

# A CONCEPTUAL FRAMEWORK FOR THE STUDY OF EMPLOYERS' PERCEPTIONS TOWARDS EMPLOYABILITY

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**Abstract** *Graduates' employability is an important aspect concerning educational output. Employers' perceptions have been given less concentration in studies that apply the signaling theory and human capital theory. When we come across the transition from college education to employment, the employers' perceptions are crucial. This study tries to understand how the employers perceive about the graduates' value whose educational qualifications are similar. The framework is explained in three stages namely, employers' belief systems, decisions in recruitment and performance outcomes. In this framework, the employers' beliefs are influenced by various factors and mechanisms, which include initial signaling, private learning, public learning and exogenous factors. Initial signaling includes the initial triggers such as the educational credentials of the candidates. Private learning is done by the current employers where they evaluate the candidate's performance outcomes after recruitment. Public learning is the process of observation of the employee's performance outcomes by all market participants. The various exogenous factors could be the cultural environment, certain critical market conditions and companies' own policies. The conceptual framework shows how an employer, through the consecutive learning processes, would accumulate enough experience to discover the candidates' true worth.*

**Keywords** *Employability, Perceptions, Initial Signaling, Private Learning, Public Learning, Exogenous Factors*

## INTRODUCTION

One of the basic requirement of higher education is to meet the demand of the labour market. A considerable number of studies since the 1960s, have been describing the relationships between education and employment, often with reference to either the concept of human capital (Becker, 1964; Schultz, 1961) or screening models (Spence 1973; Stiglitz, 1975; Arrow, 1973). All these studies have taken the first employment right after education. However, more attention on research was not paid to the processes of transition from education to work place until the 1990s. During that period, the graduates' career success was used as a key indicator to measure the quality of education in general, and higher education in particular (Teichler, 2009, p. 15). Since then, the educational system and students have become more responsive to the requirements of the employment system. But there is no clarity as to what is expected by the labour market keeping in mind the depletion of traditional occupations along with the employment conditions and the rapid obsolescence of knowledge (Schomburg & Teichler 2006, p. 4).

In order to respond to the put forth challenge, studies have started to focus on the employers' views for identifying what higher education should be delivering. However, the results are diverse and even controversial. For instance,

as discovered by Teichler (2009, p. 11), employers have changing perceptions of workers with similar educational qualifications, and their views vary based on different traditions, political biases and other factors.

## HUMAN CAPITAL AND SIGNALLING THEORIES

With relation to the attainment of education and the outcomes of the labour market, special focus have given for either human capital theory (Schultz, 1961; Becker, 1964) or job market signaling (screening) theory (Stiglitz, 1975; Arrow 1973; Spence, 1973). We can see that both the theories have a pressing positive relationship between education and returns in labour market. But also, they miss out on the mechanisms on how education affects employment. According to The human capital theory (Schultz, 1961; Becker, 1964), education increases individuals' productivity, which consequently enhances their job performance. As such, education provides marketable skills and abilities relevant to job performance, and thus the highly educated people will be more successful in labour markets in terms of both incomes and work opportunities.

Unlike human capital theory, job market signaling theory (Stiglitz, 1975; Arrow, 1973; Spence, 1973) deals with principal-agent relationships where asymmetries of

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information exist and are not easily resolved. It is based on the premise that hiring is an investment decision for employers. When making decisions, employers take into account signals, for instance, conveyed by levels of educational attainment. In some places, signaling theory is called screening theory, which is explained as job seekers send signals about their ability level to employers by acquiring certain educational credentials, while employers screen the job applications according to the signals that the educational credentials transmit. Therefore, educational credentials become a kind of proxy measure of quality or ability.

## BAILLY'S MODEL OF EMPLOYERS' BELIEFS

Bailly describes the development of employers' belief systems in three sequential stages. In the first stage (Fig. 1), an employer who has no experience of hiring job applicants with certain types of education credentials makes recruitment decisions based on his/her initial beliefs about the applicants, or "conditional probabilistic beliefs" in Spence's (1973, p. 359) term. Specifically, the employer tends to attribute an anticipated level of productivity to these people depending on the information transmitted by job-applicants' educational credentials, and then makes recruitment decisions based on that. The information conveyed by the educational credentials can be understood as initial signals. The second stage (Fig. 2) commences when the applicants are recruited.

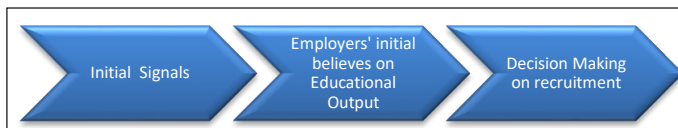


Fig. 1: Development of an Employer's Beliefs

When the employer has more experience of hiring certain educational credential holders, the initial signal effects tend to become less influential. By observing the quality of these recruited employees, the employer's initial beliefs are adjusted. If the employees' performance is the same as assumed by the employer before the recruitment, the employer's beliefs will be self-confirmed. Otherwise, the employer will correct his beliefs. "When he next comes to recruit, an employer will rely on his (new) beliefs, which he will adjust again depending on the difference in productivity observed after recruitment" (Bailly, 2008, p. 962). The third stage can be found when the process continues until equilibrium is reached. That means the employer, through these successive learning processes, has accumulated enough experience to discover the candidates' 'true' value.

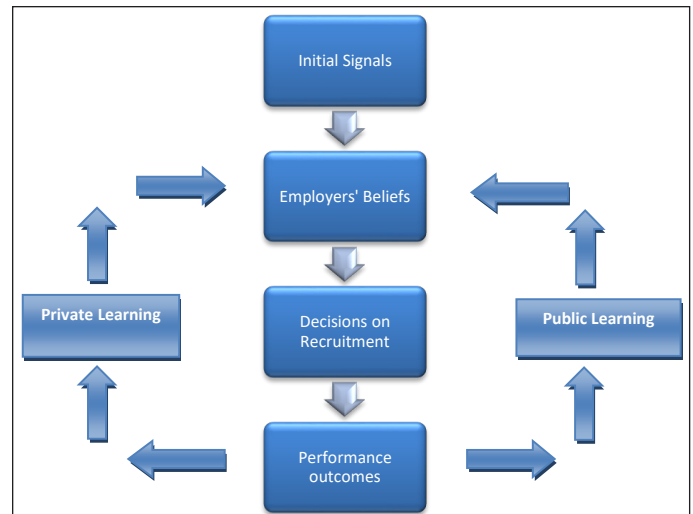


Fig. 2: Private and Public Learning Processes

## INSTITUTIONAL THEORY

Bailly's (2008), statement that employers make recruitment decisions based on their belief systems reflects one of the central ideas of the new institutionalism (Meyer & Rowan, 1977; DiMaggio & Powell, 1983), holding that human actions are driven by institutions. Institutions can be generally understood as social orders (Berger & Luckmann, 1967), social rules (Burns & Flam, 1987), or taken-for granted norms and beliefs (Scott, 2001), which are seen by actors as natural, rightful, expected, and legitimate. In other words, they are institutionalized beliefs and practices.

## DEFINITIONS OF ACTORS AND INSTITUTIONS

Institutional theory has become a popular and powerful explanatory tool for actions of both individual and collective actors (Dacin et al., 2002, p. 45). It mainly stresses the dependency of actors' actions on institutions, such as wider environmental contexts, rules and norms (Meyer et al., 2007, p. 188). Actors can be individuals, groups, organizations and communities (Burns & Flam, 1987, p. 2). Among those actors, the individual ones are important subjects, because "outcomes at the system level are thought to be determined by the interactions of individuals acting consistently in terms of the axioms of individual behaviour" (March & Olsen 1989, p. 5). In this study, the actors are employers, defined as "those responsible for recruitment in employing organizations effectively act as gatekeeper to the labour market" (Maguire, 1992, p. 80). Their attitudes towards jobseekers are crucial in the final recruitment decisions.

## INTERACTIONS BETWEEN EMPLOYERS AND INSTITUTIONS

According to institutionalism, individuals' internal interpretive processes or private beliefs are shaped by external institutional frameworks. The development of employers' beliefs as well as external institutional frameworks can be respectively explained by "actor structuring" and "system structuring", the concepts developed in Burns and Flam's (1987) book—The Shaping of Social Organization: Social Rule System Theory with Applications. Social rule theory is fundamentally an institutionalist approach to the social sciences, both in its placing of primacy on institutions and in its use of sets of rules to define concepts in social theory.

### System Structuring

From the perspective of institutionalism, employers' beliefs are developed within institutional frameworks. What affects the creation of an institutional framework is a process of system structuring. Compared to actor structuring, system structuring takes a longer time. It takes place at the level of an entire group, or in an organizational field. This structuring of social system represents a process of institutionalization.

### Public Learning

When some employers start to hire international graduates with similar educational credentials, the performance outcomes of the employees will become benchmarks for the employers to adjust their beliefs. This has been described as a process of private learning. The consequences of private learning can also have an impact on the reproduction of institutions in the organizational field through public learning. For instance, some employers may imitate other companies that have been successful in recruiting international graduates in terms of enhancing productivity. As such, the collective sense-making is developed through mimetic learning.

### Formation of Initial Signals

Some initial signals exist, before either private or public learning processes. Where do these signals come from? How do the employers perceive these signals? Such signals are also developed within the institutional framework through a process of system structuring but with different actors and mechanisms involved. Fig. 3 gives the entire framework portraying the factors and mechanisms affecting employers' beliefs.

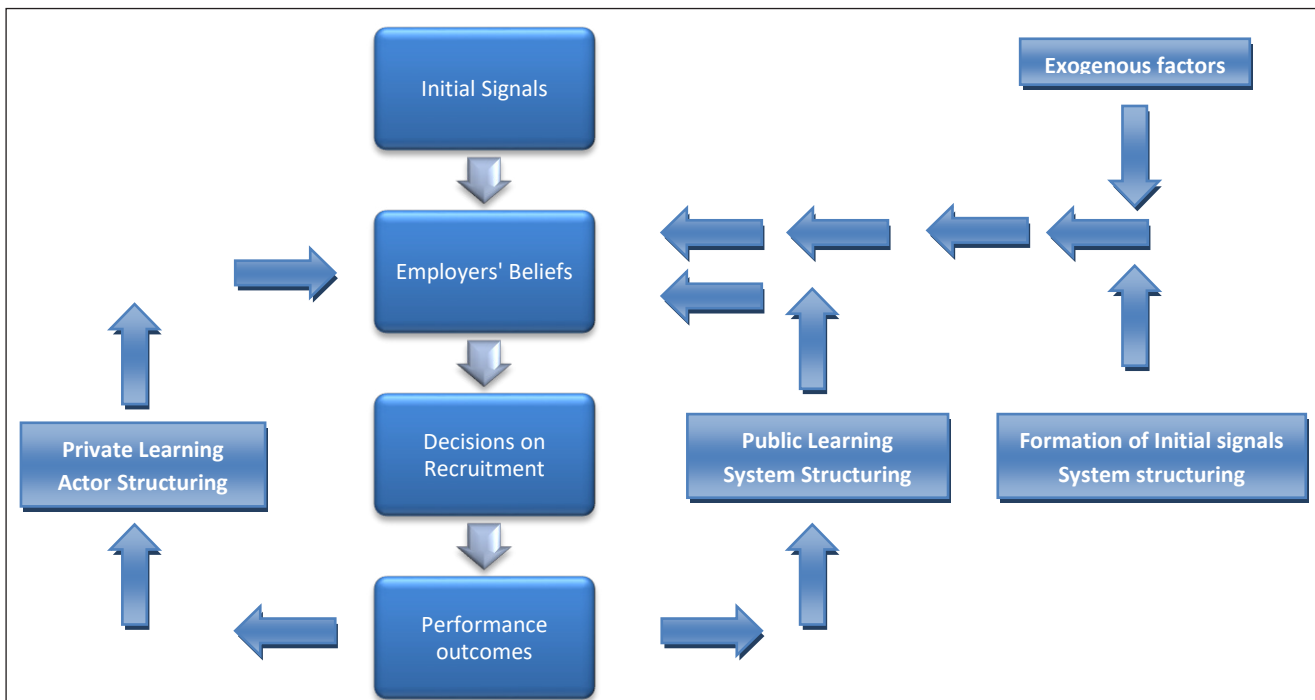


Fig. 3: Factors and Mechanisms Affecting Employers' Beliefs

## CONCLUSION

As indicated by the private learning mechanism, what eventually shapes employers' beliefs on educational output lies in a graduate's actual productivity and performance at his or her workplace. Therefore, students must be aware that gaining an education degree without actually increasing their relevant knowledge and skills will not make them more successful in the labour market. Universities should provide support for their students' preparation for the workforce, with special attention to the relevance of their education programmes to the labour market's needs and the quality of the graduates. According to the conceptual framework constructed in this study, some purposeful actions can influence the employers' beliefs, both in shaping the initial signals and in facilitating the public learning process. As a final point, it should be noted that the conceptual framework contributed here is still at an early stage of developing a theoretical model. In order to develop specific statements about the relationships between variables, the framework needs to be further examined in specific contexts and verified by empirical data.

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