

## A Study on Unemployment rate of Youth Graduates Student in Malaysia

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### ABSTRACT

This study delves into the dynamics of unemployment rate among recent graduates within the first two years post-graduation. By employing Partial Least Square (PLS) as a statistical tool, the research aims to assess both the measurement and structural models, providing valuable insights into the factors influencing unemployment. This research aims to investigate how English proficiency, employability skills and job mismatch affect unemployment rate among youth graduate students in Malaysia. This quantitative research distributed an online questionnaire to collect data from 300 unemployed youth graduate students. The findings implies that English proficiency and job mismatch have significant positive relationship with unemployment rate, whereas employability skills possess a significant negative relationship with unemployment rate. The findings contribute to the continuous improvement on unemployment rate among the youth graduate students of Malaysia by English proficiency, employability skills and job mismatch.

**Keywords:** Employability Skills; English Proficiency; Job Mismatch; Unemployment Rate

## **INTRODUCTION**

The topic of this research is a study on the unemployment rate of youth graduates in Malaysia. To begin with, this research will initially discuss about the research background, objective, and problem statement for youth graduate unemployment rate topic. Further, there are hypotheses about how the issue is going to develop. The information and data on youth unemployment from 2019 to 2022 according to the Department of statistics will be the guidance for this research. Besides, self-questionnaire is use as a means of complement of the data.

The meaning of unemployment is a state of having the ability to work but not getting employment opportunities. Unemployment issues occur in every country or region which will cause psychological affects for each individual and level of community welfare (Damaianti & Chaerudin, 2021). According to the department of statistics of Malaysia, the unemployment rate has remained between 3.3% to 3.4% constant from 2017 to 2019 right before the pandemic, but it soared directly to 5% in 2020 clearly due to the corona virus. Hence, it affects many factories and companies facing bankruptcy or unable to afford the salary to their employees. Nonetheless, the DOSM chief statistician reported that due to the pandemic, the challenges of labour market environment have resulted in fewer job. Covid-19 pandemic has caused the unemployment rate to significantly increase (Muhtar & Lutfi, 2021). Besides, many companies have laid off their employees to stabilize company's expenditure, which affect the unemployment rate to increase (Espinoza et al., 2021). Therefore, the unemployment rate in Malaysia starts from a stable range and suddenly fell into a worse situation. After a long time, the annual report of the Department of Statistics Malaysia stated that the unemployment rate had dropped from 4.2% in June 2021 until January 2022 since the pandemic has significantly raised. Furthermore, the data from the FMT report show that the unemployment rate is rising rapidly, there are still 610.5 thousand unemployed in March 2020 employment situation, compared to January 2020 (508.2 thousand) there are 102.3 thousand. Hence, it is the lowest figure for the whole of 2020. In recent years, the proportion of youth graduates who are unemployed in the unemployment rate has gradually increased. According to The Straits Times, there are more than 200,000 graduates who are still unemployed in 2020 (Asri, 2021). While the most important is about young graduates will have to compete not only with their peers but with those laid off by the pandemic which causes them to withdraw from the workforce.

Unemployment is an unreplaced element in the economy which it directly related to people capability and contribution to the global economy (Hayes, 2023). According to the Department of Statistics Malaysia (DOSM), 3.2 percent of Malaysian's total 5.29 million graduates were unemployed in 2019. While youth graduate is one of the biggest groups in population, so it does play an important role. According to DOSM Statistics report 2018, Malaysia did produce 4.96 million graduates last year, which is 20.3 percent of the country's working-age population. However, even it's a large scale, but the unemployment rate of graduates is still remained high as 162,000 in Malaysia. Therefore, based on the theory of Carroll 2016, level of English language proficiency is one of the critical drivers of unemployment. In that survey shown that people who were born in non-English speaking nations have a higher possibility to face unemployment issue than those who were born in English speaking countries like Australia. Besides, there are research discovered that English language proficiency has a beneficial impact on unemployment rate (Lim & Bakar, 2004). Hence, English proficiency level will influence the graduate's unemployment rate. Moreover, Hanapi and Nordin (2014) stated that youth graduates in Malaysia are lack of employability skills compared to other international students. While these skills are the fundamental abilities required to obtain,

maintain, and excel in a profession (Robinson, 2000) and these skills are generic rather than job-specific which apply to all industries, enterprises, and employment levels, from entry-level to senior management. Khir (2006) claims that today's graduates are weak in both technical and generic skills (Singh & Singh, 2008). Competence is the merger of specialized knowledge and general skills, attempts to improve graduates' competence must address those competencies. As a result, it is critical for educational institutions to collaborate with industry or company in order to meet the demands and needs of employers. Nonetheless, job mismatch is another factor that exist when graduates are overqualified or underqualified for a job and it causes unemployment. There are instances where graduates look unprepared for jobs or have a lack of capability and knowledge required for the position (Affleap, 2010). According to The Star, Malaysia had 1.4 million job opportunities in 2017, yet 86.9% of those vacancies were for low-skilled professions that only required primary education and were not fit for recent graduates. Thus, this research provides several research questions as the benchmark of the discussion as follows. First, investigating whether English proficiency has a positive relationship with the unemployment rate. Second, whether employability skill has a positive relationship with the unemployment rate. Third, whether job mismatches have a negative relationship with the unemployment rate. In so doing, the objectives of this research are to examine the relationship between English proficiency and unemployment rate, to examine the relationship between employability skill and unemployment rate, and to examine the relationship between job mismatch and unemployment rate.

The hypothesis is formulated based on the discussion are attached below.

H1: There is a relationship between English proficiency and unemployment rate.

H2: There is a relationship between employability skill and unemployment rate.

H3: There is a relationship between a job mismatch and unemployment rate.

## **LITERATURE REVIEW**

Here is the dependent variable which is unemployment rate and the three independent variables. First of all, English proficiency, second is employability skill and the last is job mismatch. Beyond that, the researcher will evaluate and clarify the relationship between unemployment rate and three independent variables, such as the relationship among English proficiency and unemployment rate, the relationship between employability job mismatch and unemployment rate. At the end, this research will present and explain the research framework.

### **Unemployment Rate of Youth Graduate**

This research dependent variable is a study on the unemployment rate of youth graduates. According to the Thirteenth International Conference of Labour Statisticians (ICLS), unemployment is defined as when a worker was not employed during the reference period and both people who are looking for work then or are currently available, but no business wants to hire them. These are defined as unemployment (ICLS, 1982). However, youth unemployment is seen as an important policy issue in many countries and can significantly affect national economies regardless of their stage of development. Youth graduates' unemployment is defined as a range between the ages of 15 and 24, while those 25 and older are considered adults (ILMIA, 2017).

Although the epidemic is the reason for the rise of unemployment in 2020, but that is not the only reason. In fact, the three main reasons are because of English proficiency, employment skill, and job mismatch. Here are the reason why English proficiency is the major factor. Nowadays, no matter where you go, English is used to communicate with other people. When you are looking for a job, you need to interview, and most interviews are in English. Therefore, delivering a good speaking in English will potentially let the recruiter hire you. Second, employment skills significantly affect hiring employee. Most employable skills are communication, teamwork, critical thinking, and computer skills. These skills are very important in today's workplace and highly required by most companies. Thus, these skills are considered as the bare minimum where every candidate should expertise before they are hired. Third. job mismatch becomes the third influencing factor. Uneven recovery contributed to an increase in unemployment, but a skills mismatch is a result of shifting labour market needs. When the field of study does not correlate to the field of profession, a person might be both overqualified and underqualified.

### **English Proficiency**

It is well known that English proficiency means while completing their programme of study, students must be able to use the English language to make and transmit meaning in both spoken and written contexts. Meanwhile, the researchers found that everyone has different views on English proficiency, so it has to be explored the similarities and differences in depth. From RELC journal there is a research about teaching English through English: Proficiency, pedagogy and performance. This journal is probably about the majority of English teachers around the world speak English as a second or third language rather than as their first language. Many people's English competence may fall short of the standards set by their employers, prompting the question that this article addresses: what level of English proficiency is required to be an effective English teacher? The purpose of this article is to give a broad overview of how the role of language proficiency has been treated in ELT literature. It examines the relationship between language competency and teaching ability, investigates the impact of language ability on various aspects of teaching, and raises implications for language evaluation and the creation of language enhancement programs for language teachers.

So, what is relationship between the English Proficiency and the youth graduate unemployment. Since the English language is important in this generations, many company while they are vacancy for the worker, that will require the English proficiency ability, while using on their job such as communicate with customer, contact by using English with customer and others work also require to use English to proceed.

### **Employability skill**

Yaacob (2022) states that skill is important for a fresh graduate. It is because, according to the Bumiputera Agenda Steering Unit (2020) states that the number of unemployed graduates increased by 22.5 percent to 202,400 in 2020, up from 165,200 the previous year. Most of the graduates in Malaysia are having a hard time to find a job after graduate as stated by the Department of Statistics Malaysia (2020). Therefore, Asri (2021) states that graduates must always to improve themselves, especially their soft skills. In this way, graduates can prevent unemployment due to the employability skill and to prepare themselves for the future.

### **Job Mismatch**

The International Labour Organization (2021) said that most graduates use education loans to pursue their studies. Hence, the graduates expect that they can have and as they want to repay the loan, but it is hard to find a suitable job as not all the jobs in the

market for higher education certificate holders. Furthermore, Mottain (2022) stated that unemployment remains high, especially among highly educated young people, but due to a mismatch between graduates' abilities and industry requirements, it affects the unemployment rate increase. For example, in 2017, 175,900 (4.2%) of 4,231,100 people with higher education were unemployed.

### **Relationship Between English Proficiency and Unemployment Rate**

English proficiency means that when finishing a program of study, a student has the capability to articulate and transmit meaning in oral and written situations in English. One of the reasons for the rise in unemployment is English proficiency. According to Sarah Deverall, director of British Council Malaysia, in the digital era, English ability has never been more vital for finding a job and prospering. While many individuals nowadays can use and comprehending English, abilities such as sophisticated grammatical structures, natural pronunciation, and knowledge of appropriacy and register may make a significant difference in how successful they communicate in English. In Malaysia, many companies see language aptitude and communication skills as distinct qualities. Employers are prepared to consider individuals with ordinary English abilities provided they can communicate effectively. Nowadays, most people are afraid to communicate due to poor English and lack of confidence, which makes it difficult for people to understand and communicate with them in some projects.

### **Relationship Between Employability Skill and Unemployment Rate**

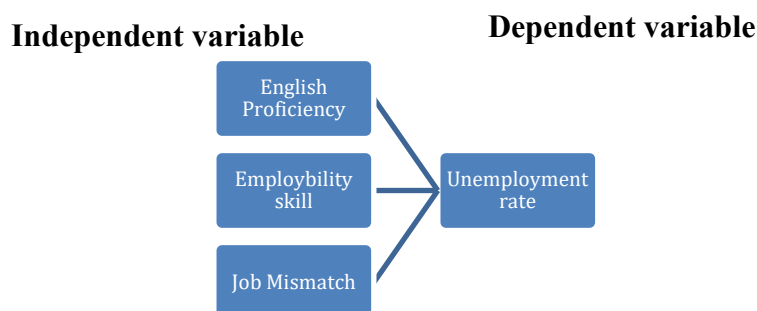
Skills-for-job are another name for employability skills. Students require employability skills to equip themselves for a variety of careers after graduation (Shafie & Nayan, 2010). Employability abilities, according to Salbiah (2006), can be characterized as "essential skills for getting job," which include fundamental reading, writing, arithmetic, and problem-solving skills. Employability skill, according to Hanapi and Nordin (2014), refers to the quality and personal understanding that every graduate should have expertise in. This is to aid the graduate's employability and to help the graduate become a competent and competitive worker. Technical skills are hard skills, while generic skills are soft skills. Hard skills are more particular, teachable talents that are usually tied to professional knowledge, tools, technical, or administrative procedures that are relevant to an organization's core business (Aida, Norailis & Rozaini, 2015). Graduates are reported to be well-equipped with technical skills but lacking in soft skills, which are critical in the workplace. Writing skills, programming, system development, entrepreneurship, and others are examples of technical talents (Rahmat, Ahmad, Idris, & Zainal, 2012). Furthermore, communication, critical thinking, teamwork, continuous learning, information technology, professional ethics and morals, entrepreneurship, and problem solving were all highlighted by the Ministry of Education (KPM) in 2006. Further, students' levels of preparedness for all types of those generic abilities were poor among final year students of the Faculty of Education, UTM. In a nutshell, generic skills are the fundamental abilities that graduates must possess in order to perform their professions effectively, such as communication, problem solving, managerial, information analysis, ability to adapt to a changing work environment, technological savvy, and collaborative skills.

### **Relationship between Job Mismatch and Unemployment rate**

The Job Mismatch and Unemployment rate is a positive relationship. According to Sitheravellu (2019) stated that graduates lose out due to skills mismatch. It is due to the reason that there is a skills mismatch with employers prioritizing soft skills and work experience. Nowadays, every year they estimated 290,000 university students graduate from higher learning institutions. Other than that, they remain unemployed for about six months after graduation, the unemployed ones from social science, business, and law

backgrounds while those with a degree in electrical engineering are also in the same issues. Nowadays, many recruiters are looking for graduates who have problem-solving and decision-making skills, communication skills, ability to work independently, willingness to learn and grow, and are capable of working under stress. These are what prospective employers are looking for in a graduate.

**Figure 1.** dependent variable and independent variable for the conceptual framework.



## RESEARCH METHOD

This chapter will discuss the target population for this topic, and then this research also will sample the elements, technique, and size. Then, this research will discuss our data collection method and research instruments.

### Target population

This research focuses on the study on the unemployment rate of youth graduates, so the range of this research target population is very small. This research just looking for unemployed youth graduates in Malaysia.

### Sampling Elements

The specific criteria set for the respondents in the Google Form are English proficiency, employability skill, and job mismatch. It is because it affects the unemployment among the graduate become higher.

### Sampling Technique

The method that we use is measurable, such as questionnaire, primary data, and secondary data to collect our data. It is because all result is confirmation and proof by government. Hence, we decide to create questionnaire to let respondent fill up and collect the data.

### Sampling size

For these research questionnaires our target is a minimum of 300 responses as Bullen (2022) says most statisticians feel that a sample size of 100 is required to obtain any form of significant conclusion (Bullen, 2022).

### Data collection method

This questionnaire has 108 responses, it is less than the target number 300 responses. After this questionnaire had designed in Google form, this questionnaire published in some universities and some recruitment groups on Facebook, because this research target population is youth graduates. Besides that, we also publish our questionnaire on

Instagram and WeChat. It took us about 2 weeks to find 108 responses and using 3 days to sort out all questionnaire data from.

### **Research Instruments**

This questionnaire included 5 sections which is Section A demographic, Section B English Proficiency, Section C Employability Skills, Section D Job mismatch, and Section E Unemployment. Section A is about the unemployment rate of youth graduates. Youth graduates' unemployment is defined as a range between the ages of 15 and 24, while those 25 and older are considered adults (ILMIA, 2017). Section B is about English proficiency from RELC journal there is research about teaching English through English: Proficiency, pedagogy and performance. This journal is probably about the majority of English language teachers around the world speak English as a second or third language rather than as their first. In Section C is based on Yaacob (2022) who states that skill is important for a fresh graduate. In Section D holds on the International Labour Organization (2021) said that most graduates use education loans to pursue their studies, but it is hard to find a suitable job as not all the jobs in the market for higher education certificate holders. Lastly, Section E unemployment is defined Youth graduates as a range between the ages of 15 and 24, while those 25 and older are considered adults (ILMIA, 2017).

**Table 1.** Research Instruments

Variables	Item	Cronbach's Alpha	Sources
English Proficiency	5	0.844	Lim and Bakar, 2004
Employability Skills	5	0.932	Knight, 2015
Job Mismatch	5	0.871	The Star, 2018
Unemployment	5	0.803	ILMIA, 2017

## **RESULTS**

### **Respondent Profiles**

Respondents in this research are unemployed people who graduate within 2 years. The questionnaire was distributed to 170 unemployed youth graduates, and there are only 108 set of responses are valid to be used, while this lead to 63.5% of responses rate. Table 1 presents the details of respondents.

**Table 2.** Profile of Respondents

Demographic Variable	Category	Frequency	Percentage (%)
Gender	Male	54	50
	Female	54	50
Ethnicity	Malay	40	37.0
	Chinese	53	49.1
	Indian	12	11.1
	Others	3	2.8
Age	19 - 23 years old	75	69.4
	24 - 28 years old	24	22.2

	29 - 33 years old	6	5.6
	34 - 38 years old	3	2.8
	39 years old and above	0	0
Higher Qualification	A-level/ Matriculation/ Foundation/ Certificate/ Diploma/ Sijil Tinggi Persekolahan Malaysia (STPM)	74	68.5
	Bachelor's Degree	25	23.1
	Master's Degree	7	6.5
	Doctoral Degree	2	1.9
Duration of unemployment	6 months and below	69	63.9
	7 months - 12 months	22	20.4
	13 months - 18 months	9	8.3
	19 months - 24 months	3	2.8
	25 months and above	5	4.6
Type of institution	Public institutions	47	43.5
	Private institutions	60	55.6
	Others	1	0.9
Filed of Studies	Science	22	20.4
	Art & Social Science	45	41.7
	Engineering and Technology	33	30.6
	Health and Medical	8	7.4

### **Data Analysis**

Partial Least Square (PLS) is structuring launch the SmartPLS 3.2.8 version (Ringle, Wende & Becker, 2015) as the statistical tools to study the measurement and structural model. While based on the theory of Chin et al. (2003) stated that these tools do not require normality assumption and survey research is not widely disseminated.

Based on Anderson and Gerbing (1988) said that 2-step approach was used to investigate the development of model. The first approach is used to against the measurement model in order to evaluate the validation as well as reliability of instruments according to the rubric of Hair et al. (2019) and guideline from Ramayah et al. (2018). While the second step is related to the development of hypothesis could be test by structural model.



There are three significant elements that required in the measurement model, which include loading, average variance extracted (AVE) and composite reliability (CR). While the value of loading should be  $> 0.5$ , the AVE should be  $> 0.5$  and the CR should be  $> 0.7$ . The result that shown in Table 2, points out that AVEs are all greater than 0.5, the CRs are all greater than 0.7, when the same time the loading was also acceptable with only one loading of English proficiency lower than 0.708 loading (Hair et al., 2019).

Next, Henseler et al. (2015) suggested that discrimination validity that using HTMT criterion should be used and it is updated by Franke and Sarstedt (2019). The HTMT values should be  $< 0.85$  for the stricter criterion, while it should be  $< 0.90$  for the more lenient criterion. As shown in table 3, HTMT value were all less than the stricter criterion of  $< 0.85$ . Hence, it can be concluded that the respondents understood that the 4 constructs were different. Considering both validity tests, it is shown that the measurement models are both valid and reliable.

**Table 3. Measurement Model**

Constructs	Items	Loadings	AVE	CR
English Proficiency	EP1	0.904	0.689	0.897
	EP3	0.792		
	EP4	0.931		
	EP5	0.668		
Employability Skill	ES1	0.863	0.786	0.948
	ES2	0.898		
	ES3	0.897		
	ES4	0.905		
	ES5	0.870		
Job Mismatch	JM1	0.867	0.663	0.907
	JM2	0.855		
	JM3	0.845		
	JM4	0.775		
	JM5	0.720		
Unemployment	U1	0.800	0.565	0.864
	U2	0.707		
	U3	0.852		
	U4	0.822		
	U5	0.531		

\*Note: EP2 was deleted due to low loadings.

**Table 4. Discriminant Validity (HTMT)**

	1	2	3	4
1. English Proficiency				
2. Employability Skill	0.443			
3. Job Mismatch	0.737	0.577		
4. Unemployment	0.711	0.708	0.748	

### **Structural Model**

According to Hair et al. (2019), reported that the path coefficient, the standard errors, t-values, and p-values for the structural model using a 5000-sample re-sample bootstrapping procedure by Ramayah et al. (2018). In addition, there are a recent report criticized that p-value were not the most accurate standard for testing the significant of hypothesis and recommended to use an integrating of criterions, such as p-values,

confidence intervals, and effect size. Table 5 shows the summary of the criteria that have used to test the hypotheses developed.

Firstly, the assessment starts from the effect of the 3 predictors on unemployment, the  $R^2$  was 0.585, which shows that all the 3 predictors explained 58.5% of the variance in unemployment. EP ( $\beta = 0.329$ ,  $p < 0.05$ ), job mismatch ( $\beta = 0.219$ ,  $p < 0.05$ ) were both positively related to unemployment. Thus, H1 and H3 were supported. However, employability skill ( $\beta = -0.386$ ,  $p < 0.05$ ) was not significantly related to unemployment. Although ES has negative relationship with unemployment, it was consider supported. This is because the hypothesis is mentioned that these two variables have a relationship.

**Table 5.** Hypothesis Testing Direct Effect

Hypothesis	Relationship	Std Beta	Std Error	t-values	p-values	BCI LL	BCI UL	$f^2$	VIF
H1	EP ➡ U	0.329	0.081	4.081	0.000	0.161	0.478	0.155	1.689
H2	ES ➡ U	-0.386	0.091	4.260	0.000	-0.545	-0.195	0.259	1.384
H3	JM ➡ U	0.219	0.103	2.118	0.034	0.042	0.042	0.059	1.957

Note: Using 95% confidence interval with a bootstrapping of 5,000

## DISCUSSION

This study delves into the dynamics of unemployment rate among recent graduates within the first two years post-graduation. By employing Partial Least Square (PLS) as a statistical tool, the research aims to assess both the measurement and structural models, providing valuable insights into the factors influencing unemployment. The study distributed questionnaires to 170 unemployed youth graduates, with 108 sets of valid responses, resulting in a commendable 63.5% response rate. The measurement model analysis, guided by the two-step approach proposed by Anderson and Gerbing (1988), evaluates the validation and reliability of the instruments used in the study. Loading, Average Variance Extracted (AVE), and Composite Reliability (CR) are identified as critical elements. The results presented in Table 2 indicate that the AVEs and CRs meet the recommended thresholds, signifying strong reliability. Although one loading for English proficiency falls slightly below the 0.5 threshold, it remains acceptable (Hair et al., 2019). Furthermore, the study employs the HTMT criterion to assess discriminant validity, as suggested by Henseler et al. (2015). The results in Table 3 reveal that all HTMT values fall below the stricter criterion of  $<0.85$ , affirming that respondents distinctly understood the differences among the four constructs. Combining these validity tests, the study concludes that the measurement models are both valid and reliable.

Moving to the structural model, the study follows the recommendations of Hair et al. (2019), utilizing path coefficients, standard errors, t-values, and p-values. Additionally, recent criticisms of relying solely on p-values prompt the inclusion of multiple criteria, such as confidence intervals and effect size. The assessment begins by exploring the impact of three predictors (English proficiency, job mismatch, and employability skills) on unemployment. The  $R^2$  value of 0.585 indicates that these predictors collectively explain 58.5% of the variance in unemployment. English proficiency ( $\beta = 0.329$ ,  $p < 0.05$ ) and job mismatch ( $\beta = 0.219$ ,  $p < 0.05$ ) exhibit positive relationships with unemployment, supporting hypotheses H1 and H3. Interestingly, employability skills ( $\beta = -0.386$ ,  $p < 0.05$ ) show a negative relationship with unemployment, contrary to expectations. While not

statistically significant, it is deemed supported based on the hypothesis suggesting a relationship between the two variables.

Thus, this study provides a robust analysis of unemployment among recent graduates, employing both measurement and structural models. The results affirm the validity and reliability of the measurement models, allowing for meaningful insights into the predictors of unemployment. The structural model analysis highlights the nuanced relationships between English proficiency, job mismatch, employability skills, and unemployment. These findings contribute to a deeper understanding of the factors influencing unemployment among recent graduates and provide a foundation for future research and policy interventions.

## **CONCLUSION**

The objective of this study is to examine the effect of English proficiency, employability skills, job mismatch on unemployment rate. The result of this study shown that English proficiency has a significant positive relationship with unemployment rate; thus H1 was supported. The significant positive relationship between English proficiency and unemployment shows that youth graduate within a high English proficiency level can lower down the unemployment rate in Malaysia. The finding is consistent with the prior studies that English proficiency was found a positive impact to the unemployment rate. While the relationship between employability skill and unemployment was lead to insignificant in this study, this means H2 was not supported. Hence, it is implied that employability skills among youth graduates do not have a significant relationship with their unemployed issue. This finding is inconsistent with the previous research that shows positive related to unemployment rate. Meanwhile, the H3 was supported because job mismatch shown positively relationship with unemployment rate in this research. While this outcome lead to a result that job mismatch pose a significant relationship with unemployment rate, which this result is identical related with the prior study that job mismatch did affect positively do the unemployment rate.

## **LIMITATION**

Although the empirical findings of this study could contribute to the existing social literature, but the result of the prevent study should not be generalize applies to all country or states. Here are some suggestions for future research model including distribute the questionnaire to the entire Malaysia in order to get back the big sample size for accurate analysis.

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