

CHAPTER 1

INTRODUCTION

1.1 Research Background

According to Leoni (2023), education plays an essential role in shaping various areas of human life. It contributes to social development, improves individual well-being, opens better opportunities in life, helps people escape poverty, and increases productivity in the labour force. Education is also seen as a way to unlock human potential, helping individuals understand, respect, and express their interests more effectively. In higher education, this concept is closely aligned with Human Capital Theory. This theory views education as an investment that brings future benefits such as better job opportunities and income. Well-educated individuals are considered more skilled and productive, which often results in higher earnings. Many classical economists have also highlighted education helps to increase the supply of skilled workers in the work force. Due to this, people from various socio-economic backgrounds are motivated to pursue higher education, such as university, with the hope of achieving a better future.

Among many academic disciplines, business studies continue to be a popular choice among soon-to-be university students. According to Arbuckle (2021), business-related degrees rank as the fourth most

demanded degree, with an expected creation of 476,000 new jobs by the year 2029. This popularity is due to the broad skills business graduates develop, including knowledge in marketing, operations, finance, and management, which are useful across different industries and job functions. However, as the number of university graduates continues to grow, the job market becomes much more competitive. As a result, holding a degree in one of the most in-demand majors, such as business, no longer guarantees immediate employment, even with its broad career opportunities.

Stated by Statistics Indonesia, Indonesia is experiencing a "demographic bonus", which is the condition when the productive population is higher than the non-productive population (Pribadi, 2024). The National Labour Force Survey (Sakernas) also confirm this data, stating that the total labour force in February 2025 reached 153.05 million people, which is an increase of 3.67 million compared to February 2024. Although the unemployment rate made a slight decline of 0.06 percentage points, it remains at 4.76 percent. The Minister of Manpower, Yassierli, further highlighted that the highest unemployment rate is concentrated in the 19–24 age group (Al Hasan & Febiola, 2025). This suggests that while the number of individuals entering the labour force is increasing, many young people still face challenges in securing employment due to the high level of competition in the job market.

Figure 1.1 Working-Age Population and Labour Force

Labour Force Situation	February 2023	August 2023	February 2024	August 2024	February 2025	Changes Feb 2024–Feb 2025	
	million people	million people	million people	million people	million people	million people	percent
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Working-Age Population	211.59	212.59	214.00	215.37	216.79	2.79	1.30
Labour Force	146.62	147.71	149.38	152.11	153.05	3.67	2.46
- Employed	138.63	139.85	142.18	144.64	145.77	3.59	2.52
- Unemployed	7.99	7.86	7.20	7.47	7.28	0.08	1.11
Not in Labour Force	64.97	64.88	64.62	63.26	63.74	-0.88	-1.36
	percent	percent	percent	percent	percent	percentage points	
Labour Force Participation Rate	69.30	69.48	69.80	70.63	70.60	0.80	
- Male	83.98	84.26	84.02	84.66	84.34	0.32	
- Female	54.42	54.52	55.41	56.42	56.70	1.29	

Source: Badan Pusat Statistik Indonesia (2025)

Marta et al. (2025) from Kompas News examined the reasons behind the current unemployment trend in Indonesia. One of the most significant factors is the wave of layoffs that began during the pandemic and has continued into the present. Commonly referred to as Pemutusan Hubungan Kerja (PHK) in Indonesia, the number of layoffs has shown a notable increase from 2023 to early 2025. Between January and April 2025, a total of 24,036 workers were officially recorded as having lost their jobs. However, according to the Indonesian Labour Union, the real figure might be much higher, as many companies carry out layoffs without reporting them to the labour office.

Aside from layoffs, another major contributor to unemployment in Indonesia is the significant gap between employer expectations and the

qualifications of the current workforce. Many employers require not only higher education degrees but also set stringent criteria such as specific years of experience and age limits (Wijaya & Santoso, 2024). As reported by Japaridze et al. (2024) this situation leads to a mismatch between the skills acquired by graduates from higher education and the skills demanded by employers, which escalate the difficulties for young graduates in securing employment. Although the government has implemented initiatives such as the School-to-Work Transition program and LISTRAF to address this issue, their effectiveness remains unnoticeable. Marta et al. (2025) note that these programs have yet to fully adapt to the evolving needs of the labour market, which increasingly demands digital literacy, foreign language proficiency, entrepreneurial abilities, and other emerging skills.

According to the World Economic Outlook report published in April 2025, the IMF recorded a steady increase in Indonesia's unemployment rate, rising from 4.9 percent in 2024 to 5.0 percent in 2025, with a projected increase to 5.1 percent in 2026 (Al Hasan & Febiola, 2025). This figure is currently the highest in Asia after China. If this trend continues, Marta et al. (2025) warn that Indonesia's demographic bonus could turn into a demographic burden, trapping many young people in a cycle of unemployment. They further note that prolonged unemployment is closely linked to rising crime rates, driven by feelings of injustice, lack of social welfare, and loss of income. In addition, they highlight its negative impact

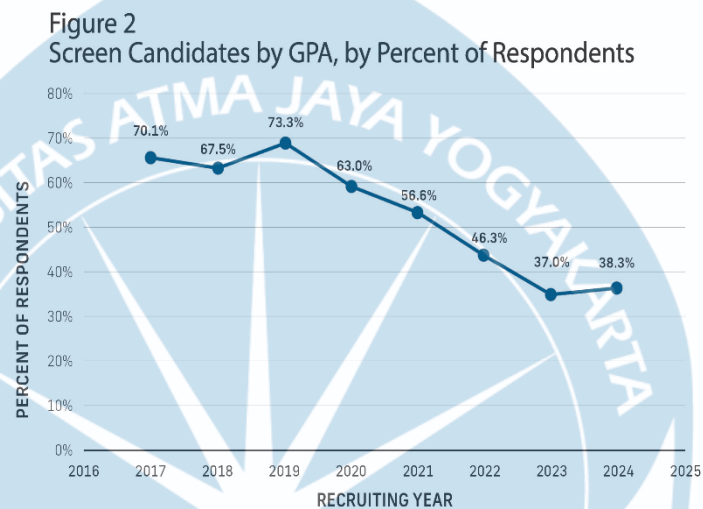
on household consumption, as job and income losses reduce purchasing power, ultimately weakening the national economy growth.

Given these conditions, it is essential to identify factors that can strengthen an individual's competitiveness in today's challenging labor market and improve their chances of securing employment despite existing hurdles. A review of various studies indicates that academic performance plays as an important factor in determining employability (Cruz & Encarnacion, 2021). Employers typically consider a candidate's academic performance as a measure of their expected performance on the job, interpreting them as a measure of their ability and motivation to learn and succeed in a work context (Li et al., 2022). Research from Madonna University (2023) emphasizes that GPA is widely used as a standardized measure of academic success and progress throughout one's education. Similarly, Hongjun et al. (2024) note that strong academic achievement provides a solid foundation for entering the workforce. In this context, students who perform well academically are generally perceived as more equipped with specialized knowledge, making them more attractive to potential employers.

To further support this point, the National Association of Colleges and Employers, through its 2024 Job Outlook Survey, reported that nearly 40 percent of participating employers still use GPA as a screening tool when evaluating candidates. Although this percentage has gradually declined in

recent years due to the growing emphasis on other factors such as academic major, work experience, and specific skill competencies, GPA remains a commonly applied criterion in recruitment decisions.

Figure 1.2 Job Outlook 2024 Survey



Source: National Association of Colleges and Employers (2023)

This study seeks to examine the relationship between academic performance and employability, with a specific focus on whether academic performance can serve as a predictor of employability among Management students at Universitas Atma Jaya Yogyakarta. By investigating how academic achievements influence students' employability in the competitive job market, this research aims to provide practical insights that can guide universities in shaping their curriculum and career preparation programs. Ultimately, the findings are also expected to help government, companies,

and HR professionals to align educational outcomes to evolving demands of job market.

1.2 Research Questions

Based on this background, the problems that will be raised in this research are:

1. Does the academic performance of students significantly influence their employability in the field of business and management?

1.3 Research Objectives

The objectives of this study are:

1. To explore how academic performance significantly influence students' employability in the field of business and management.

1.4 Research Limitation

This study has specific boundaries that define its scope. The research focuses solely on undergraduate Management students at Universitas Atma Jaya Yogyakarta (UAJY) who are currently in their 6th and 8th semesters, particularly those from the 2022 and 2023 intake. Students from other majors, faculties, or higher education institutions are not included in this research.

In this study, academic performance refers to the extent to which students achieve their educational objectives over a given period, evaluated

through indicators such as assessments and cumulative grade point average. This definition is adapted from Hongjun et al. (2024), who view academic performance as a measurable reflection of both short-term and long-term learning accomplishments.

Employability is defined as the integrated set of skills, knowledge, achievements, and personal attributes that improve a graduate's chances of obtaining and excelling in their chosen profession. This perspective follows Hongjun et al. (2024) who highlight how these elements collectively strengthen an individual's competitiveness in the job market.

This research limits its focus to examining academic performance as the independent variable and perceived employability as the dependent variable. Other potential influences, such as prior work experience, extracurricular involvement, socio-economic background, skills, or similar factors, are not considered within the scope of this study.

1.5 Research Benefits

This research is expected to offer valuable benefits to readers, which are categorized into academic and practical.

1) Academic Benefit

- a) Contribution to academic knowledge on student readiness for the job market, focusing on the relationship between academic performance and employability.

- b) Encouragement of more focused studies that applies variety of methodologies and instruments to examine how academic performance influences employability.

2) Practical Benefit

- a) Provide valuable insights to students and job seekers on the factors that can enhance their employability.
- b) Assisting universities and educational institutions improve their curriculum based on students' insights and alignment with job market demands.
- c) Offer input for government, companies, and HR professionals to refine training and internship programs by emphasizing hands-on experience to address skill gaps.

1.6 Writing Systematics

The systematics of writing this research are described as follows:

1. Chapter I: Introduction

Outlines the study background, research problem, research objectives, research benefits and research systematics.

2. Chapter II: Literature Review

Discusses relevant theories, including the concepts of academic performance, employability, and findings from related previous research.

3. Chapter III: Research Methodology

Presents the research methods used, including population and sample research design, data collection techniques and data analysis.

4. Chapter IV: Data Analysis & Discussion

Describes the research findings, followed by analysis and discussion of findings relevant to the research objectives.

5. Chapter V: Conclusion

Summarize the study findings and offer suggestions for further research as well as recommendations for students, job seekers, institutions, and HR professionals.