

AIMC 2017
Asia International Multidisciplinary Conference

**EMPLOYERS' PERSPECTIVES ON DIPLOMA SUPPLEMENT TO
ENHANCE GRADUATE EMPLOYABILITY**

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Abstract

The youth unemployment rate remains high in Indonesia. Many unemployed youths are facing few job opportunities and are more likely to accept employment that is not well matched to their skills. The Indonesian government designed the Indonesian Qualification Frameworks (IQFs) to improve the quality and competitiveness of national education and skill formation to meet the business needs. Refers to IQFs, the government has set up national education standards and made this information publicly available by issuing a diploma supplement for graduates. This document issued to provide information about graduates learning outcomes includes attitudes, knowledge, and their general and specific skills of graduate competency standards. This research explores employers' perspectives on diploma supplement to examine the effectiveness in providing transparency of graduate competencies for increasing graduate employability. For further analysis, we collected data by conducting semi-structured interviews with 16 employer representatives from Yogyakarta. The findings show mismatch skills have less found in the hotel and telecommunication industries rather than manufactured and retail sectors since many hotels and a telecommunication company have implemented competency-based for their employees that it affects better job performances. Therefore, the employers do agree a diploma supplement helps to discover new graduates' competencies and will enhance their employability.

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Keywords: Skill mismatch, Indonesia Qualification Framework, Diploma Supplement, Graduate Employability.



1. Introduction

Youth unemployment still becomes a challenge in the Indonesian labour market. The rate of youth unemployment, the ages of 15-24, was 18.3 percent in 2015, which 31.4 percent of them were university graduates (International Labor Organization, 2015). Many of them face few job opportunities that are well matched to their skills. This factor causes the skill-shortage and skill mismatch in the labour market. Facing these problems, Ministry of Education and Culture (MoEC) and Ministry of Manpower (MoM) designed the Indonesian Qualification Frameworks (IQFs) or known as *Kerangka Kualifikasi Nasional Indonesia* (KKNI) to improve the quality and competitiveness of national education systems to meet the business needs. The IQFs is one of the educational strategies needed to build nation's skilled workforces to support its economic development and growth. The establishment of the IQFs, based on the Presidential Decree 8/2012, is to facilitate a mutual understanding of ASEAN member countries' human resources development, capacity building, and qualifications that have been agreed on the principles of the ASEAN Economic Community (AEC) (Moeliodiharjo et al., 2015). Moreover, the development of the national qualification framework aims to reduce disparities education performances among regions in Indonesia by composing levels of the graduate qualifications based on their knowledge and work competencies. Therefore, through this qualification standard, the improvement of graduate competencies is the way to bridge school to work transition and enhance the graduate employability.

The government cooperates with higher education institutions to issue a diploma supplement (*Surat Keterangan Pendamping Ijazah*) to make the information about graduate competencies available to the public. The university graduates will receive a diploma supplement along with their award certificates and transcripts after their graduation. The use of it is to provide additional information about graduates learning outcomes including attitudes, knowledge, and general and specific skills of their competencies. By giving details of graduate qualifications on diploma supplement, employers expect it not only provides information about their technical and discipline competencies from their degree, but it also demonstrates a range of broader skills such as team-working, communication, leadership, critical thinking, problem solving and managerial skills (Lowden, Hall, Elliot, & Lewin, 2011). Thus, the transparency of graduate qualifications is intended to improve the employers' trust and confidence in their outcomes.

1.1. The concept of employability

One of the student objectives for pursuing studies in the higher education institution is to get a job. This reason becomes the priority agendas of higher education institutions to enhance graduates' skills that would increase their attractiveness to potential employers (Deane, 2005). Sin and Neave (2016) also explain that higher education institutions were assigned a new role as a driver of economic progress by preparing highly skilled workers to meet the employers' needs in the labour market. Employers expect with a high rate of skilled workers in the market would reduce the cost for human resource development programs in their workplaces, and with their employability skills, they have capabilities to make a proactive contribution to the organisation after commencing employment. Mason, Williams, & Cranmer (2009) define employability skill as "work readiness to understand the world of work," which refers to knowledge about how people in the organisation do their jobs. Indeed, students need to develop employability skills by improving the competence-based qualifications such as communication, numeracy, literacy, IT, problem-

solving skills, team-working skills, and learning how to learn. When the graduates know their individual's qualifications, they would know how to present their capabilities to employers (Sin & Neave, 2016).

However, according to Archer and Davidson study in 2008, they found that there is a contrast between what some universities are promoting for the graduates' skills and what is required by industry (Lowden et al., 2011). This contrast may cause mismatch the skills in the labour market. Employers considered more soft skills (e.g. communication skills and team working) rather than hard skills like a good degree qualification. Meanwhile, Jonbekova (2015) identifies that employers often complain that graduates "have heads full of theories and principles," but they still lack technical skills. Thus, addressing this problem, employers have to provide human development training programs to develop transferable skills, skills required by employers, which are analytical and critical thinking, problem-solving abilities, interpersonal skills, working under pressure, teamwork, leadership skills, and recognition of lifelong learning.

Skill mismatch always becomes a concerned issue in the labour market over time. Technological innovations change rapidly giving impacts to diminish the value of some skills since it is replaced with other skills (García-Aracil & Van Der Velden, 2007). Additionally, Boudarbat & Chernoff (2010) addressed that the degree of skill mismatch also influenced by the types of job in which they identify that graduates who work in teaching or healthcare sectors, field-specific educational credentials, have the lowest skill mismatch problems. In contrast, jobs that do not require specific skills such as trade and hospitality are found have higher potential skill mismatch problems. Dolton & Vignoles (2000) found that skill mismatch also caused by education-related factors. For example, graduates from the social sciences, arts, and language programs are more likely to be overeducated rather than engineering, technical, and science graduates. However, Wolbers (2003) took consideration that socioeconomic factors contribute to the degree of skill mismatch, for example, individuals are more likely to take non-matching jobs instead of to be unemployed. As a result, in such cases, individuals cannot make use of their qualifications and skills.

1.2. Human capital and job-matching theories

Skill and education mismatches in human capital theory can be viewed as a part of an efficient labour market. Boudarbat & Chernoff, (2010) explain the reason for that view because it is a temporary phenomenon to replace one form of human capital to gain another. There are numerous aspects of human capital besides education such as experience and training. Indeed, human capital theory portrays that higher education has an important role in providing the skills needed to perform a complex job, making people more productive in sustaining economic growth. However, the labour market consists various job types that need many different skills and experience levels. Workers prefer to work in a job that matches their skills and education in taking consideration the feeling of usefulness to implement their knowledge and ability to control their jobs. Meanwhile, employers also prefer a match between workers' competencies with the job needs because it will maximise the productivity of the firms. In job-matching theories, therefore, explain if a mismatch happens that it will affect people to suffer (e.g. wage effect) and push them to change jobs until a better match found.

1.3. Indonesian Qualification Frameworks

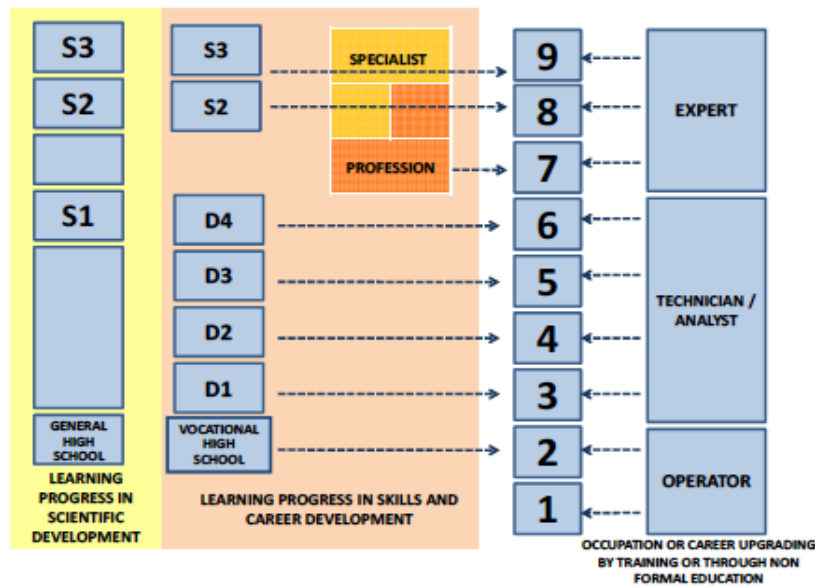


Figure 01. The Indonesian Qualification Framework

Source: Moeliodihardjo et al. (2015)

Indonesia has actively involved in the ASEAN Economic Community (AEC) since 2015. One of the areas of cooperation is a human resource development program by implementing the ASEAN Qualification Reference Frameworks (AQRFs). The AQRFs functions as a device to enable comparisons of qualifications across ASEAN members (Shwin, 2015). In 2012 Indonesia adopted AQRFs to develop the Indonesian Qualification Frameworks (IQFs), driven by national needs to improve the quality, capacity building, and recognition of professional qualifications of its human resources. Moeliodiharjo et al., (2015) explain IQFs was signed by the President through the Presidential Decree 8/2012 to develop national education standards in enhancing quality assurances of graduates' qualifications to meet the needs of the labour market. The IQF consists of 9 levels of qualifications, classified by both learning outcomes and job-specific competencies. Figure 1 shows that university graduates' qualification is in the 6-level. In this level, graduates can work as a technician or analyst, who has competencies of knowledge, skills, and attitudes. Santoso (2013) described that graduates in 6-level capable of applying their expertise in science or technology, and adaptation to various situations. They also know their job responsibilities like taking a strategic decision to choose several alternative solutions. Therefore, through the IQFs, the employers would have easy access to understanding the qualifications of new graduates. The government cooperates with higher education institutions issuing diploma supplements to make the information of graduate qualifications publicly available, which the information stated in Bahasa and English (Moeliodiharjo et al., 2015). Hence, this document is assigned in bilingual formats to aid recognition for both academic and professional purposes at national and international level.

2. Problem Statement

The government should consider ways of promoting the function of the IQFs to ensure the implementation of the IQFs achieving its goals. Lowden, Hall, Elliot, & Lewin (2011) explained that the

government has to develop the practical and sustainable partnerships with higher education institutions (HEIs) and employers. They found that employers highlighted the importance of building relationships with HEIs to have a more significant and more sustained impact on graduate employability by expanding opportunities to provide university students with relevant employment skills, knowledge, and awareness of employer culture through placement, internship, and work-based learning programs. Therefore, if all parties implement integrated work to promote employability activities more effectively and transparently, it might increase the employment rates for new graduates.

However, many employers in Indonesia still do not know about the IQFs and diploma supplement policies have been implemented in the labour market. This unclear situation is happening because not many higher education institutions have implemented the IQF standards on their academic system and issued diploma supplements for their graduates. Additionally, through our interviews, employer representatives in Yogyakarta, Indonesia, stated that they never heard about this policy from the government before since there has no socialisation program for introducing the use of IQFs and diploma supplements in the labour market. In conducting this study, we choose employers in Yogyakarta to be interviewed due to the low rate of university graduates employment. Yogyakarta is one of the education centres in Indonesia, but the graduate employment rate was only 6.6 percent in 2015 (PPDIKTI, 2016). Therefore, this study explores employers' perspectives about graduate qualifications to meet the business needs and reviews employer expectations from the use of a diploma supplement to enhance the university graduate employability in Yogyakarta.

3. Research Questions

In identifying the effectiveness the policy designs of IQFs and diploma supplement to enhance graduate employment rate in Yogyakarta, we address the following issues:

- What are the graduate qualifications needed by industries?
- Do employers know and understand about the IQFs policy?
- What are the employers' perspectives on diploma supplements to enhance employment prospects for graduates?

4. Purpose of the Study

This study aims to identify the effectiveness the policy designs of IQFs and diploma supplement. We explore employers' knowledge and perspectives about the IQFs and diploma supplement for giving the transparency of graduate qualifications and comparing their qualifications with the job needs what is required by industry. Thus, through these identifications, this study can measure the effectiveness of the IQFs and diploma supplement policies to enhance the graduate employment.

5. Research Methods

This study is a qualitative research by implementing the grounded theory approach. Bitsch (2005) described "the process of building grounded theory consists of different phases, as shown in Figure 2, which include deciding on a research problem, framing the research question, data collection, data coding and analysis, and theory development". After identifying the research problems and questions, we collected

data through conducting the in-depth and face-to-face interviews to gather information from employers. The selection of employers was purposive (Ritchie, Lewis, & Elam, 2003) but aimed to reflect a range of employer types and sectors that we got the current data from the regional office of Ministry of Manpower and Transmigration in Yogyakarta. Based on top 30 companies that have the most employees, eight companies gave responses to our interview invitations. They are from the hotel, telecommunication service, retail, finance, and manufacturing companies. We interviewed two representatives, who are organisation’s heads or managers from human resource department and supervisor of new employees in one of the departments in companies. We chose them as the participants because they have been involved in the hiring of recent graduates and monitoring their work performances, and another purpose is to explore various views from one company.

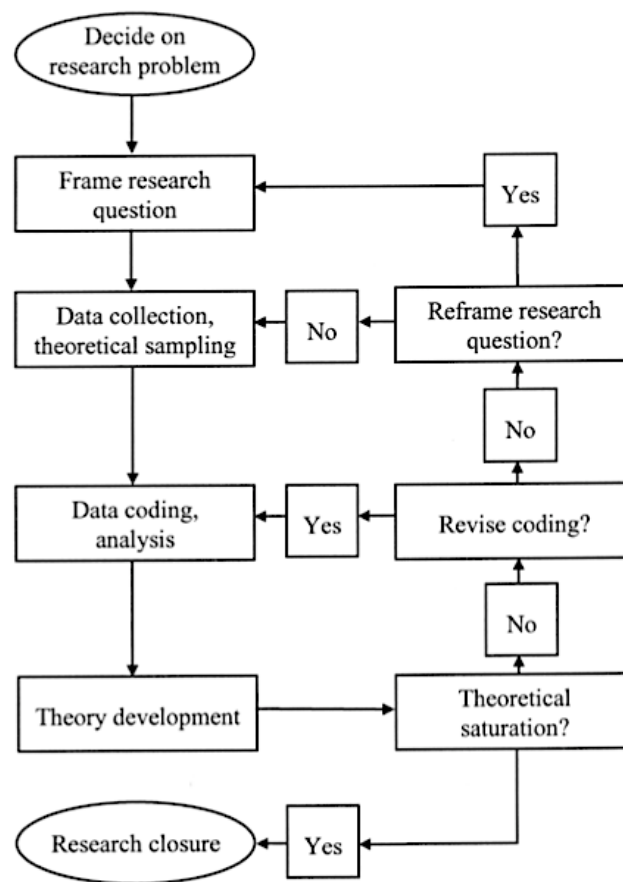


Figure 02. Grounded theory flow chart
 Source: Bitsch (2005)

The interview had processed between June and October 2017. During the interviews, we recorded the conversation with audio-recorder and wrote the notes. After collecting the data, we organise and prepare data for analysis by transcribing and reading through all the data, code the data by classifying it based on themes and familiar patterns, find the interrelating themes, and interpret the meaning of themes (Creswell, 2014). Following these steps of data analysis is to keep validating the accuracy of the information in the qualitative research. To avoid own bias in analysing the data, we employed semi-structured interviews that enabled to address some issues and questions that can be compared among different groups of employers

and provide flexibility for the interviewee to develop ideas and speak more widely on an issue raised by the researcher (Jonbekova, 2015).

6. Findings

6.1. Graduate skills and employers' needs

During the interviews, many employers address that they face skill mismatch problems in their workplaces. They claim that most of the time they found graduates' qualifications do not fit the job needs. These mismatch problems often found in the manufacturing and retail companies. Meanwhile, services companies (hotel, telecommunication, and finance) face less skill mismatch in their workplaces because they recruit employees with professional qualifications to be employed in the specific job placement such as customer services, accounting or legal department. However, they think that the skill mismatch does not bother them so much because they take more into account of graduates' soft skills compared to their degree qualifications because they need more technical and practical skills as well as positive attitudes (e.g. communication skills, teamwork, self-motivation and life skills) for the jobs rather than conceptual abilities.

“We encourage students to be involved in the organisation's activities to enrich their experiences working in the team that will give additional value added to themselves. In the organisation, students also can learn the dynamics of the social environment to adapt to different cultures and situations that will help them ready to work.”

– *Human resource officers; a retail company, hotels, and a manufacturing company* –

Representatives of the human resource department from some companies state that the involvement of students in the organisations will develop their soft skills team working that would help them to adapt to the new environment in the workplaces. Moreover, an accounting officer of a retail company gives an additional qualification that needed by graduates that is work experiences. She considers employee candidates have some working experiences that would help to develop their life skills and maturity to work in a company. However, a senior manager of the department of human resources in the hotel states her understanding that not many of new graduates already have working experiences. She hopes they would have a short working experience from the internship program. The internship program is an opportunity for students to apply their degree competencies into a practical world. In addition, she points out that employee's appearances do matters in the hotel to keep the quality of customer services. Communication skills also one of an essential skill for graduates because they require being able to express ideas and views clearly in the speech by conducting the effective spoken communication. From these identifications, in general, employers have preferences for their employees to have strong soft skills to support their job performances.

In facing the global environment in the workplaces, employers encourage new graduates have developed their ability to speak one of the foreign languages, especially the English language.

“Our companies have many partnerships with foreign clients and customers such as from the Philippines, Malaysia, Japan, England and many more. We need our employees can actively to have communication with them to have information and knowledge transfers.”

– *Senior managers; a financial institution, a telecommunication service company, and hotels* –

Moreover, nowadays the business process and activities highly depend on technology. Employers expect their employees can follow up the rapid change from the technological advancement and information

access. Indeed, employers think that is important for students to develop their IT (information technology) skills through the learning process in the universities. Other employers have agreed that academic qualifications and graduates' academic achievements are important to support job performances in the company. Nevertheless, employers are looking to hire a new employee who has positive attitudes. They think that a positive attitude in the workplace helps employees to accomplish task appropriately in a better manner such as having the good relationship with colleagues.

“We look carefully employee candidates' personality and attitudes, especially their honesty, self-motivated, and hardworking. Their manners will influence their job performances and team performances as a whole.”

- Senior managers; a financial institution, a telecommunication service company, a retail company, and hotels –

6.2. Employers' responses on IQFs and diploma supplement

One of the aims of this study is to explore employers' knowledge about the IQF policy and its implementation by issuing a diploma supplement. During the interview processes, we began the conversation by giving a brief explanation about the purposes of our study to employers and then asked them if they ever heard about this policy before. Most of the employers answer that they never know about this policy because there is no a socialisation program from the government. Hence, they have no clues about the purpose of this policy.

Aside from those employers, two representatives have heard about the IQF policy even though they do not know about a diploma supplement. Two representatives are from the telecommunication service company and a hotel. They know about the IQFs because their companies have to keep improving the employees' qualifications by participating in the training or short course programs to get a certificate for certain skill achievements. For doing these activities, they often have to cooperate with higher education institutions and the government. Employers who know about this policy give positive responses for the implementation of the IQFs in the national education system. As a result, through this policy, they expect graduates to develop their qualifications with certified competencies.

“We expect the IQFs and a diploma supplement can enrich graduates' qualifications with employability skills. It will be better if the information on a diploma supplement supported by their portfolios or skill certifications.”

- Senior managers; a telecommunication service company and a hotel –

6.3. The use of diploma supplements in the recruitment process

The diploma supplement is a transparency tool to aid recognition for both academic and professional qualifications in the labour market. Greater transparency helps employers in understanding and interpreting graduates' qualifications and competencies (Deane, 2005). This process is needed to recruit great candidates. To check the usefulness of a diploma supplement for the hiring process in Indonesia labour market, during our interviews, we explore employers' views about this issue. The findings show that most employers agree that a diploma supplement provides sufficient information to help employers in assessing the candidates' competencies. A human resource manager of a manufacturing company argues that “the information in the supplement can be used to analyse the candidates' profiles and background.” In contrast,

few employers from manufacturing companies disagree that the diploma supplement provides enough information to identify graduates' qualification. They state that it would not help much in the hiring process because we need information not only about their degree qualifications and technical skills but also their social activities in the neighbourhood. From these contrary views, the existence of diploma supplement gets positive responses from the employers though it still needs some improvement.

Through transparency of graduates' qualification, employers can assess their employability skills. If their skills match with the job needs, they have the higher probability to be employed in the company. However, the hiring process has some stages. If the employee candidates, who have a diploma supplement, can pass all the selection process, it helps to develop trustworthiness of employers for the validity of information in the supplement. As a result, it has positive impacts in shortening the recruitment time and minimising the costs for human development programs.

“A diploma supplement might help them to pass the administration selection, but to be employed in the company they have to show their high capabilities in the psychological test and interviews. Through other selection stages, we can identify the validity of candidates' competencies to find the best candidates. This process helps companies to re-training employees and reduce the costs for human development programs.”

– *A human resource officers, a communication service company, a retail company, and hotels* –

7. Conclusion

The interview findings show broad employers' perspectives on the graduates' employability skills and qualifications needed by the companies, and how the information of their qualification stated formally in the diploma supplement can be used for the hiring process. Most employers expect the employee candidates have more soft skills, especially communication skills, teamwork, work experiences and attitudes, rather than hard skills such their degree qualification. The requirements set up by Indonesian employers are similar to other countries labour market that has been discussed by Sin and Neave (2016). Employers highlight a positive attitude is a key to keep company's productivity high by developing a trustworthy and good relationship with employees. They also more concern in finding the employee candidates who are ready to work by applying their soft skills rather than someone who has conceptual-based competencies. In this study, we find that employers do not always follow the job-matching theory to find the great candidates for their companies. As a result, many of them do not bother with skill mismatch issues in their workplaces as long as their employees have work capabilities that fit with the company goals. However, the purpose of the government to improve the quality of human resources in Indonesia by implementing IQFs and issuing diploma supplement has got positive responses from employers. Employers recognise that they need transparency of graduates' qualifications to help them in assessing the candidates' competencies that fit the job needs. Hence, a diploma supplement helps employers to find the right employee candidates who are ready to work and give a contribution to the improvement of company's productivities.

Acknowledgments

The authors are grateful to all employer representatives who participated in the interviews. We would also like to thank Devi Septiyana dan Dian Kurnia for their contribution to the fieldwork. This study had been funded by the research centre (LPP) of Universitas Ahmad Dahlan.

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