



Hidden Unemployment is Resulting from ineffective Recruitment and Selection Process in Public Sector in KRG

(Public banks as a case study)

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ARTICLE INFO

Article History:

Received: 23/12/2017

Accepted: 6/2/2018

Published: Winter2018

Doi:

10.25212/lfu.qzj.3.1.43

ABSTRACT

Human Resource Department is a significant part in any origination; it deals with issues related to employees which effects directly performance of origination. It is obvious that effective Recruitment and Selection of employee affect the performance index of the institution. This research answer questions related to employee recruitment and selection process. Through discussing the hidden unemployment whether increases or decreases unemployment rate. In the analytical aspect, the public banks within Erbil city, Iraqi Kurdistan region has been taken as case study.

Keywords:

HR, Recruitment Selection

Hidden Unemployment

Political Affiliation

Public Bank

INTRODUCTION:

Unemployment is considered one of the issues that contain a negative impact on the overall economy of the country, the society and the general status of individuals living in it; limited access to



health being an example of that impact on an individual level. In short, not being able to obtain a job is closely associated with economic social disadvantage (ACOSS, 2003).

The unemployed are defined as those people whom are jobless, according to Sinclair the unemployed is clearly those individuals whom are not working and are seeking for a job (Sinclair, 1987).

There are many types of unemployment according to Dr. Hrikat in his book *the Principles of Economy*, such as Open Unemployment, Cyclical Unemployment, Technical Unemployment, Seasonal Unemployment, Hidden unemployment, Rigid Unemployment and Semi-unemployment (Hrikat, 2006). The common type of unemployment in Kurdistan region is hidden unemployment. Examining this type of unemployment is quite important due to the fact that this issue has great role in the economy of the country. The major causes of this phenomenon in the KRI are; political corruption, social factors and most importantly the lack of efficient recruitment and selection processes.

Objectives

This paper will investigate the main reasons of high disguised/hidden unemployment in the KRI's public sector, using the banking sectors as a case study. Furthermore, it will provide practical solutions and recommendations to improve the employment process in the region.

Literature review:

Hidden unemployment is one of the crucial issues in the world nowadays. "The unemployment rate is a measure of the prevalence of unemployment and it is calculated as a percentage by dividing the number of unemployed individuals by all individuals currently are in the labor force" (Fothergill, 2004). There different theories regarding the causes, consequences and solutions for unemployment. In their article *Hidden Unemployment and its Relevance to Labor Market* Beatty and Fothergill shed light on the claimant of unemployment rate. According to Sinclair's book *Unemployment: Economic Theory and Evidence*, unemployment has the effect of lowering the published rate and "adding impression of much lower unemployment than the past" particularly in the third world countries (Sinclair, 1987). Based on the authors view, the impact of unemployment influences the labor market in many ways. Mentioning government corruption as one of the key factors of this phenomenon, he also argues that unskilled labor is "likely to suffer high unemployment and greater swing in unemployment" (Sinclair, 1987) and how it plays a great role on the production and productivity rate. According to his book *unemployment*, involuntary unemployment, full employment, structural unemployment, frictional unemployment, hidden unemployment and long-term unemployment are the unemployment types. According to Sinclair "Hidden/disguised unemployment is the unemployment of potential workers that is not reflected in official unemployment statistics, due to the way the statistics are collected" (Sinclair, 1987). He also mentions that hidden unemployment includes labor force that is employed but has no contribution to the productivity of an organization. This issue brings extra expenses and wastes time from the organization.

Due to the several types of the unemployment regulations in different countries, the meaning of hidden unemployment can differ from a country to another. For example, according to the research done on this case in the UK, unemployment rates can measure either by Claimant Count or ILO (international labor organization). The measurements indicates those people who claim



unemployment, are without a job and get economical support from government; jobseeker's allowance (JSA). It also might exclude people who have health problems that prevent them from conducting any work or a full time job. As well as people working without an employment contract employment or been into early retirement (Beatty & Fothergill, 2004) (Betty, et al, 2004). However, in the Middle East, the perspective of hidden unemployment differs.

Definition of hidden unemployment

In (Wadi & Alhisawi, 2007) book on macroeconomic: *"hidden unemployment is the workforce that is hired but has no role in the productivity/production of an organization."* This is usually the result of poor recruitment and selection management. As nepotism and corruption contradict with an efficient recruitment; which is common in the Middle East.

The definition of recruitment and selection and how they implement in public sectors in Kurdistan region:

Recruitment is one of the major tasks of the HR function. The recruitment process is the first step towards creating the competitive strength and strategic advantage for the organization (Breaugh & Strake, 2000). The necessary regulations to implement an efficient recruitment process have not been completely applied in public organizations in Kurdistan. This inefficiency appears when a certain directorate announces their vacancies. The applications will be collected but the selection process is not based on qualifications rather than the relation between the candidate and hiring manager. This methodology of recruitment has affected negatively on the public organization's performance in the Kurdistan region. An example of this poor procedure in Kurdistan region can be shed light on in an interview with Vian O. Mustafa, who works in Harem Bank as an inspector. She said "when I was recruited, before 29 years ago, beforehand they decide to give me a job in the bank they just asked me if I can account from 1 to 10, then the job was mine!" (Mustafa, 2011). She also stated, that now, 29 years later they still don't have any application forms for our vacancies. This leads to negative impacts on the organizational function in general.

The selection process is a crucial element of the recruitment process According to Mathis and Jackson, selection is the process of choosing individuals who have the needed qualifications to fill the job in an organization (Mathis & Jackson, 2003). Selecting and placing any candidate must be based on measurable indicators; attitude, skill and knowledge, known as the ASK model. In the KRI, the selection process is affected by lack of efficient recruitment knowledge, political involvement and nepotism. This impacts the structure of its economy and prevents the country's development. According to Dubois the steps of an efficient recruitment process involves the following:

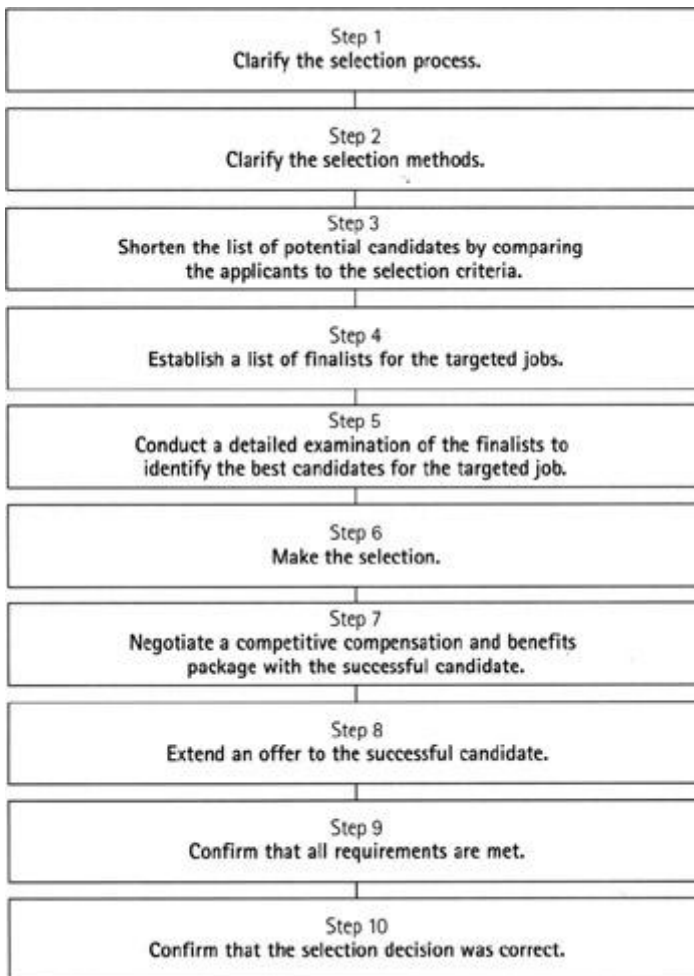


Figure 1 Selection Process

(Dubois, Rothwell, Stern, & Kemp, 2010). All those steps are necessary to show ensure the placement of the right person for right job.

The process of a realistic job preview (RJP) is necessary for the applicant to know the nature of the organization when they seek any job. "Through the process of a realistic job preview (RJP), job applicants are provided with an accurate picture of a job" (Mathis, 2008). The RJP ensures smaller turnover rates by presenting and clarifying the job to the candidate before enrolment which prevents dissatisfaction towards the nature of the job later on.

Within the selection process, the qualifications and background of the candidate are the key factors of making the decision of hiring. To identify qualifications and background; the rights questioned should be asked that reveal the two points. It is not possible to ask personal questions that invade the legal privacy of the candidate or promote discriminative measures of selection. In Kurdistan region, especially in the public sector, this issue exists. For example, asking about the marital state or the political affiliation of the candidate. The political parties in KRI interfere directly or indirectly in the selection process. As an example, according to Hawlati newspaper, recently, after the emerging of a new political party movement in Kurdistan which is called the Change party (Gorran), many people lost their jobs because they declared their support to this party and they became members of this movement (Awrahman & B.Barznjy, 2010).



There are different types of interviewing such as, preliminary interview, telephone interview, videotaped interview, writing test and speeches (Ledvika & G.V.Scarpello, 1988). The best advantage of the preliminary interview is to eliminate those applicants whom do not meet the position's requirements which saves time and cost. .

The factors affecting the selection and recruiting process in Kurdistan region:

Though the selection process is developed through time and the advancement of technology in this process, as it mentioned above, Kurdistan region still uses outdated methods in the so called selection process to "attract" candidates.

According to Heshmati, HR management in Kurdistan faces many difficulties that has been resulted from the selection of low-skilled applicants; "In such system, education is not a factor of qualification for job applications, rather than a degree to legitimize occupation of a job that the employer has no specific skills for" (Heshmati, 2007). This issue led the hiring of unqualified employees in the public sector, and even in the private sector due to importing low qualified labors from abroad that make the pool of applicants almost full of low skilled labors. "In recent months many of the main employers in the region are hiring foreign low skilled workers in services where local labor force is not willing to take since they receive salaries from the public service for doing nothing." (Heshmati, 2007).

HIDDEN UNEMPLOYMENT IN PUBLIC BANKS OF KURDISTAN REGION:

As it showed above that there is a lack of implementation of efficient recruiting process in Kurdistan. Hiring managers do not follow the selection process due to two reasons. First reason is they lack the influence to ensure to recruit the right people in right place because of ruler power in the region and their continuant intervention in any decision. Second reason is that they have lack of knowledge to perform the process correctly. Those reasons have made the working system in Kurdistan face many issues and the institutions to encounter numerous difficulties with their employees that at times can be impossible to solve. Moreover, it is one of the reasons to waste a huge amount of the government revenue that might be better to spend on other projects for the society's benefit. From that point of view, the survey below shows how the number of employee in four banks mostly exceed the official/required number of employees needed in those banks which accounts as hidden unemployment. In other cases the numbers of employees are less than the official/required numbers of employees needed.

Bank of Ankawa showed that the numbers of employees were 112 people, while the actual need is determined by 50 people, and this means that there are 62 employees walk among the hidden unemployment (Sedek, 2011). In the Bank of Bahrka there are 198 employees, while the need for the bank is limited to 30 employees, this means that there are 168 staff walk in the counting among the hidden unemployment (Rashid, 2011). In Bank Salah El-Din there are 98 employees, and the bank requires 50 employees only which leaves us with 48 staff members whom are considered to have hidden unemployment (Kadir, 2011). In contrast to that image, in the Bank Saffen it has 92 staff members, while there is a need to 120 employees (Jamal, 2011).

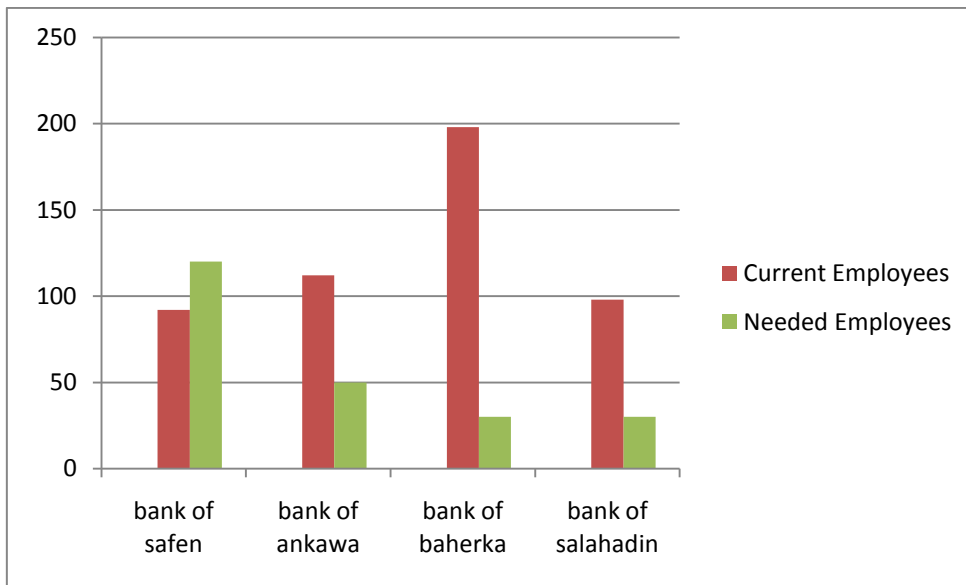


Figure 2 Hidden unemployment rate in public banks in Erbil

The paper attached to this research is confirming that those banks are public banks and owned by Kurdistan Regional Government (KRG).

Hidden Unemployment in KRG Institutions

Understanding hidden unemployment has important economic and social consequences, such as decreasing economic wastage; produce new jobs and dropping unemployment rate. It also has impact on reacting to an aging population and labor market scarcity. As for the governmental perspective, in an economic viewpoint, government can save a huge amount of incomes if addressed the problem correctly. For example the survey above shows that more than half of the employees are accounted as hidden and has no benefit within the public banks in Erbil city, while they return salaries and utilize from the governments programs, in addition, to avoid the underperformance of the economy through lost output, and when economy is growing strongly, more jobs can be available which will provide opportunities for those unemployment people whom are real job seekers. This will directly reduce the unemployment rates.

There are substantial economic consequences of the workforce utilized in time for it is expected that the aging of the population to create a shortage of labor supply (ACOSS, 2003). The social consequence of hidden unemployment acts in the economic and social exclusion for individuals and families of the unemployed. These are common involvements among people suffering from hidden unemployment. Yet, people who are hidden unemployed are at risk of further absence in the policies and government programs that pursue to help people who suffer from unemployment (ACOSS, 2003). A more complete understanding of lack and levels of jobs in any institutions may lead to develop the measurement and understanding of economic deprivation. This will enable the construction of a better economic and social policy that aim at areas of greatest need. Also better predict the behavior of the labor market and enhance the ability to develop strategies to manage depressions and the fight against unemployment in the long term. Moreover,



better administration and more suitable resources for gain improvement and lifelong knowledge of people who are hidden unemployment as well as people who suffer from unemployment to allow greater participation. Furthermore, a greater capacity to increase participation by the working group who have high levels of unemployment, which lead to better performance of the economy and also cut social costs of unemployment (ACOSS, 2003).

Recommendation to resist the hidden unemployment in Kurdistan Iraq

As examined above, Kurdistan Region of Iraq facing a one of the serious economic issue which is called Hidden Unemployment. In order to solve this problem the government needs time and resources in order to solve this issue in their institutions. This reforming starts with the better reform of their education system in the region with the training program parallel with the education process so student can be familiar with the tasks they are interested in and are given opportunities to be involve in organizations environment. In addition, for KRG, it is essential to improve equity in the society and spread the new environment culture that it diminishes the outdated and tribal culture which is common in this society. The outcome will allow new ideas to present here to improve a new employment culture here. Moreover, to ensure the social security and establish new policies to protect employment better than it's registered now. Furthermore, the decision makers within KRG administration groups are responsible to eliminate all type of corruption that encourages hidden unemployment within institutions. Moreover, it is necessary to the political parties to stop intervention within the government's work and their duties within organizations in order to perform their duties properly.

Conclusion

Unemployment issue is a global issue in the most of the countries in the world. There are many types of unemployment; hidden unemployment being one of them. Despite the development processes in recent years of Kurdistan region such as constructions, new business entering the region and many foreign companies opened in the region, Kurdistan region still has an unemployment issue. The most common type of the unemployment in Kurdistan, is hidden unemployment. Especially in public sectors, it occurs when the workers do not affect the production process. There are many reasons behind this issue in Kurdistan region such as, corruption, lack of an efficient education system, society culture and the lack of management skills when it comes to recruiting and selection new staffs within an organization. This issue causes a huge waste of the government budget and preventing the reforming process. To rid of this issue it takes time and effort from government starting from the education system in high schools and resisting all types of corruption such as administrative corruption in order to allow managers to implement the process of HR management, and to eliminate economic corruption in order to accomplish development in a correct way.



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ملخص

أدارة الموارد البشرية جزء مهم في اي منظمة. أختيار وتعين العاملين في اي منظمة يتطلب جهد كبير ودقيق من قبل الادارة وبالذات من قبل قسم الموارد البشرية. هذا البحث يتطرق الي طريقة اختيار وتعيين الموظفين بطريقة علمية وفعالة وأيضا يناقش موضوع البطالة المقنعة وما تثيروها على أداء الموظفين والمنظمة و على البطالة بشكل عام. ودراسة الحالة هي بنوك حكومية في مدينة أربيل.