

## MATCHING SKILLS TO CAREERS: THE IMPACT OF HUMAN CAPITAL ON JOB ALIGNMENT IN MALAYSIA

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### ABSTRACT

*This study examines the impact of human capital factors on job-matching outcomes among Malaysian employees, emphasizing the roles of work experience and educational attainment. Utilizing a logistic regression model, the analysis reveals that both work experience and tertiary education significantly reduce the likelihood of job mismatches. The findings highlight the importance of employers offering adequate rewards, recognition, promotion opportunities, and work-life balance to enhance job satisfaction and retain employees. Additionally, the study underscores the critical role of tertiary education in preparing employees for the evolving demands of the Fourth Industrial Revolution (IR4.0). Despite its contributions, the study acknowledges a limitation in not capturing the specific educational programs studied by employees, suggesting this as a direction for future research.*

### INTRODUCTION

The Malaysian economy has successfully transformed from an agriculture-based to an industry and service-based economy over the past several decades. This shift in economic structure and diversification of industrial activity has led to changes in the composition of trade and investment. Historically, Malaysia was one of the world's main producers and exporters of commodities such as rubber and palm oil. However, with the onset of its

industrialization strategy, the manufacturing sector has emerged as a critical driver of the country's growth, development, and export earnings. The manufacturing activities include rubber and oil palm processing, electronics, smelting, logging, and timber processing. Today, Malaysia is one of the world's leading producers and exporters of electrical appliances, electronic parts, and components.

With initiatives under the Sustainable Development Goals (SDGs) and the "Environmental, Social and Governance" (ESG) framework, the world is moving towards a greener economy, a more equal society, and better governance (Har, Kee, Lee, & Low, 2022). Regarding sustainable development, income inequality remains a persistent challenge for policymakers and academics, but it has only recently been connected to the green economy. Income inequality is often a consequence of job mismatches. Har et al. (2022) found that achieving the three goals of low inequality, a green economy, and excellent governance is very challenging, especially for middle-income countries. Among these countries, the transition to a green economy has a statistically insignificant effect on income disparity between the highest and middle quantiles, but it is detrimental among the lowest quantiles.

This study focuses on the labor market and employees' perspectives. Recent labor market statistics indicate an expansion, with the labor force increasing by 28.4% from 2010 to 2021. In 2021, Malaysia's labor force stood at 15.7 million. The number of employed persons followed a similar trend, increasing by 26.6%. Despite the increase in employment, the unemployment rate in Malaysia was at its highest at 4.6% in 2021, compared to 2.9% in 2014. Another important issue is underemployment. Skill-related underemployment increased from 32.2% in 2015 to 37.4% in the fourth quarter of 2022, while time-related underemployment rose from 1.9% in 2015 to 2.4% in the fourth quarter of 2020 (Department of Statistics Malaysia, 2022).

The expansion in the education sector is evident with the significantly larger number of graduates entering the labor market (5.61 million persons in 2021 compared to 4.28 million in 2016) (Ministry of Higher Education, 2022). Employers now face difficulties in matching the right talents with their vacancies (Lee, 2022). Various organizations and agencies, such as Talent Corporation Malaysia Berhad (TalentCorp) and the Human Resource Development Corporation (HRDC), have been established by the Malaysian Ministry of Human Resources (MOHR). Through their efforts in reskilling and upskilling programs, Malaysia has shown an ability to address unemployment (Azalea Azuar, 2022). However, the biggest issue now is not unemployment but the mismatch of talents.

## **RESEARCH OBJECTIVE**

The objectives of this study are as follows:-

- i) To investigate the extend of job mismatch among Malaysian employees, and
- ii) To examine the impact of human capital factors on the probability of job-matching outcomes.

## **METHODOLOGY**

Research has primarily focused on the impact of job mismatches on factors such as wage equilibrium (Kim & Choi, 2018; Mateos-Romero & Salinas-Jiménez, 2018; Veselinovic, Mangafic, & Turulja, 2020; Zhu, 2014) and job satisfaction (Kim & Choi, 2018; Mateos-Romero & Salinas-Jiménez, 2018). Our study provides a unique context to examine how human capital factors are linked to the occurrence of job mismatches. This study involves 347 Malaysian employees in a questionnaire survey. Guided by the Human Capital Theory by Becker (1961) and Sweetland (1996), this study includes human capital variables such as work experience, educational attainment, and rewards. Gender is employed as a control variable.

Work experience is measured in years. Educational attainment is classified as either “with tertiary education” or “without tertiary education.” Rewards refer to the number of rewards provided by employers. Gender is categorized as either “male” or “female.” This study employs a logistic regression model to examine the impact of human capital factors on the probability of job-matching outcomes.

## FINDINGS

Table 1 shows the summary statistics in this study. Among the Malaysian employees (n=347) involved in this study, 42.4% (n=147)

were considered mismatched in their jobs. In the qualification mismatch category, 61.9% (n=91) were male, while 38.1% (n=56) were female. Regarding marital status, the percentage of respondents who had not yet married (53.1%) was slightly higher compared to respondents who were married (46.9% or n=69). Examining educational attainment, about 70% (n=240) of the respondents had tertiary education. Among the same group, 93% (n=186) were not experiencing job mismatches. The Chi-square test analysis shows that gender (p-value = 0.022) and educational attainment (p-value = 0.000) were associated with job matching.

**Table 1** Summary Statistics

		Mismatched	Matched
Gender	Female	56 (38.1)	101 (50.5)
	Male	91 (61.9)	99 (49.5)
Ethnicity	Chinese	48 (32.7)	66 (33.0)
	Malay	77 (52.4)	114 (57.0)
	Indian	20 (13.6)	19 (9.5)
	Others	2 (1.4)	1 (0.5)
Educational Attainment	Without Tertiary Education	93 (63.3)	14 (7.0)
	With Tertiary Education	54 (36.7)	186 (93.0)
Looking for Job Switching	Not Looking for Other Jobs	100 (68.0)	131 (65.5)
	Looking for Other Jobs	47 (32.0)	69 (34.5)
Marital status	Not Yet Married	78 (53.1)	107 (53.5)
	Married	69 (46.9)	93 (46.5)

Source: Authors own estimates

Note: Figures are frequencies; percentages and p-values are in parentheses; n=347

Our regression analysis focuses on the impact of human capital factors on job-matching outcomes. Table 2 presents the logistic regression results. The findings show that work experience and educational attainment are negatively associated with job mismatch and can significantly influence job-matching outcomes. For every year's increase in work experience, the odds ratio is 0.964. This indicates that with every year's increase in work experience, Malaysian employees are 1.03 times less likely to have a job mismatch (1/0.964). Employees with more experience may have higher self-awareness and a deeper understanding of job demands, such as skills,

knowledge, and qualifications. Over time, they become more familiar with their job roles and career paths, accumulating a wide range of skills and expertise. Hence, their knowledge and ability to learn from past experiences can reduce the likelihood of a job mismatch.

Additionally, for Malaysian employees with tertiary education, the odds ratio is 0.260. This shows that Malaysian employees with tertiary education are 3.85 times less likely to experience a job mismatch (1/0.26). Tertiary education provides specialized knowledge and skills relevant to their field of study. With this relevant knowledge and these skills, Malaysian

employees are more likely to secure jobs that align with their educational background. Another key point is that employers may prefer hiring individuals with higher education qualifications, assuming that these qualifications provide individuals with greater competitiveness and a higher ability to perform their tasks.

**Table 2 Logistic Regression Results**

	Coefficient	Standard Error	Wald	Exp(B)
Gender (Male)	.267	.258	1.079	1.307
Working experience (in years)	-.037	.016	5.457	.964**
Education Attainment (With tertiary education)	-1.348	.258	27.318	.260*
Number of benefits	-.038	.084	.211	.962
Constant	1.945	.690	7.951	6.992

Source: Authors own estimates

Note: Male as the reference group for gender; "with tertiary education" as the reference group for education attainment; n = 347;

\* significant at 1% level; \*\* significant at 5% level

## CONCLUSION

The current study provides essential practical implications. The findings reveal that human capital factors, including work experience and educational attainment, are crucial for individuals to remain relevant in the job market. These results underscore the importance of employers protecting the well-being of their employees by offering rewards and benefits, recognition, promotion opportunities, and work-life balance to enhance job satisfaction and, consequently, retain them in the organization. Otherwise, employees may consider switching organizations and experience job mismatches due to irrelevant work experience in their new jobs.

Additionally, the findings of this study highlight the importance of tertiary education. As Malaysia enters the era of the Fourth Industrial Revolution (IR4.0), many ways of work are changing. Job applicants are encouraged to enhance their skills and acquire relevant competencies before joining the job market. Higher education institutions need to offer programs and curricula that prepare future-ready talent.

Despite these important implications, the main limitation of this study is the data collection, which did not capture the specific

programs studied by Malaysian employees. Future research should consider including this information to provide a more comprehensive analysis of the human capital factor from an educational perspective.

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