

Employers' hiring behaviors in a developing country – input for enhancing the quality of higher education

Zaharie Monica¹, Osoian Codruta², Ciumas Cristina³ and Opre Adrian⁴

^{1,2,3,4} Faculty of Economics and Business Administration
Babeş-Bolyai University, Romania

Abstract. The enhancement of the quality of the education is conditioned by getting continuous feedback from the stakeholders. Both employers' satisfaction and graduates' outcomes when entering the labor market represent indicators for the quality of higher education system. Due to its complexity, the graduates' employment requires an analysis of the interaction between the external factors (educational system and labor market characteristics) and internal mechanisms that guide the decisional process of the actors involved. Bringing a micro level approach, the present research focuses on the Romanian employers' understanding of the value of graduates' degree and education quality in job assignment process. Following the "sorting theory" approach and the methodological insights of employers' surveys, this paper tries to determine how employers value and use credentials in the job selection process. A questionnaire based survey was conducted on 120 Romanian companies. The results show that the job selection process undergoes two stages: a screening phase (where the educational degree plays a crucial role because the employer evaluates the degree attainment, educational specialization, level of degree, reputation of the institution) and the hiring stage (where the educational results play a less important role, being outbalanced by general competencies). By ignoring the signaling value of the educational degree there is a cost increase at the level of the selection process. Employers waste resources during the matching process of graduates to suitable jobs by not using the information offered by the educational credentials.

Keywords: labour market, quality, employers, higher education, graduates.

1. Introduction

Due to a still ongoing debate regarding how to assess the quality of higher education, there is not a convergence towards a universally accepted definition within the university education system (Staropoli, 1992). The quality remains thus a concept susceptible to interpretation depending on the perspective of approach - „stakeholder relative” (Harvey, 1993). In this respect, the quality stands to the concern of different categories of stakeholders, with a manifest interest for employers, both as graduate „consumers” and as collaborators of research activity or instruction activities (Harvey and Green, 1993:2). The enhancement of the quality of the educational services is conditioned by getting continuous feedback from the stakeholders. Both employers' satisfaction and graduates' outcomes when entering the labor market represent indicators for the quality of higher education system (Osoian, Nistor, Zaharie, 2010). Although there have been developed multiple approaches on the issue of client oriented quality management, the knowledge of the value detained by this category of stakeholders is highly fragmented. Nevertheless, the clients' point of view can provide essential data for the allotment of resources and planning of curricula so as to increase the satisfaction level of different stakeholder categories.

Considering the public and private investments in education and the need to value the highly educated labour force by facilitating their finding of suitable work positions, the in-depth analysis of employers' hiring decisions represent an important element of the quality management system. Graduates' labour market entry is both influenced by economic conditions (including employers' needs) and the characteristics of the educational systems (Wolbers, 2007, Smyth, Gangl, Raffe, Hannan, McCoy, 2001). Macro structural factors

¹ This research was supported by grant CNCSIS PN II IDEI 2479.

such as graduate cohort sizes, occupational structure (Gangl, 2002), traditional and new graduate jobs (Elias, Purcell, 2004), labour market regulations (Breen, 2005), influences the graduates' transition to labour market. On the other hand, the educational system standardization, stratification (Allemendinger, 1998) and vocational specificity shapes graduates' opportunities and their outcomes on the labour market (Kerckhoff, 1995). Besides that, the shift in most of the Eastern European countries from a centrally planned economy, to a market oriented one, changed the structure of the graduate labour market (Bukodi, 2007), youth generations facing even greater difficulties in successful job finding. During communist regime, Romanian higher education graduates used to follow a "traditional", direct and irreversible path from full time education to full time employment. By the means of a national censored job distribution system, graduates were placed in the nationwide vacant jobs according to the educational qualification attained and the hierarchy of the results obtained at the allotment exams. In a rather elitist higher educational system, the centralized employment process used to rely on the selection and evaluation functions of the universities.

But, due to its complexity, the transition process requires an analysis of the interaction between the external factors (educational system and labour market characteristics) and internal mechanisms that guide the decisional process of the actors involved (Müller, Gangl, 2003). While many of the studies analyse from a macro level the transition process (Shavit, Muller, 1998, Wanner, 2000), from a micro level approach, the present research focuses on the Romanian employers understanding of the graduates' educational degree in the job assignment process. Considering the post-communism expansion of the tertiary educational system, this study analysis the role played by the measurements of students' educational performance, for the employers' hiring decisions (how employers obtain, assess and use the information provided by the educational outcomes).

Compared to the classical youth education-work transition process, the recent trends on the labour market bring more complex issues: a general insufficient number of jobs offered for youth (Paul, 2000), mismatches between educational qualifications and employers needs (Katz, Murphy, 1992), more varied professional trajectories, with longer periods of job searching, increased job instability, frequent unemployment periods intertwined with working positions.

The Romanian labour market regulations mainly focus on raising the employability of the jobless youth by offering financial stimulants to the employers who hire graduates, without focusing on understanding employers' demand for skills, or addressing the general deficit of graduate jobs. Economical and sociological theoretical approaches offer distinct explanations for employers' needs, without agreement being reached despite the attempts (Rosenbaum, Binder, 1997, Bills, 2003). While neoclassical economists focus on the employers' profit maximization objective by hiring the job candidates with future best work performance (Heckman, 1994) and evaluate employers' needs by using wage indicators, the sociological approaches focus on the structural barriers in accessing the valuable jobs (Berg, 1971), and evaluate employers needs by addressing the skills necessary for successful job accomplishment (Swoboda, Pop, Dabija, 2010). Following Weiss's (1995) "sorting theory" approach (which includes both screening and signalling theoretical perspectives), this paper tries to determine how employers use credentials and which are the skills they signal to the employers in the job selection process. In contrast to Arkes' (1999) macro perspective, which used wage equations to establish the skills signalled by educational credentials, the present research offers a new approach by addressing in a qualitative manner the relationship between the employers' needs, within the specific background of the Romanian educational system and labour market.

2. Research methodology and results

Taking into account that there are multiple and at the same time different stakeholders for the higher education system (Lagrosen, Seyyed-Hashemi, Leitner, 2004), we have decided on the restriction of this study to one of the perspectives: the employers' opinion.

In order to conceptually delineate this perspective, by employers we will understand public or private institutions, local or national, which employ the products of the university educational system, by hiring the graduates of higher education (Harvey, Green, 1993:12). Thus, this study is intended to clarify the concepts regarding the quality in higher education and analyze the quality dimensions from the perspective of two categories of stakeholders: the students and the economic agents, employers of the university graduates.

In order to identify the premises of quality from the employers' perspective, we have designed and distributed an online questionnaire towards university employers. As we are dealing with a pilot empirical study, it holds an illustrative function and is not intended to generalize the conclusions to society level. Therefore we haven't employed a statistical sampling procedure and do not possess a relevant sample at the level of the whole population of students and employers. Still, for the validity purpose, we aimed for the theoretical sample of employers to follow the maximal variation principle (Strauss, Corbin, 1998). Thus we were sending the questionnaire to different types of employers (distinct dimension and distinct activity field and type of ownership: state or private).

We received 120 answers from Romanian companies. The majority of the companies (63%) had previous contacts with our university, meaning that they were familiar with the quality of the graduates. Over 50% of the companies were of small dimension and the average age of the respondents was 46.3 years old.

Analysing the results we notice that the employers' general satisfaction level regarding the quality of the graduates has an average mean of 3.2 (on a scale from 1 to 5). From employers' opinion the young graduates' advantages in job finding are: enthusiasm and motivation (51%) and their openness to new experience (32%). In employers' opinion the main disadvantage in graduates searching for a job regards lack of experience (31%) and unrealistic expectations (23%). It is worth to notice that 10% of the employers do not see any disadvantage. It means that at least some of the employers do not disregard graduates in job assignment process.

The main criteria used in the selection process of young graduates are: motivation and attitude (mean 4.75) and educational background (mean 4.27). It is noticeable that the educational credentials play a certain role in the job selection process (they are considered to be important and very important by 52% of the employers). The degree represents also an indicator for graduate's knowledge. The students graduating a university are supposed to have better knowledge than non graduates. The results show that the degree is more important for the jobs available in technical fields. On the other hand, the recommendations and references seem to be less important. The work experience is not considered to be the most important by any of the employers, but still they consider it to be an important selection criterion.

Interesting results are revealed by the employers' answers regarding the fact that a quality educational institution is not the one that encourages students to work during their studies. This does not imply that employers do not appreciate graduates with work experience, but that employers would like graduates to allocate sufficient attention to their education during their study. Differences are noticed in the number of higher education graduates employed in the companies surveyed: small companies hire a higher percentage of graduates than industrial large companies. This fact can be associated with the lower number of vacancies for young higher education graduates in large companies, which have rather low qualified positions.

Another interesting finding relates to the fact that companies surveyed seem to lack realist planning when hiring. While they expect to double their number of hiring in 2-3 years, they expect to lower their hiring for the coming year. Contrary to common assumptions, we noted that employers appreciate the value of theoretical knowledge to a higher degree than students would expect. Regarding the importance of the graduates' qualities in the selection process, the results show that transferable skills are considered to be very important for employers.

Graduates' competencies	Importance (mean)
Openness to adapt and fast learning	4.75
Communication and interaction abilities	4.61
Capacity to efficiently use the time	4.52
Creativity and initiative	4.48
PC usage	4.39
Practical knowledge	4.34
Capacity to work under stress	4.06

Regarding the employers' satisfaction with the graduates quality, the most appreciated competencies of the higher education graduates are: computer usage (mean 4.4), communication skills (mean 4.2), team work (mean 4.1), and interaction skills (mean 4.1). On the other hand, the competencies considered to be insufficiently developed are: leadership (mean 3.2) and decision making (mean 3.2). No matter the crisis, the employers consider that they are going to increase the number of job openings during the following 2-3 years. The fields in which they show the highest employment need are the technical field and IT software.

The findings both support and contradict some of the sociological and economical premises. According to other studies, the results show that employers' perspectives vary as a function of the enterprise size (Selby, Ridoutt, 2007), field activity, and occupational type. Although there is a certain level of educational requirements for the majority of the graduate jobs, qualitative interviews show lack of clear opinions of what academic credentials actually signify. Employers seem not to use the educational outcomes as predictors for the candidate's future job performance as an employee.

The results show that the job selection process undergoes two stages: a screening phase (where the educational degree plays a crucial role because the employer evaluates the degree attainment, educational specialization, level of degree, reputation of the institution) and the hiring stage (where the educational results play a less important role, being outbalanced by transferral competencies).

3. Concluding remarks

In comparison with other international results, such as Telford and Masson's (2005), we may point out the resemblances that occurred in the delineation of a qualitative university from employers' perspective. Thus, we notice that the dimensions the employers are oriented towards are: the quality of the teaching staff and the accomplishment of the quality standards imposed by the accreditation system, the level of professional training of the graduates, the level of practical training of the students, the orientation of the university institution towards the collaboration with the economic environment. Starting from these dimensions, helpful suggestions may be raised for the ongoing improvement of university system quality. Without focusing on the development of improvement strategies for the university system in this particular study, we have endeavoured to point out the utility of a continuous analysis of the relevant aspects (at different points in time) for a certain university quality from the perspective of the interested parties.

As concluding remarks, from employers' perspective the strong points graduates' have are the theoretical knowledge and language skills, while the weak points are their insufficient specialized practical knowledge. Starting from these findings, we notice that from employers' perspective the universities should focus on raising the admittance standards, on developing students' practical knowledge and on enforcing the connections with economical agencies. As expected, employers' perspective is strongly influenced by the interests as a stakeholder group. What universities should do in their opinion is directly connected with their own needs as employers of the educational output – the graduates. No matter the debates regarding which should be the mission of a university (preparing students for labor market needs or preparing a future proactive human power), employers remain an essential category of stakeholders to be considered when setting university development strategies.

4. Acknowledgments:

This research was supported by grant CNCSIS PN II IDEI 2479.

5. References

- [1] Allmendinger, J., (1989), Educational Systems and Labor Market Outcomes, *European Sociological Review*, 5(3): 231-250.
- [2] Arkes, J., (1999), What do educational credentials signal and why do employers value credentials?, *Economics of Education Review*, 18: 133-141.
- [3] Berg, I., (1971), *Education and Jobs*, Boston: Beacon Press.
- [4] Bills, D.B., (2003), Credentials, Signals, and Screens: Explaining the Relationship Between School, *Review of Educational Research*; 74(4): 441-469.

- [5] Breen, R. (2005) Explaining Cross-National Variation in Youth Unemployment. Market and Institutional Factors, *European Sociological Review* 21: 125–34.
- [6] Bukodi, E., (2007), Educational Expansion and social class returns to tertiary qualifications in post-communist countries, *RSCAS European Forum Working Papers*, EUI, Florence.
- [7] Crotty, M., (2003), *The Foundations of Social Research*, Sage Publications.
- [8] Elias, P., Purcell, K., (2004), Is Mass Higher Education Working? Evidence from the Labor Market Experiences of Recent Graduates, in *National Institute Economic Review*, 190, Sage Publications, pp. 60-80.
- [9] Gangl, M., (2002), Changing Labour Markets and Early Career Outcomes: Labour Market Entry in Europe Over the Past Decade, *Work, Employment and Society*, 16: 67–90.
- [10] Katz L.F, Murphy K.M. (1992). Changes in relative wages, 1963-1987: Supply and demand factors. *Q. J. Econ.* 107:35-78.
- [11] Keckman, J.J., (1994), Is Job Training Oversold?, *Public Interest*, pp. 91-115.
- [12] Kerckhoff, A., (1995), Institutional Arrangements and Stratification Processes in Industrial Societies, *Annual Review of Sociology* 15: 323–47.
- [13] Müller, W. and Gangl, M. (2003) (eds) *Transitions from Education to Work in Europe. The Integration of Youth into EU Labour Markets*. Oxford: Oxford University Press.
- [14] Osoian C., Nistor, R. and Zaharie, M., (2010) Qualitative and Quantitative Analysis of the Employers' View upon Quality of Education, in Jose Esteves, IE Business School, *9th European Conference on Research Methodology for Business and Management Studies*. Madrid, Spain, 24-25 June 2010, UK: Academic Publishing Limited p. 409-415.
- [15] Paul, J.J. (2000), Les evolutions de la relation formation-emploi, in A. Van Zanten, (dir.), *L'Ecole, l'état des savoirs*, La Decouverte, Paris, pp. 331-340.
- [16] Rosenbaum, J.E., Binder, A., (1997), Do Employers Really Need More Educated Youth?, *Sociology of Education*, 70(1): 68-85.
- [17] Shavit, Y. and W. Muller, (1998), *From School to Work: A Comparative Study of Educational Qualifications and Occupational Destinations*. Oxford: Clarendon Press.
- [18] Smith, C.S., Ridoutt, L., (2007), The importance employers attach to employee qualifications, *Asia Pacific Journal of Human Resources*, 45(2): 180-199.
- [19] Smyth, E., Gangl, M., Raffé, D., Hannan, D.F., McCoy, S., (2001), *A Comparative Analysis of Transitions from Education to Work in Europe (CATEWE). Final Report and Annex to the Final Report*, Commission of the European Communities, Brussels.
- [20] Strauss, A., Corbin, J., (1998), *Basics of Qualitative Research*, Sage Publications.
- [21] Swoboda, B., Pop, N.A.I., and Dabija, C.D, (2010), Vertical Alliances between Retail and Manufacturer Companies in the Fashion Industry, *Amfiteatrul Economic*, XII(28), p. 634-649.
- [22] Telford, R., Masson, R., (2005), The congruence of quality values in higher education, *Quality Assurance in Education*, 13(2):107-120.
- [23] Wanner, R.A., (2000), A Matter of Degree(s): Twentieth-Century Trends in Occupational Status Returns to Educational Credentials in Canada, *The Canadian Review of Sociology and Anthropology*, 37(3): 313.
- [24] Weiss, A., (1995), Human capital vs. signaling explanations of wages, *Journal of Economic Perspectives*, 9: 133-154.
- [25] Wolbers, M.H., (2007), Patterns of Labour Market Entry A Comparative Perspective on School-to-Work Transitions in 11 European Countries, *Acta Sociologica*, 50(3): 189–210.