

Employability in Focus

EXPLORING EMPLOYER PERCEPTIONS OF OVERSEAS
GRADUATES RETURNING TO THAILAND

2018/2019

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EXECUTIVE SUMMARY

- Thailand is seeking to transform into a high-income economy focused on value-added technology. Its 20-year National Strategy includes Thailand 4.0, an industrial development plan that envisages the growth of industries such as robotics, aviation and logistics, biofuels and biochemicals.
- However, Thai employers find that it is difficult to find the right workers to staff these growing industries, with local graduates falling short of requirements in some areas – particularly in advanced technical skills.
- Graduates from foreign universities who have the types of hard skills that are lacking in Thailand are at an advantage in the Thai jobs market. Overseas graduates are also at an advantage because of their superior soft skills and English language proficiency, compared to their locally educated peers.
- Overseas graduates are more likely to be hired into more senior positions and to command higher salaries than domestic graduates, although the early-career salary advantage is limited and some returnees have unrealistic salary expectations.
- UK universities have a strong reputation among Thai employers, especially for postgraduate courses where the UK is the leading destination for overseas study.
- There is room for UK universities to do more to support their Thai students who intend to return home after graduation, including providing guidance on Thailand's employment environment as well as creating opportunities for students to gain relevant work experience.

INTRODUCTION AND METHODOLOGY

Thailand's government has ambitious economic goals, with a 20-year national development strategy aiming to develop Thailand into a high-income nation focused on value-added technology by 2036. A key part of this strategy is to target industrial growth in key industries such as robotics, aviation and logistics, biofuels and biochemicals through a policy known as Thailand 4.0.

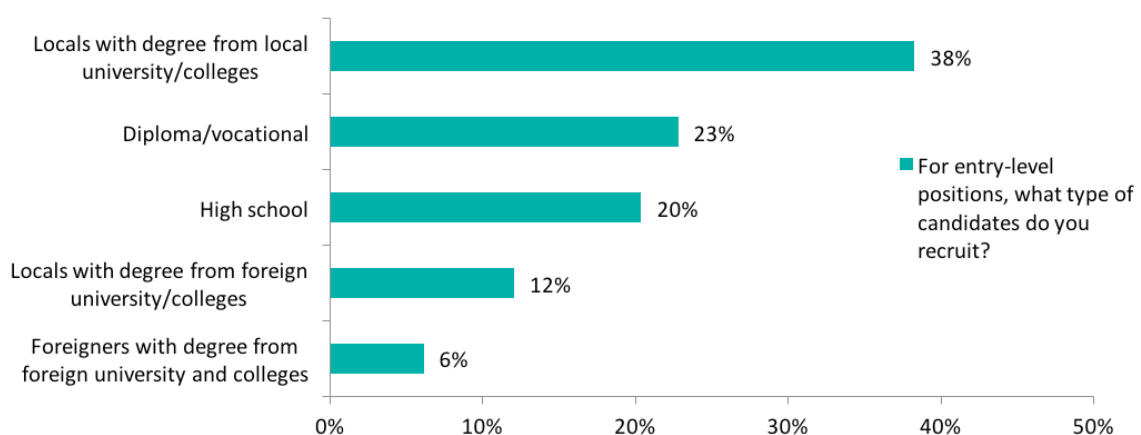
Thailand's ability to upgrade its human resources will be key to the success of Thailand 4.0. This challenge is especially important given the country's demographic challenges – Thailand's working-age population, already in decline, is forecast to fall another 0.4 per cent between 2017 and 2030. However, the country's education sector is not yet equipped to produce the quality and quantity of graduates needed to in this highly skilled workforce.

This Is overseas education the path for Thais to develop the skills required? How do employers perceive the value of foreign degrees? And how do the skill sets of graduates from local and foreign universities differ? To answer these questions we conducted a survey of 150 companies operating in Thailand, ranging from public-sector entities to domestic and foreign enterprises, asking about areas such as perceived differences between local and overseas graduates, in-demand skills and recruitment challenges, the value of a foreign degree and attitudes towards the UK compared with other overseas study destinations. We also conducted in-depth, qualitative interviews and analysed previously published research in this area

Survey respondents were chosen to be representative of the type of firms that hire returned overseas graduates rather than the Thai economy as a whole. Of the firms surveyed, 29 per cent employed between 200 and 399 employees and 22 per cent employed more than 500 employees. These firms are largely located in Bangkok (84 per cent), with 9 per cent located in the northern industrial centre of Chiang Mai. The majority of surveyed firms are in the industrial sector, with 19 per cent in manufacturing and 11 per cent in construction and infrastructure.

According to the survey respondents, the majority of current employees at these firms hold an undergraduate (44 per cent of employees) or postgraduate (17 per cent of employees) degree. On average 38 per cent of entry-level employees hold degrees from local universities while a further 12 per cent are Thais with overseas HE qualifications.

Educational profile of entry-level recruits in surveyed companies (% , N = 150)



Source: EIU Graduate Employability Survey. 2018

ECONOMIC AND SOCIAL BACKGROUND

Chapter Summary



- **The government's 20-year National Strategy and its industrial policy, Thailand 4.0, aim to make the country a regional technology hub with high-value industries such as robotics, aviation and logistics, biofuels and biochemicals.**
- **Despite rapid ageing, enrolment in higher education has remained stable, reflecting the strongly-held belief that a university degree is necessary for a good job.**
- **However, long-term underinvestment in education, particularly in courses teaching advanced computer programming, artificial intelligence and robotics, means that the current workforce does not possess the required skills for the development of the Thai economy.**
- **The US, the UK, Australia and Japan are the four most popular destinations for those Thai students who choose to study overseas. The UK is particularly popular at the postgraduate level, partly due to the country's one-year master's degrees.**

2.1 Economic trends and labour markets

Following several years of sluggish performance, real GDP is expected to rise by 4 per cent in 2018. However, this is not sufficient to meet Thailand's economic ambitions of becoming a high-income country by 2036. The government has devised plans for rapid economic growth, and for the next five years its infrastructure investment programme will look to bolster tourism and trade links. This includes improvements to transport infrastructure, such as the new high-speed rail link between China and Laos, which will extend into Thailand. The government is also expanding digital infrastructure and rolling out broadband access across the country.

While Thailand has long had a flourishing industrial sector producing automotive, electronics and machinery components, the country is losing its competitive edge to fast-growing regional neighbours with cheaper labour. Through Thailand 4.0, the government plans to encourage the development of a "value-based economy that is driven by innovation, technology and creativity"¹ to escape the middle-income trap. In particular, Thailand wants to become a regional technology hub, encouraging investment from start-ups and promoting use of the internet of things in everything from agriculture to the automotive sector. The government hopes this digital foundation will encourage investment in valuable technological industries such as robotics, aviation and logistics, biofuels and biochemicals – creating demand for highly-skilled employees in these areas.

The service sector still dominates Thailand's economy, and tourism and retail are important pillars of continued growth. The number of international tourists arriving annually is expected to continue to increase, while in the retail sector, e-commerce is growing much faster than physical retail, driving a need for employees with skills in web development and digital marketing.

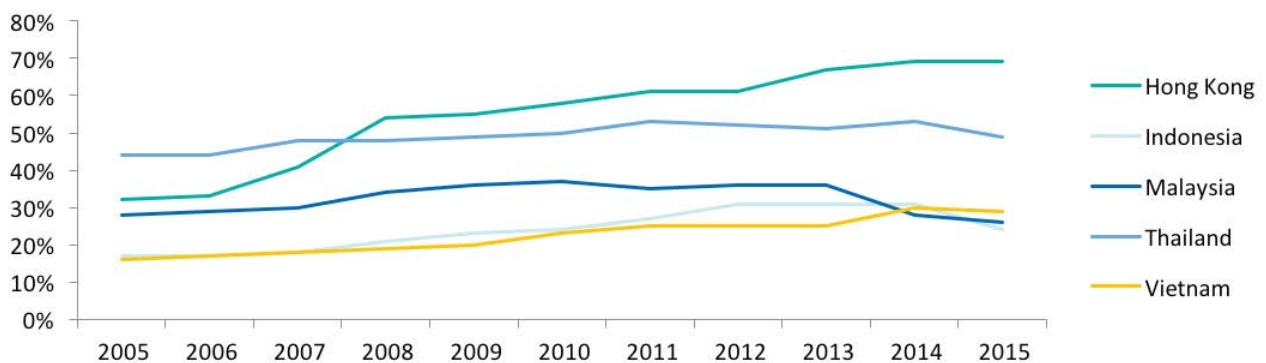
¹ Royal Thai Embassy, Washington, DC. (n.d.). Thailand 4.0. Retrieved from <http://thaiembdc.org/thailand-4-0-2/>

Thailand 4.0 is also expected to create new employment opportunities across the country. The government is establishing an Eastern Economic Corridor (EEC), a new industrial zone in the country's east, with the intention of building a high-tech hub that will offer tax breaks and relaxed visa requirements for expatriate hires. It is hoped that the EEC will attract investment into high-tech industries, spread industrial production beyond Bangkok and its immediate vicinity, and create 100,000 jobs annually in the manufacturing and service industries.

2.2 Domestic higher education trends

The proportion of youth in the Thai population is shrinking, while the proportion of Thai students enrolling in higher education—nearly 50 per cent—has remained largely constant over the last decade. This has resulted in a falling number of tertiary students: in 2017, 2.17 million students enrolled in tertiary education, down from 2.43 million in 2010.²

Enrolment in tertiary education in Thailand vis-à-vis other Asian countries



Source: Economist Intelligence Unit

Only a minority of students study the STEM programmes that are needed to meet the needs of development plans such as Thailand 4.0. In 2015 (the latest available data), just over 26 per cent of higher education graduates had studied STEM subjects; about 20 per cent had studied business, administration and law; and 18 per cent had studied engineering, manufacturing and construction. Under 5 per cent had studied ICT subjects.

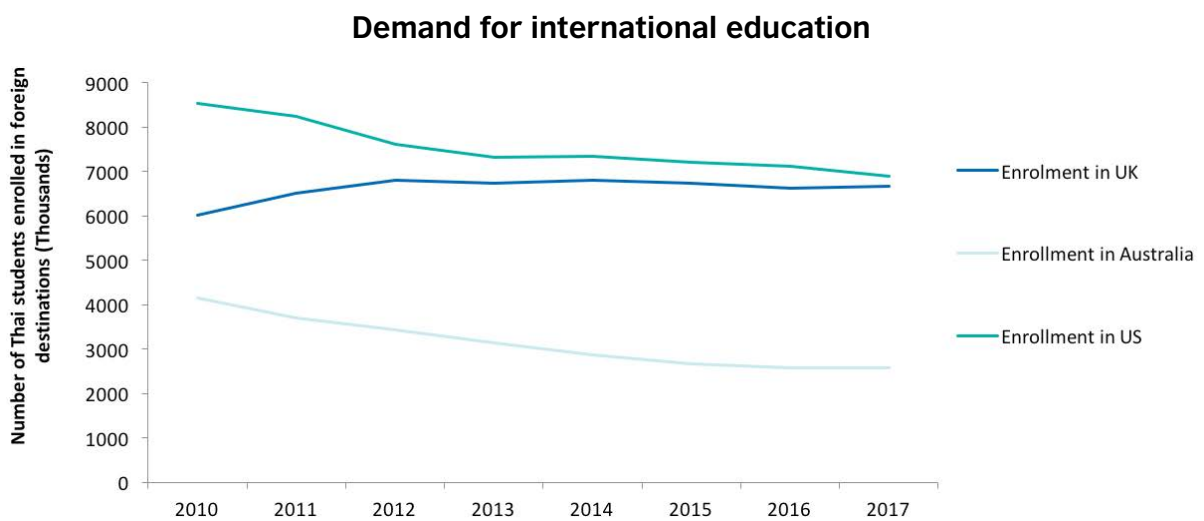
Quality is also an important concern at Thailand's higher education institutions, with the standard of higher education varying across the country. Ulrich Zachau, the World Bank's director for regional partnerships in Malaysia and Thailand, notes a large discrepancy between a few leading institutions and the rest of the sector, particularly institutions outside of the capital: "It is significantly better in Bangkok and it is significantly worse in the rest of the country." Quality issues are reflected in the time it takes graduates to find a job: according to Chen Namchaisiri, chairman of the Federation of Thai Industries, 85 per cent of fresh graduates take more than six months after completing their course to find a job. Many of these graduates also need training before they start their first role due to a lack of digital capabilities, English language proficiency and skills linked to employability, he said.

² EIU data

2.3 Overseas education trends

The varying quality of education in Thailand means that many students from wealthier backgrounds go overseas for tertiary study, with the US, the UK, Japan and Australia ranking as the top destinations.³ Assistant Professor Douglas Rhein, chairman of the Social Science Division at Mahidol University explained that English language skills are an important reason for many students to go overseas, with companies giving higher salaries to those who were educated abroad and return with bilingual proficiency in both Thai and English. Meanwhile Japan’s popularity is due to its proximity and reputation for technical expertise, he said.

The UK is becoming an increasingly popular study destination for Thai students. In 2017, 6,680 Thai students enrolled in UK higher education institutions, up 45.5 per cent from 2007 (4,590). Over similar periods, Thai enrolment in Australian and American tertiary institutions fell. One important advantage for UK HEIs is the shorter duration of study compared with the US, particularly at the postgraduate level where the UK offers one-year masters degree programmes.



Source: Australian Education International, Institute of International Education, UK Higher Education Statistical Agency.

A number of Thai universities have partnerships that allow students to articulate to complete their degree at an overseas HEI, but compared to other countries in the region there are comparatively few Thai students studying on an overseas degree programme in their home country. However new regulations and incentives aim to encourage more overseas institutions to set up branch campuses in Thailand, particularly in the Eastern Economic Corridor

³ EIU data

THAI EMPLOYERS' NEEDS AND IN-DEMAND SKILLS

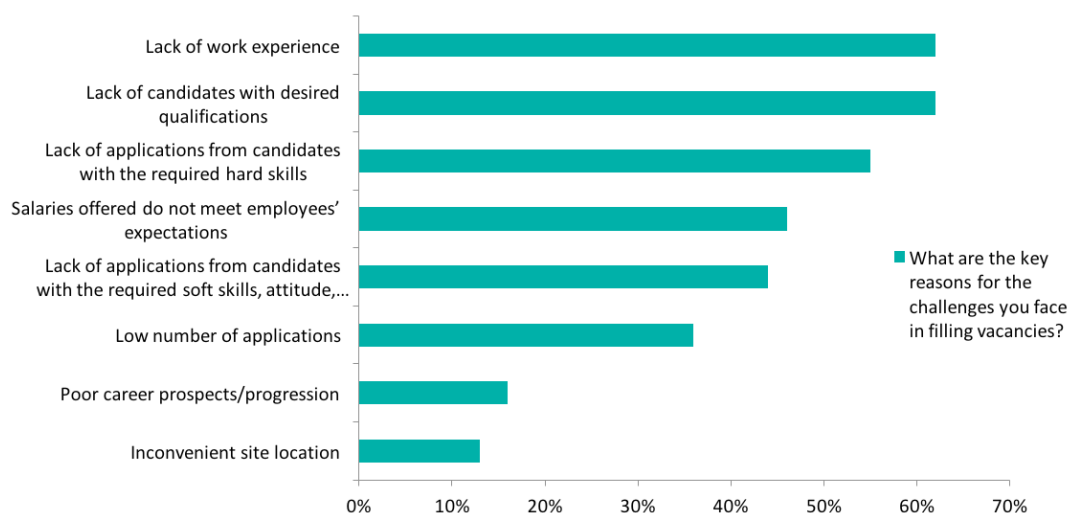
Chapter Summary



- **Employers are looking for more graduates with hard skills such as advanced IT and digital marketing skills. At present, they have to supplement the Thai labour force with expatriates.**
- **Work experience is also very highly valued, even for entry-level employees.**
- **Local university graduates tend to prefer generalist degrees in the humanities and business. This means that key industries such as the automotive sector and information and communications technology (ICT) sector face skills shortages.**
- **English-language skills and English courses are reported to be the most desirable by companies surveyed, especially among international companies.**

68 per cent of surveyed firms reported that they experience difficulties, or long gaps, in sourcing suitable recruits. The two most common challenges are a paucity of candidates with the desired qualifications and a lack of work experience, both cited by 62 per cent of the surveyed companies. Meanwhile a lack of applicants with the right "hard skills" (technical skills related to their job function) was a challenge for 55 per cent of companies. A survey by Siam Commercial Bank Economic Intelligence Centre supports our findings: 53 per cent of surveyed companies struggled to find candidates for openings because of a lack of technical skills and a skills mismatch.

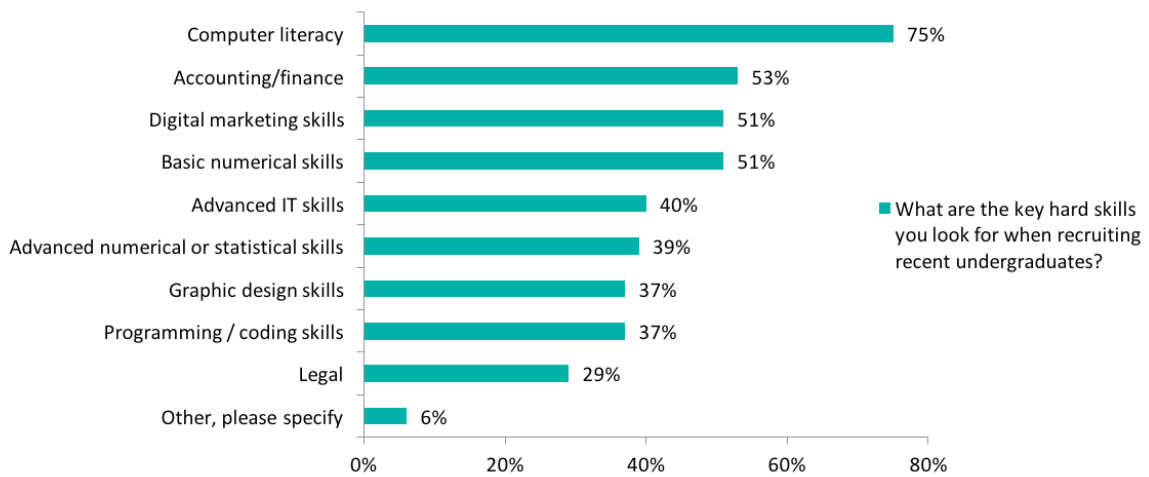
Key challenges in filling entry-level positions (% , N = 104)



Source: EIU Graduate Employability Survey. 2018

When asked about the specific hard skills they looked for in new graduates, employers cited computer literacy (75 per cent), accounting/finance (53 per cent), basic numeracy (51 per cent) and digital marketing (51 per cent) as the most in-demand skills. Companies in Thailand are also in need of specific technological skills to support the main industrial, automotive and ICT sectors.

Demand for hard skills among surveyed Thai employers (% , N = 150)



Source: EIU Graduate Employability Survey, 2018

Employers reported a particular shortage of skills in high-tech areas such as those required by the areas prioritised in the Thailand 4.0 policy. Mr Namchaisiri described the skills required to fulfil Industry 4.0 as “very scarce in Thailand at the moment”. Similarly, Dr Lekfuangfu highlighted a shortfall in the number of computer and data scientists, while Mr Rhein reported that applied engineering graduates, especially mechanical engineers, are difficult to find. John Tolmie, the managing director of Monroe Consulting Thailand, noted that qualified engineers are always in demand, as are technology skills, particularly for new online businesses. He also noted that science skills are in high demand.

English language proficiency is also one of the most valued skills for employers, according to survey responses. These are particularly valued by international companies, which are common in Thailand and prefer individuals who have been exposed to an international environment and have sufficient English language fluency to work in an English-language environment. However, these skills were valued across all employer types, and 84 per cent of respondents rated graduates with a language degree as very or extremely appealing.

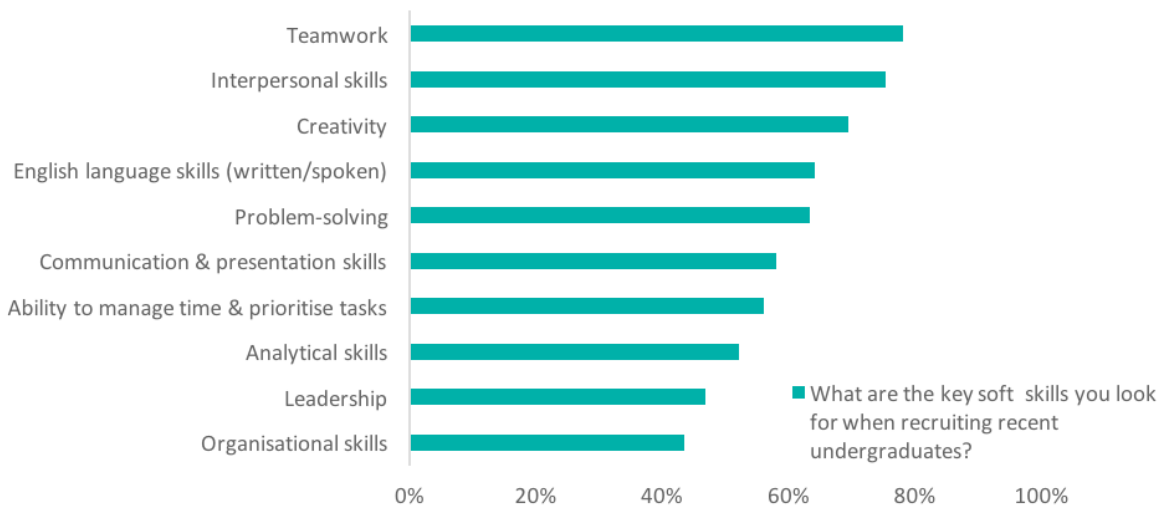
Employer perceptions of English/foreign language courses (% , N = 150)	
1 = Not appealing at all	0%
2 = Less appealing	0%
3 = Moderately appealing	7%
4 = Very appealing	33%
5 = Extremely appealing	60%

Source: EIU Graduate Employability Survey, 2018

English language skills will only become more valuable over time. An International Labour Organisation (ILO) report estimates that greater regional integration within the ASEAN Economic Community will create 2.2 million job in Thailand from 2010 to 2025, including around 764,000 highly-skilled jobs. While not all of these jobs will involve direct communication with overseas counterparts, this will still create substantial demand for language skills.

Employers in Thailand also value soft skills, which they report are sometimes lacking among local graduates – as mentioned above, 44 per cent of surveyed employers say that a lack of applicants with the right soft skills causes difficulty for recruitment of entry-level employees. Survey results showed that the most in-demand skills in this area are teamwork (78%), interpersonal skills (75%) and creativity (69%).

Most important soft skills when recruiting entry-level employees (% , N = 150)

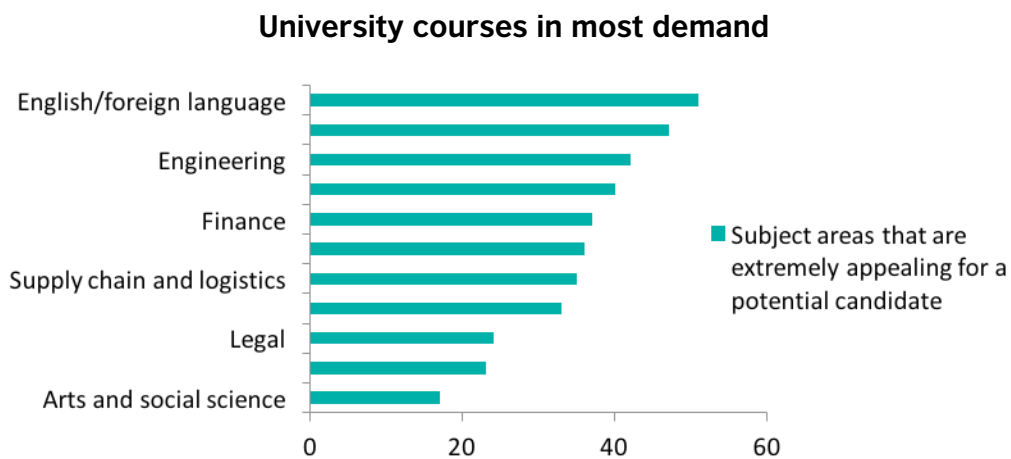


Source: EIU Graduate Employability Survey, 2018

Preferred University Courses

Surveyed Thai employers rated English as the most appealing university course for a new entry-level employee. This illustrates the strong demand for English language skills and therefore points towards the value of an overseas degree which also demonstrates these skills.

Beyond English, employers generally value degree programmes that develop hard skills over generalist degrees. STEM courses and English language courses are most valued. Information technology and computing courses are seen as the next most beneficial, with 47 per cent of respondents citing them as “extremely appealing”. This is followed by engineering courses (42 per cent), and then marketing and finance courses. These results indicate that both local and overseas graduates who study vocational fields are more employable than those who favour the arts.



Source: EIU Graduate Employability Survey, 2018

Interviewees also noted the existence of skills mismatches between local STEM graduates and employers' recruitment needs. Dr Warunsiri notes that, based on her research, there are “maybe 3 million graduates with science and technology degrees, but around 1.2 million cannot find a job that matches their degree”. Science and technology graduates are in high demand, but local graduates do not possess the advanced skills required by recruiters.

ATTRACTIVENESS OF OVERSEAS STUDENTS

Chapter Summary

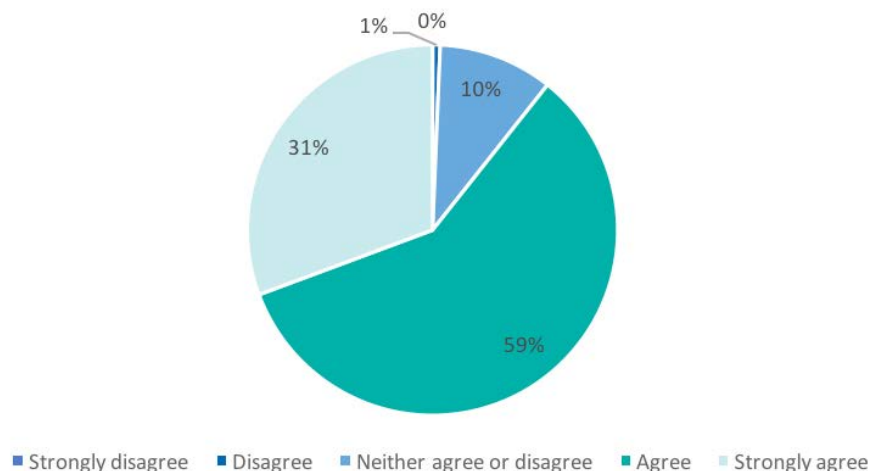


- Employers generally find that students who studied overseas perform better across all technical skill sets. Many employers also find that overseas graduates have better soft skills.
- Many Thai students choose English-speaking countries for their overseas study. The survey found that most employers attach importance to the reputation of the institution. The UK was found to be particularly attractive for postgraduate degrees.
- However, graduates who study abroad for long periods may lose touch with Thai culture and struggle to integrate back into the Thai styles of communication and deference to elders. They may also lack an understanding of the local market and lack networks in Thailand.

4.1 Employers' Attitudes Towards Overseas Graduates

Surveyed employers were asked a series of questions about the relative advantages and disadvantages of returning foreign-educated graduates, and the results show that a vast majority of employers in Indonesia value overseas graduates. Of the surveyed respondents, 89 per cent either agreed or strongly agreed that a foreign education adds value for a jobseeker, while 75 per cent said that international experience is one of the important factors they looked at when recruiting candidates.

**Employer perceptions regarding value add of a foreign degree (% , N = 150):
“Having studied abroad is a value added for a jobseeker”**

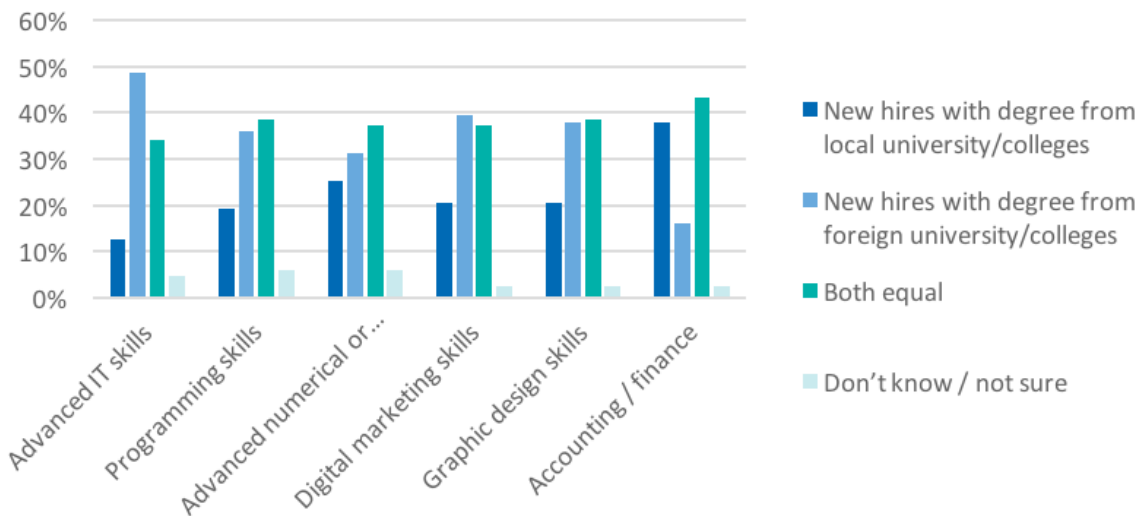


Source: EIU Graduate Employability Survey, 2018

According to the survey, new hires who studied abroad perform best in areas of advanced technical skills and English language. Interviewees commented that the requirement for English is self-perpetuating among multinational firms in Thailand: the relative shortage of skilled domestic labour means that firms hire expatriates to fill jobs, many of whom speak English and use it to communicate with their colleagues. (Mr Rhein notes that many senior management positions in companies such as Siemens, Bombardier and Mitsubishi are filled by expatriates.) This gives graduates with strong English language skills a significant advantage when it comes to entering this type of company.

The advantage of overseas study is also clear across all technical skill sets, with employers generally favouring overseas graduates in advanced IT, digital marketing, graphic design and programming skills. This indicates that foreign graduates have the edge in terms of more advanced technical skills and those focused on areas such as e-commerce and digital marketing.

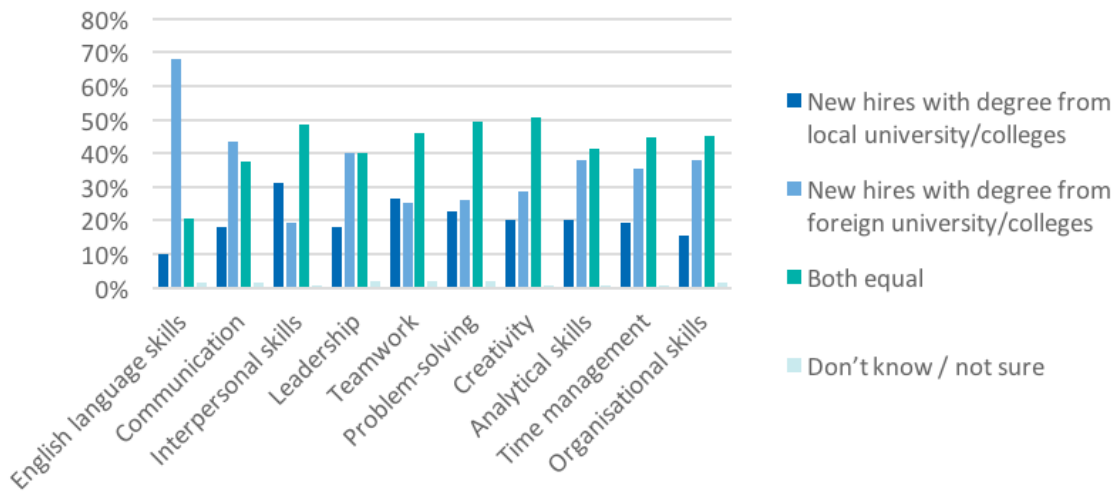
Employer perceptions regarding new hires’ performance of hard skills (% , N = 150)



Source: EIU Graduate Employability Survey, 2018

Studying abroad is also believed to provide graduates with soft skills. For example, 43 per cent of survey respondents reported that, among new hires, overseas graduates have better communication and presentation skills, while just 18 per cent favoured local graduates. Similarly, 40 per cent of respondents reported that overseas graduates perform better in leadership roles, with just 18 per cent favouring local graduates. As these figures suggest, the different style of teaching common in foreign universities is seen as fostering skills in communication, leadership and problem-solving. Dr Lekfuangfu notes that this provides an advantage even at the job interview stage and in group work, because the candidate is used to working in an environment where discussion and teamwork are encouraged.

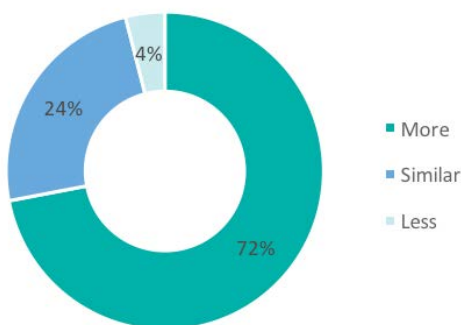
Employer perceptions regarding new hires’ performance of soft skills (% , N = 150)



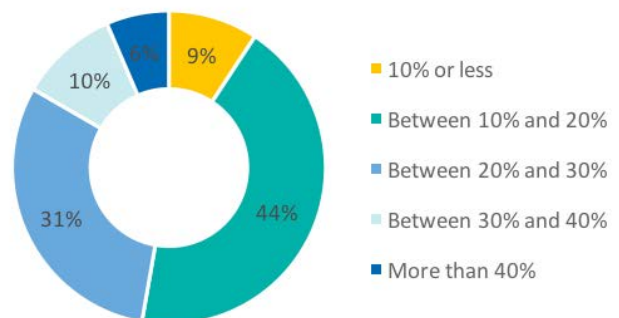
Source: EIU Graduate Employability Survey, 2018

In our survey, 72 per cent of respondents agreed that overseas graduates are paid more than their locally educated peers. However, the salary premium for entry-level candidates is relatively modest when compared with the cost of studying in the UK or other major English-speaking destinations – only around half of respondents said that the salary premium was 20 per cent or more, and just one in six said that entry-level employees with overseas degrees earned at least 30 per cent more than their locally-educated counterparts.

Is a local undergraduate from a foreign university paid more or less than a local undergraduate from a local university? (% , N = 150)



How much more is a local undergraduate from a foreign university paid, compared to a local undergraduate from a local university? (% , N = 108)



Source: EIU Graduate Employability Survey, 2018

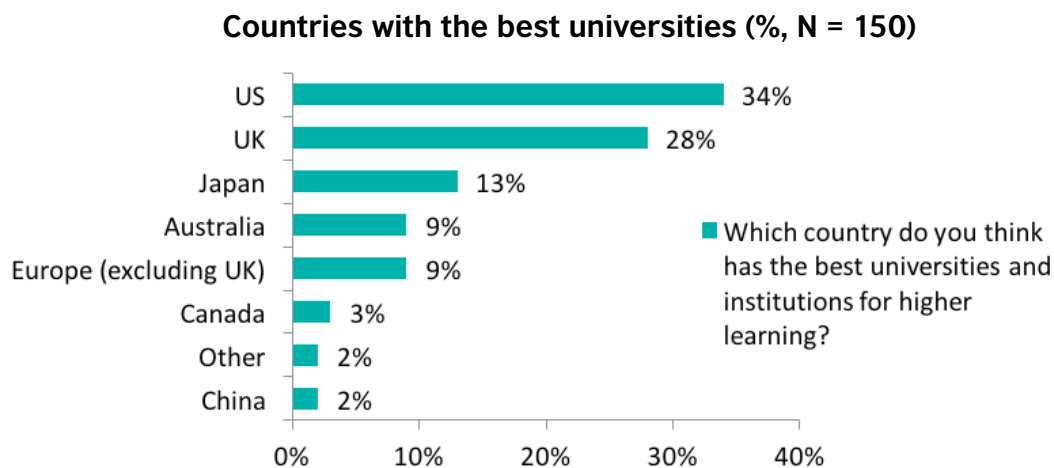
It should be noted that the survey sample was chosen to reflect companies that are likely to employ returned overseas graduates, including multinationals and other leading firms. This means that the true salary premium for returnees is likely higher than stated in the survey, as these companies tend to pay higher salaries compared to smaller local firms. For example, Dr Lekfuangfu commented that salary differentials between local and overseas graduates came because “[overseas graduates] have more confidence in their language and so might try out with international firms, where they will get paid more.”

In addition, interviewees talked about the value of overseas-educated returnees in senior roles and the perception that returnees find it easier than locally-educated graduates to increase their salary through switching companies to find a higher-paid role. Dr Warunsiri explained that “A student from a local university would find it a lot harder to get a job and therefore they stick around for a lot longer”, while conversely overseas graduates benefit from market demand for their skills which gives them more options.

4.2 Employers’ Attitudes Towards Different Countries

Many Thai students choose English-speaking countries as their destination for overseas study. According to the employers surveyed, 34 per cent believe that the US has the best universities, followed by the UK (28 per cent). Japan comes in third, preferred by 13 per cent of respondents, likely reflecting its relative proximity to Thailand and its reputation for high-tech skills training. Australia and Europe (excluding the UK) are both preferred by only 9 per cent of respondents.

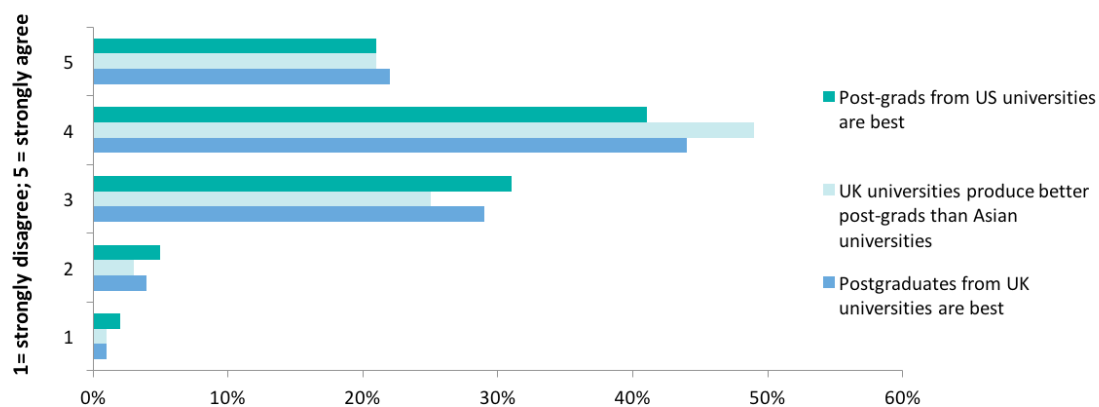
The survey also revealed that 71 per cent of respondents consider the reputation of the candidate’s university to be an important criterion. Top US business schools lead the pack, according to Dr Lekfuangfu: “I think you are a lot more attractive if you graduate somewhere like Harvard Business School than London Business School, even if they are not that different, just because of the established reputation.”



Source: EIU Graduate Employability Survey, 2018

The survey also revealed a very positive perception of UK universities, with 86 per cent of respondents agreeing that studying in the UK is valuable for a jobseeker. The UK is seen as particularly valuable in providing high-quality postgraduate degrees. In the survey, 89 per cent of respondents agreed that a postgraduate degree is valuable for a jobseeker, 66 per cent agreed that postgraduates from UK universities are the best, and 70 per cent agreed that UK universities produce better postgraduates than Asian universities. Interviewees agreed with these findings.

Employer perceptions of postgraduates from the US, the UK and Asia (% , N = 150)



Source: EIU Graduate Employability Survey, 2018

Some interviewees noted that one-year courses in the UK offer better value than the longer, costlier courses in the US, which may account for some of the UK's growing popularity among prospective Thai students. Dr Lekfuangfu agreed, adding that an overseas postgraduate degree is seen as the most prestigious qualification: "The very top are those that have had their undergraduate degree here in the country and then go abroad for a master's degree."

4.3 Disadvantages of Overseas Study

As discussed above, survey respondents believe that studying abroad demonstrably improves employability in Thailand. However, there can be disadvantages. Firstly, those who study abroad may suffer a disconnection from their local culture, knowledge and networks, especially if they are away for a long period of time. 49 per cent of survey respondents reported that new hires with local degrees have better knowledge of the local market than overseas graduates. This highlights the importance of restoring former networks and reviewing changes to local industries for overseas graduates.

Similarly, transitioning back into a traditional, hierarchical Thai working environment can be a challenge. In contrast to other areas of soft skills, 31 per cent of survey respondents believe that local graduates have better interpersonal skills than overseas-educated employees, while only 19 per cent said the opposite. According to Dr Lekfuangfu, overseas graduates may absorb Western customs and practices at work, which may run counter to expectations in Thai workplaces, such as deference to elders. Mr Rhein agrees: "Their parents want them to go back to Thai culture, obedience and collectiveness." However, he does not think this necessarily inhibits overseas graduates in their career.

Transnational education – studying for an overseas degree in the student’s home country – may offer a way to address issues with a lack of local market knowledge and connection with Thai business culture. This is currently less developed in Thailand than in many other countries in the region, with the main TNE activity in the country being dual degree agreements between overseas universities and Thai institutions’ English-medium programmes. However, in 2017 Thailand’s then Minister of Education announced plans to encourage “high-potential” overseas universities to establish branch campuses in Thailand, either independently or in cooperation with a local Thai higher education institution.

In some cases, returning overseas graduates may have unrealistic salary expectations which prevent them from finding suitable positions – especially early in their career as employers highly value work experience as well as academic background. Dr Lekfuangfu believes that having paid for their skills, overseas graduates do not want to undersell their abilities, while other interviewees believed that some returnees feel that they are “special” and deserve the best jobs.

Finally, some Thai employers expressed doubt about the loyalty of candidates who have studied abroad. Returnees’ advantage in the job market makes it easier for them to find a more attractive position in another firm. Although this is on net a benefit for returning graduates as it leads to higher salaries, this perception does also create some barriers.

CONCLUSIONS AND RECOMMENDATIONS

Thailand's growing economy and its ambitious Thailand 4.0 industrial plan is driving demand for skilled employees across a range of fields. This creates a strong demand for graduates with the right combination of hard skills, such as advanced computer programming, digital skills and robotics, along with relevant soft skills such as problem-solving and communication. English language proficiency is also highly valued by the large number of multinational firms operating in Thailand.

However, the country's employers are finding it hard to find suitable employees among domestic graduates. This creates opportunities for internationally-educated returnees. Our research has shown that employers place a high value on an overseas degree, particularly but not only at the postgraduate level, and see returnees as having stronger skills in both technical and most non-technical areas – with English being a particularly strong advantage.

On the other hand, employers also perceive some disadvantages to overseas-educated employees. Employers rate returnees as having lower interpersonal skills compared to their locally-educated counterparts – likely because of a lack of adaptation to Thailand's hierarchical business culture – as well as having less knowledge of the local market environment.

In addition, although most employers said that returnees earn higher salaries than local graduates, the salary gap is small compared to the cost of overseas study – at least for early-career employees. Some returnees have unrealistic expectations of their earning power which can put them at a disadvantage. UK universities can help to support their Thai graduates by providing improved guidance and career development services with relevance for the Thai employment environment, as well as enhancing their alumni support in the country.

Another key finding from the research is the value of work experience to Thai employers. When asked about their main difficulty in recruiting entry-level employees, the most-mentioned difficulty was an absence of work experience among applicants. Universities should work to provide their students with the opportunity to develop this kind of experience as well as to make students aware of its importance.

