



THE IMPACT OF NEPOTISM ON EMPLOYMENT STATUS IN PUBLIC SECTOR INSTITUTIONS: AN EVIDENCE FROM FRESH GRADUATES OF PAKISTAN

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HIGHLIGHTS

- Political affiliation has a strong positive and significant impact on hiring process to make a candidate successful in getting job in public sector institutions.
- The candidates graduated from the public sector university have more probability to get a job.
- The positive and significant impact of land on probability of getting a job has proven the presence of the element of nepotism in hiring process.

ABSTRACT

The purpose of the study was to determine the impact of nepotism on employment status of fresh graduates in public sector institution along with other relevant factors. Current study is the first study in which the impact of nepotism was estimated by adding different factors responsible for nepotism by using primary data. Primary data were collected from 400 respondents through survey research. Logit model was applied to check the probability for a graduate. The results showed significant impact of nepotism on probability job of a graduate in public sector institutions. Political affiliation has a strong positive and significant impact on hiring process to make a candidate successful in getting job in public sector institutions. The nature of home institution also has an impact on probability of getting a job in public sector institutions. The candidates graduated from the public sector university have more probability to get a job. The graduates from private sector institutions are unable to be selected in public sector institutions as compared to graduates from public sector institutions. Financially strong families can easily influence on the hiring process for obtaining a job in public sector. The positive and significant impact of land on probability of getting a job has proven the presence of the element of nepotism in hiring process.

Keywords: Nepotism; employment; fresh graduates; job satisfaction

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Introduction

Due to rising unemployment in Pakistan, highly motivation for higher education and poverty consequences, every graduate wish to join public sector after completion of graduation. Due to high number of graduates and less number of jobs in public sector there is tough situation for a fresh graduate and he or she has to struggle hard to get a job. Employment status play a very important role to fulfil the needs of the people. Most of the studies focused on private sector and also do comparison between public and private sector. There is a need to find out the problems which are facing by people for getting jobs in public sector. A large number of the fresh graduates don't have any job. On the other side, less educated people achieve perfect job which they don't deserve. Majority of youth with high degree are jobless. Generation of this era is more educated and confident as

compared to the previous generation, but job seeking is too difficult for them. They are unable to find a job according to their knowledge, degree and skills especially in public sector institutions. This issue is not only in Pakistan but also in many developing and developed countries. Not too long ago, a secondary education was an assured way to obtain a stable life time job in government or in state owned enterprises. This is no longer the case, rank of educated unemployed have swelled (Assaad et al., 2000). This is the same problem which is also discussed by Fadayomi and Oluranti (2014) in Nigeria that literates suffer higher unemployment rate than the illiterates while the youth experience higher unemployment rate than the older age grades.

Nepotism, favoritism and cronyism have been criticized as being unprofessional. Currently appointments

have become tough on the basis of knowledge and skills. Mostly public sector university authorities prefer to appoint their own students in their departments or to appoint their relatives. Candidates who are more qualified, have highest skills but unable to get job in public sector because they don't have any intercession. Lack of confidence and disappointment is found in jobless educated people so, favoritism and nepotism is totally unjust for these people.

Nepotism can be seen in term of providing preferences in return to favor within an organization (Boadi, 2000). Wamuthenya (2010) evaluated the determinants of formal and informal sector employment in the urban areas of Kenya. He conducted a research on determinants of employment in public, private and informal sectors of Kenya's urban labor market. Special emphasis is placed on the importance of sex (being male rather than female), marital status, household-headship and education variables, of which the first three illustrate the disadvantaged position of women in the labor market. According to him education had the strongest impact on formal sector employment yet most women work in the informal sector despite significant improvements in their educational attainments. He found high Unemployment particularly amongst younger women.

Hyder (2007) exploited responses on the stated preferences for public sector jobs among a sample of unemployed in Pakistan to inform on the existence of public sector job queues. The estimated effect suggested that, on average and controlling for education and other characteristics, those unemployed who stated a preference for public sector jobs had higher uncompleted durations of between four and six months. This finding was taken to confirm that there are long queues for public sector jobs in Pakistan. Büte (2011) discussed the effects of nepotism on employee's behavior and human resource management practices in Turkish public banks. He revealed that nepotism had significant negative effects on intention to

quit, job satisfaction, organizational commitment and human resource management practices. Rosli et al. (2015) explained that currently, bad governance in public administration has become a global issue as a result of the continuous stream of governance failures, fraud, inefficiency, corruption, and poor internal control and financial management.

The selection of relative who do not possess the required abilities, creates the impression of severe nepotism which is harmful for the institutions and the whole economy (Gjinovci, 2016). Political affiliation and family influences on selection process backed to the employment of individuals in diverse positions in public organizations (Gjinovci, 2016a). There were many studies conducted on the employment status in public sector institutions but a very few studies were conducted about the role of nepotism and favoritism for getting job in public sector. The current study under hand is aimed to analyze the impact of different variables affecting the employment status in public sector among graduates. This is a first study based on primary data in which the impact of nepotism by indirect ways was captured along with the other variables of the study.

It was very difficult to estimate and to quantify the impact of nepotism in process of hiring in public sector institutions. However the current research under hand was carried out to analyze the impact of nepotism by collecting data for four relevant variables. First variable is the total number of close relatives working in public sector institutions. Second variable is the total number of close relatives working in private sector. Third is the land ownership and forth is the presence of political affiliation of the sampled respondents. These four variables collectively may be responsible for nepotism in hiring process. The affiliation of the candidate family with the current ruling party is assumed to have strong impact of nepotism in hiring process.

Methodology

Primary data were collected through a questionnaire from 400 fresh graduates. For this purpose purposively sampling technique was used to collect the data. Job status of a fresh graduate was taken as dependent variable while the variables of age, education, major subjects, work experience, political affiliation, and relatives working in public sector universities, home institution, land and marital status were used as independent variables.

The study used Logit regression technique for estimation. The Binary Logit Model (Hosmer and Lemeshow, 2000) was used for analyzing the collected data in this study regarding employment status among graduates where dependent variable was in qualitative form. The equation of Binary Logit model is:

$$\text{logit}(E[Y_i / X_i]) = \text{logit}(P_i) = \ln [P_i / 1 - P_i] = \beta_i X_i + e \quad (1)$$

Where;

P = Probability of a candidate to get employment in public sector (Y)

X_i = A set of core explanatory variables

β_i = A vector of unknown variables

e = Disturbance term

$$Y_i = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + \beta_8 X_8 + \beta_9 X_9 + \beta_{10} X_{10} + \beta_{11} X_{11} + \beta_{12} X_{12} + \beta_{13} X_{13} + \beta_{14} X_{14} + \beta_{15} X_{15} + e_i \quad (2)$$

The dependent variables of research model define, whether fresh graduate has employment of not. The relationship between dependent and independent variables is shown by equation 2.

Description of variables is shown in the table 1.

Table 1: Description of variables of the study used in Logit Model

Variables	Description
Y	Employment in public sector institutions
X1	Age (Years)
X2	Education (Schooling year)
X3	Graduates with management science
X4	Graduates with agricultural sciences
X5	Graduates with computer sciences
X6	Graduates with basic sciences
X7	Graduates with social sciences
X8	Graduates with medical science
X9	Experience
X10	Political affiliation
X11	No. of relatives working in public sector
X12	No. of relatives working in private sector
X13	Home institution
X14	Land in acre
X15	Marital status

Results and Discussion

The summary statistics for the variables of the study are shown in table 2. Total number of sample size was 400 as shown in table 2 of summary statistics. The mean value of dummy variables ranges from 0 to 1 in the summary statistics. Mean of the dummy variable shows that about 37% people are employed while about 63% are unemployed. Variable of age shows that mean age of the

graduates is about 25 years. The mean value of dummy variable shows that about 13% people are related to management sciences, about 3% related to agricultural sciences, about 5% related to computer sciences, about 13% related to basic sciences, about 1% related to medical science and social sciences have larger share that is about 61%.

Table 2: Summary statistics of the variables

Variables	Minimum	Maximum	Mean	Std. Deviation
Employment in public sector institutions	.00	1.00	.3750	.48473
Age (Years)	21.00	33.00	25.7875	3.40534
Education (Schooling year)	14.00	22.00	16.6350	1.46360
Graduates with management science	.00	1.00	.1375	.34481
Graduates with agricultural sciences	.00	1.00	.0300	.17080
Graduates with computer sciences	.00	1.00	.0525	.22331
Graduates with basic sciences	.00	1.00	.1350	.34215
Graduates with social sciences	.00	1.00	.6150	.48720
Graduates with medical Science	.00	1.00	.0150	.12170
Experience	.00	5.00	1.7200	1.70994
Political affiliation	.00	1.00	.3700	.48341
No. of relatives working in public sector	.00	10.00	3.4325	3.42561
No. of relatives working in private sector	.00	25.00	2.7750	3.39163
Home institution	.00	1.00	.8950	.30694
Land in acre	.00	2.00	.2700	.45012
Marital status	.00	1.00	.7825	.41306

Source: Author's calculations based on primary data

According to results shown, the experience ranges from 0 to 5 years. The mean value of about 1.7 shows that the average values of experience among all graduates is about 1.7 years. Dummy variable about political affiliation shows that about 37% graduates have strong

political affiliation. The results of VIF can be seen from the table 3 which shows no issue of multicollinearity among the variables which were used in Logit Model. All variables have values less than 10 showing that the variables were free from the issue of multicollinearity.

Table 3: Multicollinearity among the variables of the study

Variables	Tolerance	VIF
X1	.268	3.728
X2	.617	1.620
X3	.179	5.584
X4	.416	2.407
X5	.330	3.028
X6	.173	5.783
X7	.100	9.018
X8	.595	1.679
X9	.399	2.507
X10	.930	1.076
X11	.610	1.638
X12	.585	1.710
X13	.882	1.133
X14	.784	1.275
X15	.437	2.290

The table 4 shows a clear depiction of significant and insignificant variables. So we discussed only those variable which are significant. Education is highly

significant and coefficient value of 0.067 shows positive relation with employment. It means if people are more educated the probability of employment will be more.

Table 4: Factors affecting the Employment Status in Public Sector

Variables	Coefficient	T	Sig.
(Constant)	-1.361		
Age (Years)	-.005	-.414	.679
Education (Schooling year)	.067	3.612	.000***
Graduates with management science	.432	2.962	.003***
Graduates with agricultural sciences	.354	1.832	.068*
Graduates with computer sciences	.267	1.612	.108
Graduates with basic sciences	.079	.528	.598
Graduates with social sciences	.152	1.099	.272
Graduates with medical science	.512	2.261	.024**
Experience	.093	4.743	.000***
Political affiliation	.127	2.781	.006***
No. of relative working in public sector	.012	1.542	.124
No. of relative working in private sector	-.005	-.629	.530
Home institution	.166	2.248	.025**
Land in acre	.164	3.076	.002***
Marital status	.180	2.312	.021**
R	0.513		
R Square	0.264		
Adjusted R Square	0.231		

Note: *, ** and *** indicate significance at 10, 5 and 1%, respectively.

The subject of management sciences is highly significant and its coefficient value 0.432 shows positive relation with employment status, it means if person get degree in management sciences his probability of employment status will increase. Agricultural sciences is less significant because its value is 0.06 which is greater than 0.05. Experience is also highly significant and its

coefficient value shows positive relation with employment status, it means with gaining more and more experience the chances of employment in public sector becomes high. Land is also significant and coefficient value 0.164 shows positive relation with employment status, means those who have land, their chances of getting job will increase. Affiliation is highly significant

and its coefficient value shows positive relation with employment status which mean if a person is has strong affiliation to the ruling political party, the probability of employment in public sector increases. The aim of the research under hand was to estimate the impact of nepotism by using the four variables responsible for

Conclusion

Political affiliation has a strong positive and significant impact on selection process to make a candidate successful in getting job in public sector institutions. The influence of present ruling party on selection of heads of all public sector institution is the main cause of this impact of hiring the people who belong to that political party. So the results clearly indicated the element of nepotism by having the political affiliation. The results indicated a strong influence of political personalities on the hiring of fresh graduates in public sector institution. It is strongly recommended that the government should take a step to improve the hiring process in public sector institution to reduce the impact of ruling political party on hiring process. The nature of home institution also has an impact on probability of getting a job in public sector institutions. The candidates graduated from the public sector university have more probability to get a job. The graduates from private sector

nepotism. Among four variables two main variables of political affiliation with current ruling political party and the financial strong background of a candidate (land) showed strong influence on hiring process in public sector institutions.

institutions are unable to be selected in public sector institutions as compared to graduates from public sector institutions. The variable of land was used as a proxy for financial condition of a candidate seeking a job. It was the variable which could be responsible to put the impact of nepotism on selection process. The financial strong families can easily influence on the hiring process for obtaining a job in public sector. The positive and significant impact of land on probability of getting a job has proven the presence of the element of nepotism in selection process public sector institution. The current study proved that nepotism and favoritism are very important for getting job in public sector institutions. As a result many fresh graduates are unemployed due to lack of strong financial family background and affiliation with current ruling political party to put influence on hiring process.

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