

**Project On**

**“Reasons For Graduate Unemployment and It’s Effectiveness on Economic Growth**

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# Abstract

This study explores the phenomenon graduate unemployment and it’s implications on economic growth. Analyzing the causes and consequences of this issue, it investigates the challenges faced by educated individuals in securing employment and how this affects overall economic development. Additionally the study explores the role of government policies, educational institutions and private sectors in mitigating the adverse effects and fostering a more inclusive and sustainable economic development. By analyzing the relationship between a high number of employed graduates and the overall economic landscape, this study contributes to a better understanding of the challenges posed by graduate unemployment and it’s broader implications for national economies. This project employs a combination of quantitative and qualitative methods to assess the factors contributing to graduate unemployment, including mismatch skills, educational policies, and economic trends. Ultimately the research aims to contribute valuable recommendations for stakeholders to enhance educational curricula, refine workforce training programs, and formulate effective policy that promote a resilient and prosperous economy in the face of evolving employment landscape.

Keywords: Unemployment, Economic growth, Mitigation, Government policy, Explore, productivity, stakeholders.

## Introduction

This research paper analyses the relationship between graduate unemployment and it’s effectiveness on economic growth.

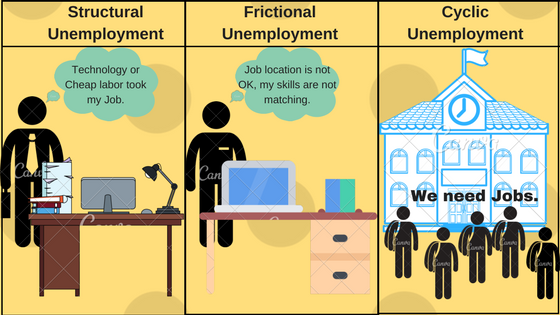
Graduate unemployment is unemployment among people with an academic degree. It refers to the condition in which individual who have completed higher education such as obtaining a degree from a university or college are unable to find suitable employment opportunities that match their educational qualification. These graduate unemployment has to turn out to be a significant problem worldwide. The effect of graduate unemployment on economic growth of a nation can be significant. When educated individual struggle to find a job it can lead to wasted human capital and hinder the country’s overall productivity. This situation may also contribute to social issues including dissatisfaction among the educated youth. Addressing this challenge requires a coordinated effort involving education reform skill development programs and initiatives to promote job creation and entrepreneurship.

## Backgraound

The term unemployment can be defined as a situation whereby those who are willing and able to work do not find job. According to the International Labor Organization (ILO), unemployment occurs when people are without job and have been actively looking for work over the past four weeks. Unemployment arises as a result of insufficient and non- availability of jobs to correspond with the fear of being unemployed due to job insecurity and retrenchment of workers. Unemployment can either be voluntary or involuntary. Voluntary in the sense that one choose not to work because he or she has means of support other than employment. Example is an idle rich man. On the other hand involuntary unemployment exists when persons who are eligible and willing to work at the prevailing rate of pay unable to find work. Graduate unemployment can be attributed to a complex interplay of factors. One major cause is the evolving nature of job markets, where the demand for specific skills may outpace the supply of graduates in certain fields. Additionally, mismatch between academic curricula and industry requirements contribute to a skill gap. Furthermore the prevalence of entry level positions requiring prior work experience poses a significant hurdle for fresh graduates. Limited networking opportunities and inadequate career guidance during academic pursuits can impede graduates ability to secure relevant internship or practical exposure. In some cases, regional disparities in economic development can result in job market imbalances, affecting the employability of graduates in specific areas. According to the Labor force Survey 2022 released on Wednesday, 12 percent of University graduates or nearly 8 lakh were unemployed last year, representing the highest percentage of unemployment among jobseekers from all level of education. Because of the difficulties of measuring / defining unemployment as well as the concerns over the reliability of government – produced figures, some experts believe the actual number of the unemployed will be much higher. One may recall that an economist intelligence unit report in 2014 claimed that 47 % of University graduates were unemployed. Then a 2017 estimate by the Bangladesh Institute of Development Studies went to step further, reporting a staggering 66 % unemployment among graduates. Young people need more economic opportunities. The year -on- year surge in unemployment is not limited to any specific field ; even engineers and medical Professional generally deemed to be in high demand are facing similar challenges. It is essential to understand that the increased rate of graduate unemployment can be attributed solely to a lack of skills or qualifications, although having proper skill certainly helps. There are market realties that can't be denied, including the protracted fallouts of Covid - 19 and ongoing economic downturn as well as the declining investment in job creation.

The study will reveal how the University graduates will make themselves relevant and independent instead of relying on the non existing job.

## Type of unemployment



**Structural unemployment**: Caused by changes in the structure of the economy.

**Cyclical unemployment**: Associated with economic downturns and fluctuations in the business cycle.

**Frictional unemployment**: Result of voluntary employment transitions within an economy.

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## 2. Objectives

1. To analyze the influencing factors of unemployment.
2. To show the causal linkages among the unemployment and economic growth determinants.
3. To explore the reasons of graduate unemployment through unveiling their inner perception.
4. To find both short-run and long-run co-integration among the unemployment determinants and economic growth.

The broad objective of this study is determine the effects of graduate unemployment on the economy of developing nations with a view to providing probable solutions.

## 3. Literature Review

The study aims to investigate the relationship between unemployment of higher education graduates and economic growth in Libya. New graduates in the Libyan Universities contributes positively to increasing the economic growth. The findings from this approach determine the degree of association between unemployment and economic growth. Where unemployment decrease then economic growth increase. The results of this study highlight the important of unemployment and the unemployment impact Libya economic growth. (Alsanousi & Mohamed, 2018).

This research paper discussed unemployment rate and its impact on college and university students. This study was conducted to examine the factors on why fresh graduates facing a high rate of unemployment in Malaysia and this issue directly affected the economic growth. Apart from that, the graduates mental health could also affected in the process of their transition from university to the labor market. The findings of this study shows that factors such as lack of skills, demanding attitude and unstable economic does contribute to the high rate of unemployment among graduates. Also shows that serious actions from the government as well as the graduate itself need to be taken in order to reduce the issue of unemployment in Malaysia. (Bahrim et al., 2019)

Research paper by Rizwanul Islam states that graduate unemployment become a serious problem for Bangladesh. Analysis in this paper indicates that the phenomenon can be explained by the simultaneous operation of forces acting from both the demand and supply sides and a less than perfect operation of the labor market for graduates. A kind of structural imbalance does seem to exist in the labor market for graduates. The ultimate result is a mass production of graduates, a large number of whom are not wanted by the labor market. (Islam, 1980).

This paper investigates the impact on unemployment on Nigerian economy (1980-2010). The research focuses on determining the causes and effects of unemployment and how the problem of unemployment in Nigeria will be reduced to a minimal level or even eradicated. It focuses to determine the relationship between unemployment and economic growth in Nigeria. The major findings of the study is that, unemployment has a negative effect on the gross domestic product (GDP) of the Nigerian economy. (Akiri et al., 2016).

This article aims to analyse youth unemployment in the European Union (EU). The financial and subsequent economic crisis caused a sharp deterioration in labor market condition which particularly affected the youth group and causes unemployment.The hypothesis of the study states that, with a change in the status of a future graduate to an employed graduate, their willingness to retreat from their demands to find the required job changes. The result of the survey discovered that after finding the first job, there is reduction in unemployment rate. (Hedvicakova, 2018).

This paper studies the labor market experience of college graduates as a function of economic conditions at time of college graduation. This study estimates the effects of both national and state economic conditions at time of college graduation. The findings of the paper is the large, negative wage effects of graduating in a worse economy which persist for the entire period studied. Taken as a whole, the results suggest that the labor market consequences of graduating from college in a bad economy are large, negative and persistent. (Kahn, 2010).

The economic literature is rich with numerous studies that reflect the relation between graduate unemployment and economic growth. Among them the most famous research is that of (okun, 1962) which forms the basis of studies of this economic phenomenon. Okun's law stated that if the unemployment rate falls to 1% the output will increased by 3%. Therefore to avoid losses from unemployment, the economy should expand continuously. An important conclusion of the Okun's law is that actual GDP must grow faster than potential GDP. Okun's law provides the vital link between the market of goods and services and the labor market. He describes the association between short – term movements of real GDP and changes in unemployment. (Mitchell & pearce, 2010) also have found that unemployment rate and GDP growth move in opposite direction but the change in unemployment rate causes less influenced in GDP growth as compared to Okun's coefficient benchmark. Unemployment is one of the nations key issues, whether it is a developed and prosperous country or a poor one (Husinand & Rasli, 2021).

## 4 .Data and Methodology

This part of the study illustrates the source and type of data. Here use secondary data.

### 4.1 Selection Of Variables and Data

For conducting our research procedure two variables are taken into consideration. Unemployment is taken as explanatory variable and economic growth is taken as dependent variable. Another indicators are employment rate, GDP, HDI etc. Time series data are used in this study. Data are collected from secondary sources considering the period (1999-2005). We involve quantitative research method. We employ various econometric and statistical method to analyze this study.

**Unemployment Rate and Economic Growth Rate Data (1999-2005**)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Country | Unemployment Rate, % | | Employment Rate, % | Economic Growth Rate, % |
| !999 | 2005 | 2005 | 1999-2005 |
| Belgium | 9.3 | 8.4 | 57.1 | 1.2 |
| Germany | 8.8 | 9.5 | 60.4 | 1.6 |
| Greece | 10.9 | 9.8 | 59.2 | 3.5 |
| Spain | 15.0 | 9.2 | 60.9 | 0.3 |
| France | 11.1 | 9.5 | 59.7 | 1.1 |
| Ireland | 7.5 | 4.3 | 64.6 | 2.8 |
| Italy | 11.3 | 7.7 | 55.5 | 0.4 |
| Netherlands | 3.8 | 4.7 | 60.9 | 1.3 |
| Austria | 4.5 | 5.2 | 63.7 | 1.5 |
| Portugal | 5.1 | 7.6 | 65.6 | 0.8 |
| Finland | 11.4 | 8.4 | 65.3 | 1.5 |
| Denmark | 4.9 | 4.8 | 69.4 | 1.6 |
| Sweden | 8.2 | 7.8 | 68.0 | 1.9 |
| UK | 6.1 | 4.7 | 65.4 | 1.7 |
| USA | 4.5 | 5.1 | 67.0 | 2.2 |

Source: OECD.

## 4.2 Description Of Variables

### \*Unemployment

According to The Organization for Economic Cooperation and Development (OECD), Unemployment is people above a specified age not being in paid employment or self-employment but currently available for work during the reference period. Nowadays unemployment is not only a national problem but also a common phenomenon of worldwide. Unemployment is taken as explanatory variable in this study.

### \*Economic Growth

Economic growth is an expansion in the production of goods and services compared from one period of time to another. The size of an economy is typically measured by the total production of goods and services in the economy which is called Gross Domestic Product (GDP). High unemployment generally has a negative impact on economic growth. Economic growth is taken one of the dependent variable in this study.

### \*Employment Rate

The employment rate is the percentage of employed person in relation to the comparable total population. The Organization for Economic Cooperation and Development (OECD) defines the employment rate as the employment-to-population ratio. This includes people that have stopped looking for work.

## 5.1 Descriptive Statistics

The data analysis starts with the descriptive statistics that helps to discover properties of the variables. Table 1 below is the descriptive statistics also called the summary statistics of the study.

### Table Descriptive Statistics

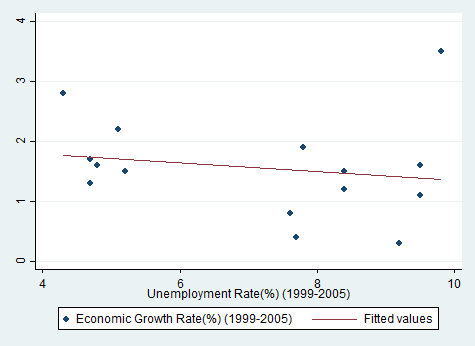
**Descriptive Statistics**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Variable | Obs | Mean | Std. Dev. | Min | Max |
| Unemploymen~19992005 | 15 | 7.113 | 2.069 | 4.3 | 9.8 |
| EmploymentRate2005 | 15 | 62.847 | 4.092 | 55.5 | 69.4 |
| EconomicGrowt~199920 | 15 | 1.56 | .836 | .3 | 3.5 |
|  | | | | | |

We can see that there are three different variables in this data set. We can see the following basic summary statistics about these variable. Here economic growth depend on unemployment and employment rate. 15 observations were collected for the purpose of this study. Here, we can see that the minimum unemployment rate in (1999-2005) is 4.3 and maximum is 9.8 and standard deviation is 2.069. The minimum employment rate in 2005 is 55.5 and maximum 69.4 and standard deviation is 4.092. We can see that the minimum economic growth in (1999-2005) is 0.03 and maximum 3.5 and standard deviation 0.836.

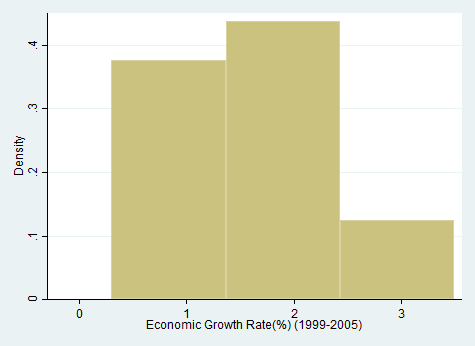
## 6. Graphical Description

### Unemployment and Economic Growth



This graph shows the negative relationship between economic growth rate and unemployment rate. If unemployment rate increases the rate of economic growth gradually decreased.

### Histogram on Economic Growth



We know that the histogram contains the distribution of the mean value of the economic growth. It will be normally distributed when it is bell shaped. From the histogram we can see that it is skewed to the right. So the economic growth is not normally distributed.

## 7. Conclusion

This project concludes that graduate unemployment is influenced by factors such as mismatched skills, economic conditions, and inadequate job market preparation. This phenomenon negatively impacts economic growth by underutilizing human capital and creating a potential skills gap. Addressing these issues requires a holistic approach, including improved education-to-employment transitions, targeted skill development programs, and responsive economic policies.

In-depth analysis reveals that the mismatch between graduates' skills and market demands contributes significantly to unemployment. Economic downturns exacerbate the situation, leading to reduced job opportunities. Inadequate career guidance and a lack of practical skills acquisition during education further amplify the problem.

The impact on economic growth is substantial, as unemployed graduates represent untapped potential and hinder innovation. The resulting skills gap affects productivity and competitiveness. Policymakers should focus on fostering collaboration between educational institutions and industries, enhancing career counseling services, and implementing flexible economic strategies to address these challenges and promote sustainable economic growth.

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