORK EXPERIENCE: CASE STUDY FROM AUDIT FIRMS PERSPECTIVE IN KOTA KINABALU

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I hereby declare that material in this dissertation is my own except for quotation, equations, summaries and reference which have been dully acknowledge.

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#### **ABSTRACT**

An increasing number of graduates that still unemployed became the major issues that nowadays. This study was developed to answer the question related to the graduate's academic performance on the graduate's employability. The main purpose of this study is to examine the relationship between academic performance and skill with employability from the perspective of audit firms at Kota Kinabalu, Sabah. This study will also test the moderating effect of work experience on the relationship between independent academic performance and skill toward employability. This study proposes and modified a model taken from Yusof, N., & Jamaluddin, Z. (2015). Where in this model the researchers viewed that academic performance, skill and work experience as a dimension of individual factors that have significant relationship with employability. This study also tried to look whether work experience has moderating effect to the relation between academic performance and employability. The unit analysis in this study would be the employer who responsible in recruiting the graduates in audit firms around Kota Kinabalu. This study used purposive sampling method as a sampling technique which consists of 80 respondent. In the end of the study, the result shows that there is significant relationship between academic performance and skill towards employability. This study also shows that work experience has significant moderating effect towards the relationship between the dependent variable and the independent variables. All hypothesis proposed in this study were all supported and accepted.

Keywords: Academic performance, skill, employability, work experience, audit firm



#### **ABSTRAK**

Peningkatan bilangan graduan yang belum mendapat penempatan pekerjaan menjadi isu yang hangat diperkatakan pada masa kini. Kajian ini dilakukan bagi menjawab soalan yang wujud berkaitan dengan hubungan antara prestasi akademik dan kebolehpasaran graduan. Tujuan utama kajian ini dilakukan adalah untuk melihat hubung kait antara prestasi akademik dan skil terhadap kebolehpasaran graduan dari perspektif firma audit di Kota Kinabalu. Kajian ini turut melihat dan menguji kesan moderator terhadap hubungan antara prestasi akademik dan skill terhadap kebolehpasaran graduan. Kajian ini mengemukakan model yang telah diubahsuai dari model asal yang diambil dari Yusof, N., & Jamaluddin, Z. (2015). Di mana dalam model ini penyelidik melihat prestasi akademik, skil dan pengalaman kerja adalah sebahagian dari dimensi dalam faktor individu yang mempunyai hubungan yang mempengaruhi kebolehpasaran graduan. Kajian ini juga turut mencuba untuk melihat samaada pengalaman kerja mempunyai kesan moderator terhadap hubungan antara prestasi akademik dan kebolehpasaran buruh. Unit analisis yang digunakan dalam kajian ini adalah majikan yang bertanggungjawab dalam pengambilan pekerja dalam firma audit di sekitar Kota Kinabalu. Kajian ini menggunakan kaedah persampelan bertujuan sebagai kaedah persampelan yang terdiri daripada 80 orang responden. Di akhir kajian ini, keputusan menunjukkan bahawa terdapat hubungan yang signifikan antara prestasi akademik dan skil terhadap kebolehpasaran graduan. Kajian ini juga menunjukkan bahawa pengalaman kerja mempunyai kesan yang sederhana yang signifikan terhadap hubungan antara pembolehubah bersandar dan pembolehubah bebas. Semua hipotesis yang dicadangkan dalam kajian ini disokong dan diterima.

**Kata Kunci:** Prestasi Akademik, Skill, Pengalaman Kerja, Kebolehpasaran, Firma Audit



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### CHAPTER 1 INTRODUCTION

#### 1.1 Research Background

Malaysia has generally had relatively low unemployment. In recent decades, unemployment peaked at 8.6 per cent in 1986. Where Malaysia unemployment rate has been lower than other economies including advanced, industrialized countries, since the 1980s. Since the 1990s, Malaysian unemployment rate has been lower than in most countries in Southeast Asia and even in some newly industrialized economies of East Asia. Like Singapore and Thailand, Malaysia also has imported labour, in significant numbers at least since the early 1990s.

However currently unemployment among graduates in Malaysia has become an issue, it is not only here in Malaysia it is also occurring all over the world. From the statistic taken from the department of Statistic Malaysia (2011) found that the employment rate in Malaysia has increase from 3.2% in year 2007 to 3.7% in 2009. According to the Minister of Human Resources of Malaysia Fong Chan Onn, stated that 59,000 of graduates were unemployed and 30,000 graduates is work in the field that do not match with their qualification.

According to Rahmah et al. (2011) found that one of the major contribution of the current graduate's unemployment issues in Malaysia is caused by the graduate's quality itself. There are some employers gave a negative comments and also mention that Malaysian graduates do not have the qualification and the necessity skills for that meets with the industry. Thus this raises the question, how the employers view the graduate's employability and is the qualification meant by the employers is on the basis of their credential achievement or their academic performance.

As reported by TalentCorp Malaysia in their press release on 2014 mentioned that young adults in Malaysia now days lacks of skills that employer



needed, this reflect that there an employability issues that arise in this country. According to the report made by CIMA and TalentCorp titled "Ready for business: Bridging the Employability Gap. The Malaysian perspective" conclude that most graduate need some development in leadership, problem solving, influencing other and also critical thinking. Mutual understanding between the industry and academia should be developed so that the graduates produced not only employed but also able to be retained with the long terms success of the industry.

Sum up the entire conclusion inside the report show that current trend, employer findings themselves difficult in finding qualified workers even among those who have significant academic credentials.

#### 1.2 Problem statement

Human capital is the resources needed by organization in the current globalization era. Even in the report (profit and loss report) human capital resources are not written in it, however it is important to have a better human capital, whereby it will became a leverage and vital factor in determining the performance or organization or a country. According to Asmawati (2009), without human capital resources a country becomes weak as the lacking of human capital will initiate new initiative in socioeconomic activities. Producing human capital which comprehensive and match with a world level human capital is not an easy task for any country including Malaysia.

Nowadays, human capital is becoming an important issue in Malaysia, either they are the service provider or industry who is attending the retraining program for graduates. This brings to the question why are this people being retrained when they just graduated? Are Malaysia is having unemployment issue or employability issue?



Unemployment means number of people who are not in work, but who are available for and actively seeking work. Which mean they are fully qualified for the job they are looking for but due to a countries economy status they might not have a job. While employability is about being capable of getting and keeping a full time job (Sonja Barnard, Leza Deyzel, Mandu Makhanya, 2011). This mean a country can have many jobs available but the people who are applying for the jobs are unskilled and not those they are unqualified.

According to studies made by Mason, Williams and Cranmer (2006) said that in the eyes of employer perspectives employability are seen as graduates work readiness, where the graduates that to be employed possess the skill, knowledge, attitudes and commercial understanding which needed for new graduates to have and well equip for them to make contribution towards organization goals after being employed.

According to chief ministry of Sabah YAB Datuk Seri Musa Haji Aman (2016), Sabah has growth in a positive manner in terms of infrastructure development. It can be seen on the Sabah economic growth, the human capital development and also in bringing the gaps between rural and urban. He also said that Sabah will continues facing challenges, but the government will remain on stand on their promises which to bring progress to those needed for it.

Now day's issues of employment especially in terms of employability became the biggest concern of all. According to the Director of Sabah Education Department Datuk Jame Alip, the higher education institute must engage with employer to increase their employability (Daily Express, November 2015). He also said that Malaysian Government already spending billions ringgit just to ensure that the graduates produced are employable. Added to the speech, he also said that year after years graduates walk in to the labour market without knowing the chances of being recruitment. Here lie the issues of employability.



Aside than the issues of the qualification, the skills of Malaysian graduates are lesser compared to the international graduates, this is confirmed by the study conducted by Central Bank of Malaysia in 2002. The study found out that the Malaysian graduates are less skilled if compared to international graduates. The skills including problem solving-skills, technical skills and also communication skills (lack of English proficiency).

According to Ranjit (2009), his study found out that there are ten primary weaknesses in Malaysia graduates in terms of their skills. Which is management, communication, creativity, problem-solving, leadership, self-confidence, interaction, critical thinking and proactive skills. All of this skill is needed by the graduates in obtaining jobs which meet with their qualification.

According to Nasrudin (2004) he stated that there are eleven factors that lead graduates to be unemployed. Which is economic recession, relationship between capital intensive economy, lack of training for work preparation, educational development, rapid increase of graduated workforce, increase of the population rate, lack of the relationship between educational institutions and the industry, rapid decrease of the mortality rate, quality of education, graduates' skills and personalities and graduates capability.

Thus, based on issue and definition, there are some questions such as are Malaysia graduated skilled and not getting a job or are they unskilled therefore they are not be hired. This is why in this study we aim to identify the relationship between graduate academic performances to the employability. In this study also we tried to look of the moderating effect of work experience, whether the working experience possessed by student has impact in the relation between academic performances towards employability.

This study a looking into the deep this kind of issues but focus on graduate student (fresh and already graduated) this is due to the lack of past research on the issues of employability among the student graduates. Thus to identify whether



there are issues of employability arise among graduate, this paper take a view of the employer side. This paper take audit firm as a respondent for the purpose of the research, this due to the lack of studies of employability has been made towards audit and more this study were conducted in Sabah, especially in Kota Kinabalu. The paper also focusing on audit firms because there is limited study has been conducted in Kota Kinabalu audit firm before, thus this will provide some significant to the future research.

In this paper, the research took place in Kota Kinabalu because as the capital of Sabah, Kota Kinabalu has the most audit firms compared to the other area in Sabah. This is why in this study the research took place solely in Kota Kinabalu, because the large number of audit firms in Kota Kinabalu would help in attaining the large number of potential respondents.

#### 1.3 Research Questions

This paper is tried to answer these questions;

- 1. What is the relationship between academic performance and employability of high education graduates in audit firm?
- 2. What is relationship between skills and employability of high education graduates in audit firm?
- 3. What is the impact of work experience toward employability of high education graduates in audit firm?
- 4. How the mediator (Work Experience) may influence the relationship between academic performance and employability of high education graduates in audit firm?
- 5. How the mediator (Work Experience) may influence the relationship between skills and employability of high education graduates in audit firm?



#### 1.4 Research Objective

The objective of this study is listed down as below;

- 1. To study the relationship between academic performance to employability of high education graduates in audit firm.
- 2. To identify the relationship of skills and employability of high education graduates in audit firm.
- 3. To evaluate the moderating variable of work experience toward employability of higher education graduates in audit firm.
- 4. To associate the mediator effect size (Work Experience) that influence the relationship of academic performance and employability of high education graduates in audit firm.

#### 1.5 Significant of Study

There are several significant that can be found in this study, first since this study looks into employer perspective in hiring graduates. This enable the reader/graduate to prepare themselves with anything that will enhance their employability. This study also help future researcher to expand this study in other field of study. This is because the issues of employability are rises as nowadays the competition among graduates has been increases. The result of this study can also help HEI to enhance the existing curriculum in the courses offered to the future graduates, because the result will show which criteria are looked by employers as their hiring a new recruit into their organization. This study also can be used as the blueprint for graduates for them to prepare themselves in the future when they will enter the labour market.



#### 1.6 Terms Definition

#### 1.6.1 Employability (EM)

Hillage and Pollard's (1998) definition of employability were widely used around the study of employability. For them employability is defined as the capability of individual's to obtain initial employment, maintaining their employment, move between roles within the same organization, obtain new employment if required and (ideally) secure suitable and sufficiently fulfilling work. McQuaid, Green and Danson (2005), suggest that "employability remains a contested concept in terms of its use in both theory and policy, and throughout the past century has been used as both a predominantly labour supply and a labour demand concept." Thus in this study employability is defined as the ability of the graduates to obtain employment based on their grades (CGPA), skills and their work experience.

#### 1.6.2 Academic Performance (AP)

Academic performance in this study is defined as the demonstrated ability of graduates to perform, achieve and excel during their studies in University. This is referring to the grades/ CGPA or pointer obtained by the graduates.

#### 1.6.3 Skills (SK)

Skill in this study was defined as the ability that is coming from individual knowledge, practice, and aptitude for them to do something well on the task given to them. Skill is also defined as individual competency in performance and expertise in certain area.



#### 1.6.4 Work Experiences (WE)

Work experience is any experience that a person gains while working in a specific field or occupation. In this study work experience also including all the experience obtained by the graduates, it is either from working during their studies, after their studies and also the experience obtained from industrial training.

#### 1.6.5 Graduates (GR)

Graduates in this study defined as individual who possess a degree qualification and already been graduated. The graduates also include those who are freshly graduated and those who already graduate.

#### 1.7 Conclusion

In this chapter, the researcher discusses the issues that arise regarding the study starting with the research background. Where the issues in this study is about graduates employability, especially in the world that has become more challenge. This chapter also introduces the problem statement that the researcher has found from the issues. In this chapter also, the researcher highlight the research objective that this study aim to find.



#### **CHAPTER 2**

#### **Literature Review**

#### 2.1 Employability

Graduates employability remains as national issues this is due to the increasing number of graduates produced by higher education institutions each year. Thus in these upcoming years, the employers side have been concerned about the ability of these higher education graduates to work within a modern organization. This concern related to recent rapid expansion in the higher education and the concomitant concerns, expressed in some quarters, about the standards and abilities of graduates in the new globalization.

Defining employability is the biggest concern of all, this is because there is no fixed definition regarding employability. Most of the researcher find hard to defined and measure the concept of employability (Harvey, 2001; Pegg, Waldock, Hendy-Isaac and Lawton, 2012; Sewell and Dacre Pool, 2010). According to Yorke (2004), he defined employability as "a set of achievements, skills, understandings and personal attributes, that make graduates more likely to gain employment and be successful in their chosen occupations, which benefits themselves, the workforce, the community and the economy". According to Dearing (1997) defined employability and linked it to the acquisition of skills for life. He then recommended that high education institute to focus on the key skills where these keys hold the future of the graduates on what they will do later in their future.

According to Bowden et al (2000) employability is not just concerned about preparing graduates for them to be successful in the labour market, it also concerned with preparing them to contribute to the society as a citizen. In their studies they have defined that employability is a set of graduates attributes; 'the qualities, skills and understandings a university community agrees its students



would desirably develop during their time at the institution and, consequently, shape the contribution they are able to make to their profession and as a citizen'

The term employability has gained prominence of late due of the changing world of work. Employability is used interchangeably with other terms such as core skills, key skills, and common skills. McQuaid et. al (2005) mention that employability can be seen in a broad view as the capability of individuals to move into new employment within the labor market. They also said that employability can occur on both job seeker and those who already in employment. Lees (2002) cited a definition from Hillage and Pollard (1998) of the Institute for Employment Studies who carried out a report on developing a framework for policy analysis on employability for the DfEE (now DfES). Their finding defines employability as the capability to gain initial employment, maintain employment and obtain new employment if required. Their finding also suggest that for the individual, employability depends upon their existing assets in terms of knowledge, skills and attitudes and how these asset used and deployed by them to obtain the job that they want and how they present these assets to the potential employer.

According to Saterfield and McLarty (1995), employability skills are the skills required to acquire and retain a job, including job-specific skills, academic skills and a range of attitudes and habits. Communication, problem solving and management skills are also important. According to Hillage and Pollard (1999), employability is "(a) the ability to gain initial employment, (b) the ability to maintain employment and make 'transitions' between jobs and roles within the same organization to meet new job requirements, and (c) the ability to obtain new employment if required, to be independent in the labour market by being willing and able to manage employment transitions between and within organizations."

Sirat et. al. (2012) talk about from the perspective of employers, the level of "quality" of a graduate refers to their adequacy in terms of the following attributes:



self-confidence and soft-skills, especially competence in communicating in the English language, focus and commitment. Clarke (2008) said that from "employers are more likely to be looking for individuals who have the capacity to make an immediate and possibly short-term, contribution rather than individuals who want long-term development and stable career paths". While Harvey (1997) said that from the employers' point of view, employability is the propensity of the graduate to exhibit attributes that employers anticipate will be necessary for the future effective functioning of their organisation.

Lay Cheng Tan and Erika French-Arnold (2012) has proposed that there are several factors that has significant impact towards employability and among them is individual factors that include attributes (e.g., basic social skills), competencies (e.g., motivation, confidence), transferable skills (e.g., literacy, numeracy, problem-solving, communication, adaptability, team working skills), qualifications and educational attainment. However in the end of their research their have argues that academic qualifications are essential, but the aptitudes and attitudes of job seekers are equally, if not more, important to employers. A high grade point average alone does not guarantee employment. It is therefore crucial for graduates to cultivate qualities most sought after by their potential employers.

Lees (2002) also highlighted that there are differences between employment and employability. According to him "employable means having the qualities needed to maintain employment and progress in the workplace. Employability from the perspective of HEIs is therefore about producing graduates who are capable and able, and these impacts upon all areas of university life, in terms of the delivery of academic programmes and extra curricula activities." Thus to enhance individual employability some criteria must be fulfilled according to what the market needed.



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