

Employability in Focus

EXPLORING EMPLOYER PERCEPTIONS OF OVERSEAS
GRADUATES RETURNING TO INDONESIA

2018/2019

CONTENTS

EXECUTIVE SUMMARY	4
1. INTRODUCTION AND METHODOLOGY	5
2. ECONOMIC AND SOCIAL BACKGROUND	7
2.1 Economic trends and labour markets	7
2.2 Domestic high education trends	8
2.3 Overseas education trends	9
3. INDONESIA EMPLOYERS' NEEDS AND IN-DEMAND SKILLS	11
4. ATTRACTIVENESS OF OVERSEAS GRADUATES	15
4.1 Employers' attitudes towards overseas graduates	15
4.2 Employers' attitudes towards different countries	19
4.3 Employers' attitudes towards transnational education	20
4.4 Disadvantages of overseas study	21
CONCLUSIONS AND RECOMMENDATIONS	22

EXECUTIVE SUMMARY

- The steady growth of Indonesia's economy is increasing demand for highly skilled workers, particularly in the services sector. However, the country's higher education system lacks world-class universities and is not producing enough graduates to meet employers' needs, presenting an opportunity for foreign institutions to fill the gap. Based on a survey of 150 employers who recruit graduates in Indonesia, the current research explores employer attitudes towards overseas graduates and the advantages and disadvantages of hiring foreign-educated employees.
- A large proportion of Indonesian employers experience difficulty filling positions. Common problems include a lack of suitably qualified applicants, poor soft skills among applicants and a shortage of applicants with specific hard skills or advanced technical abilities.
- The main soft skills demanded by Indonesian employers are creativity, analytical skills, problem-solving and teamwork. The most desired hard skills are advanced IT skills, accounting/finance skills, digital marketing skills and computer literacy.
- The degree subjects most likely to be seen as extremely appealing by these employers include IT/computing, English/foreign languages, marketing and business.
- Almost all employers believe that a postgraduate degree adds value to a potential employee, and postgraduates can expect to assume senior or managerial positions upon re-entering the workforce.
- Overseas graduates can expect to command higher salaries than local graduates, and employees with foreign degrees are viewed as having significant advantages when job hunting.
- Employers generally perceive overseas graduates as better qualified than their local counterparts, especially in areas such as advanced technical skills, English language abilities and key soft skills, especially critical thinking.
- However, employers did report some disadvantages of overseas-educated employees. Some employers said that overseas graduates struggle with a lack of local networks and reverse culture shock when adjusting to the Indonesian workplace. Foreign-educated employees also have a better range of job opportunities, which could cause their current employers to see them as less loyal. Higher salaries are also seen as a negative from the employer's point of view.
- The UK's higher education institutions are well regarded by Indonesian employers, particularly for postgraduate courses, which are considered the best in the world.
- Regulations on foreign educators have severely impeded the development of transnational education (TNE) programmes in Indonesia. However, proposed changes to these rules may create significant opportunity for overseas universities in the future.

INTRODUCTION AND METHODOLOGY

Indonesia's economy has grown steadily over the past two decades, and so have its economic ambitions. Real GDP growth has averaged more than 5 per cent over the past decade,¹ and GDP per capita increased from \$840 in 2000 to \$3,897 by 2017.² By 2025, the government hopes to transition Indonesia to high-income country status through its bold plan for economic development. Although the country aims to reinvigorate manufacturing, the services sector is now the biggest driver of Indonesia's growth, and the sector's strong expansion is expected to continue³.

Indonesia needs more skilled graduates to staff its growing services sector and fill the 500,000 new jobs the economy creates each year. Local universities produce relatively few graduates compared to the size of the country's population, and only the top institutions are perceived as reputable by employers.

What about overseas university graduates? How do employers perceive the value of foreign degrees? How do the skill sets of local and foreign university graduates differ? To answer these questions, we surveyed 150 companies operating in Indonesia, including public-sector entities, domestic and foreign private enterprises, international organisations and foreign joint ventures. Additionally, we conducted in-depth, qualitative interviews of employers in Indonesia and analysed previously published research in this area. The survey covers areas such as the 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. Survey respondents were chosen to be representative of the type of firms that hire returned overseas graduates rather than the Indonesian economy as a whole.

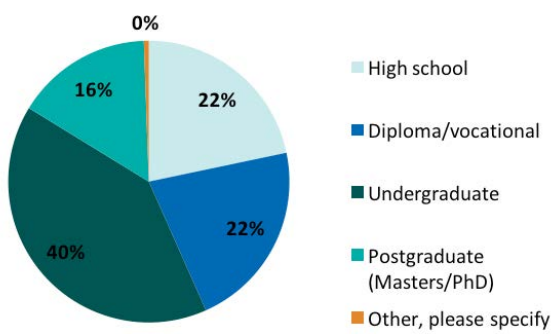
All of the respondents have either full or partial roles in hiring staff for their respective organisations and experience in hiring graduates with overseas qualifications. The firms surveyed are primarily located in cities on the island of Java, with 57 per cent in Jakarta, 13 per cent in Surabaya and 12 per cent in Bandung. The survey shows that the majority of employees at these firms are educated to the undergraduate (40 per cent) or postgraduate (16 per cent) levels, and a majority of respondents said they seek degree-level candidates to fill entry-level positions. According to the survey, 34 per cent of entry-level employees at these companies hold degrees from local universities while 19 per cent have degrees from foreign institutions.

¹ Trading Economics, [Indonesia GDP annual growth rate](#).

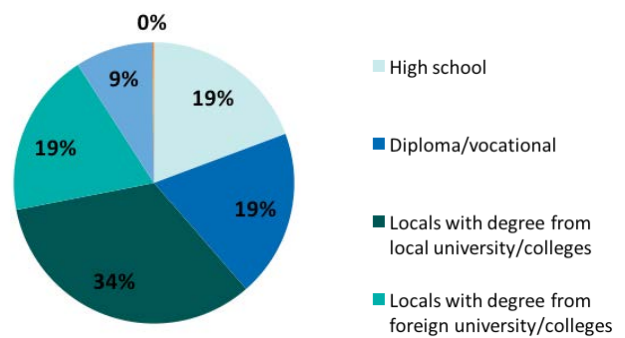
² EIU data

³ EIU, Indonesia country forecast

Average educational profile of employees in surveyed companies
(%, N = 150)



Average entry-level recruit profiles at surveyed companies
(%, N = 150)



Source: Graduate Employability Survey 2018

Among survey respondents, 21 per cent employ between 50 and 199 employees and 32 per cent employ 500 or more. The surveyed firms represent a wide range of industries, including construction and infrastructure (18 per cent), energy and resources (17 per cent), manufacturing (13 per cent), retail (11 per cent) and financial services (11 per cent).

ECONOMIC AND SOCIAL BACKGROUND

Chapter Summary



- **Despite a growing workforce and demographic dividend, Indonesia faces a shortage of skilled labour in its growing services sector.**
- **Enrolment in tertiary institutions has risen due to educational reforms and higher secondary completion rates, but the gross enrolment ratio is low compared to other countries in the region.**
- **Students are highly motivated to study abroad, but few actually have the opportunity as affordability remains a major obstacle for prospective overseas students.**
- **Indonesia's higher education sector suffers from a lack of capacity and quality.**

2.1 Economic Trends And Labour Markets

Indonesia is Southeast Asia's largest economy and the world's tenth largest economy by purchasing power parity.⁴ The country's rapid economic rise has resulted in the creation of 500,000 new jobs each year, which has helped lower unemployment from 11.2 per cent in 2005 to 5.5 per cent in 2017.⁵ Indonesia's workforce has also expanded over the past decade, increasing from 116 million in 2011 to an estimated 129 million in 2018.⁶ Working-age people outnumber dependents, and their share of the population is growing. Between 2000 and 2016, the number of dependents as a percentage of the working-age population fell from 55 per cent to 49 per cent,⁷ and this trend is expected to continue, peaking between 2028 and 2031.⁸

Despite Indonesia's demographic advantages, the country faces a shortage of the skilled labour necessary for its thriving services sector, which accounted for about 40 per cent of GDP⁹ in 2017 and employs 90 per cent of the country's graduates.¹⁰ According to a report by the International Labour Organization, just 9.4 per cent of Indonesia's workforce in 2016 had completed a bachelor's degree, and 17 per cent were categorised as "undereducated", an increase from 10 per cent in 2006.¹¹

The country's information and communications technology (ICT), financial services and tourism industries are expanding rapidly and in need of skilled workers. The number of mobile phone users is expected to reach 193 million in 2019 (out

4 The World Bank, [The World Bank in Indonesia](#).

5 The World Bank, [Indonesia Economic Quarterly](#), 2018, p. 21, 36, 71, 86.; Trading Economics, [Indonesia unemployment rate](#).

6 World Bank, [Indonesia Economic Quarterly](#), 2018.

7 World Bank, [Indonesia Economic Quarterly](#), 2018.

8 Ritonga, R., "Who benefits from demographic dividend", The Jakarta Post, 24 February 2015.

9 Bank of Indonesia, [Domestic products by business field](#).

10 Measures of TE, p165

11 ILO, [Indonesia Jobs Outlook 2017 - Harnessing technology for growth and job creation](#), 2017, p.54.

of a total population of 260 million),¹² driving demand for programmers as the market for e-commerce, online payments and transportation apps grows. As more Indonesians open bank accounts to manage their money, more graduates with backgrounds in finance and accounting will be necessary to work in financial institutions. Skilled professionals will also be needed as the government attempts to develop key economic corridors, improve connectivity and strengthen human resource capacity and research and development (R&D) as part of its National Master Plan for the Acceleration and Expansion of Indonesia’s Economic Development (MP3EI).¹³

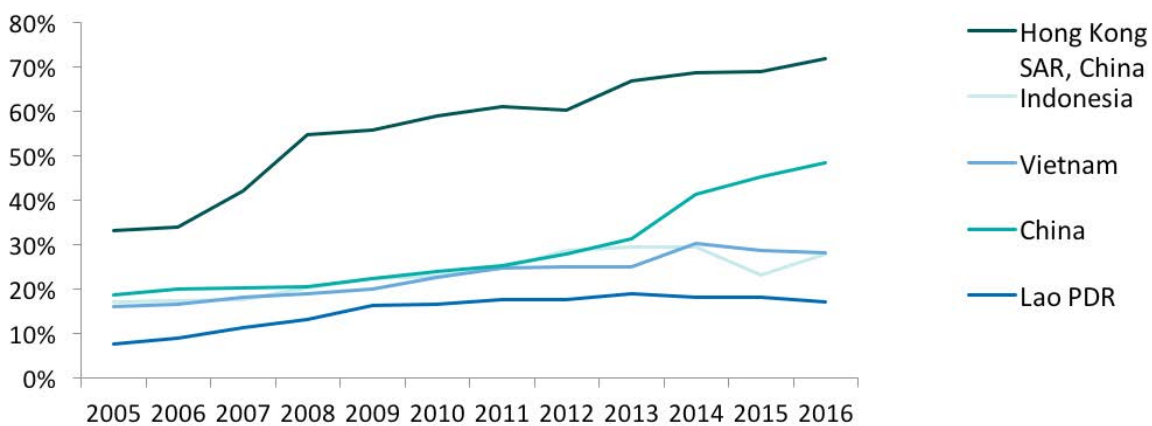
In addition to seeking hard skills in IT, accounting/finance and digital marketing, employers and recruiters report a desire for employees with soft skills such as creativity, problem-solving and teamwork. Findings from our survey also reveal a severe shortage of management professionals.

2.2 Domestic higher education trends

Over the past two decades, enrolment at Indonesia’s higher education institutions has risen markedly. In 2017, the country had approximately 7.3 million students in tertiary education, an increase from 4.2 million in 2008.¹⁴ The upward trend has been driven by educational policy reform, a growing middle class and an increase in the secondary school completion rate.

While the number of students at higher education institutions has climbed steadily, Indonesia’s gross tertiary enrolment ratio remains low compared to other countries in the region, suggesting there is room to increase enrolment further. The country’s gross tertiary enrolment ratio was 27.9 per cent in 2016, representing significant growth from 20.4 per cent in 2008, but still lower than Malaysia (44.1 per cent) and slightly below Vietnam (28.3 per cent), despite Vietnam’s lower income and development status.¹⁵

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



Source: World Bank

¹² Statista, [Number of mobile phone users in Indonesia from 2013 to 2019 \(in millions\)](#).

¹³ Coordinating Ministry for Economic Affairs, Republic of Indonesia, [Masterplan: Acceleration and expansion of Indonesia economic development 2011–2025](#), Jakarta, 2011.

¹⁴ OECD, [Education, Indonesia – Rising to the Challenge](#), 2015, p.188. f

¹⁵ UNESCO UIS, [Indonesia](#); UNESCO UIS, [Viet Nam](#); UNESCO UIS, [Malaysia](#).

Indonesia's low secondary graduation rate has long been a challenge in boosting higher education enrolment, and the government has introduced plans for compulsory 12-year education to improve completion rates—the third extension of compulsory education in three decades.¹⁶ Yet higher education institutions may face difficulty accommodating greater numbers of high-school graduates as the sector already lacks capacity. The country is home to 98 public tertiary institutions, 3,353 private institutions and 52 Islamic institutions.¹⁷ While the number of private institutions is growing, many of them are small institutions with as few as 500 students, and public institutions still account for over 25 per cent of enrolments.

Quality is the biggest challenge facing Indonesia's higher education sector. Although a few public institutions offer programmes that meet international standards, Indonesian universities score poorly in world university rankings. Private institutions fare even worse, with only about 20 institutions identified as being of acceptable quality in a 2014 OECD report on the country's education system. Local employers are aware of the overall lack of quality, and some interviewees commented that only the top five institutions produce graduates they perceive as competent.

2.3 Overseas education trends

The poor quality of Indonesia's higher education sector has made foreign universities highly attractive to prospective students. A study conducted by AFS Intercultural Programmes, an educational non-governmental organisation (NGO), found that 81 per cent of Indonesian respondents aged 13 to 18 had considered studying abroad.¹⁸

However, the actual number of Indonesians studying overseas is much more modest. Just 0.8 per cent of Indonesian students currently receive education abroad, compared with 6.1 per cent of students from Malaysia and 1.9 per cent of those from Vietnam. The country had a total of 28,483 students enrolled at institutions in Australia (9,293), the US (8,776), Germany (4,384), the UK (3,945), Canada (1,285) and New Zealand (800) in 2017.¹⁹

According to the survey by AFS Intercultural Programmes, prospective students were mainly motivated to study abroad as a way to improve career prospects, rather than to explore another culture. The most important criteria for students when deciding where to study were the reputation of the host country (84 per cent) and cost of study (80 per cent). Affordability is a major obstacle for students considering overseas study, and 45 per cent said they would not be able to study abroad without a scholarship.²⁰ Other important criteria for prospective overseas students included the opportunity for English language instruction and the reputation of the host institution.

¹⁶ The Measurement of Tertiary Education in Indonesia, p6/26.

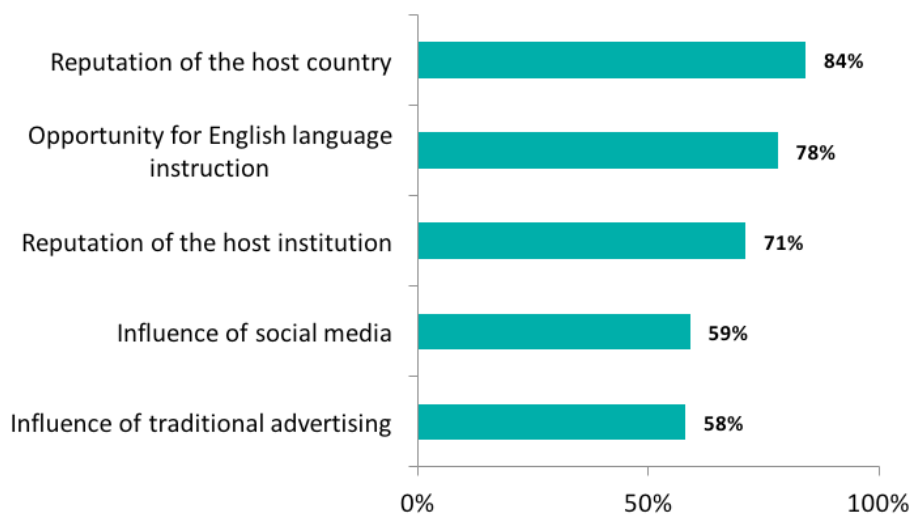
¹⁷ British Council, [Higher education sector in Indonesia](#).

¹⁸ ICEF Monitor, [Study finds that young Indonesians are highly motivated to study abroad](#), 2017.

¹⁹ Statistics from AusTrade, IIE, DAAD, HESA, StatCan and Education NZ respectively

²⁰ ICEF Monitor, [Study finds that young Indonesians are highly motivated to study abroad](#), 2017.

Main choice influencers in considering a study abroad opportunity (N = 5502, respondent ages: 13–18)



Source: AFS Intercultural Programs: Mapping Generation Z: Indonesia Attitudes Toward International Education Programs, 2017.

For those who cannot afford to study abroad, TNE programmes would offer an opportunity to receive an international education at home. However, the government has set strict regulations on the operations of foreign universities in the country, requiring them to partner with local institutions and prioritise the employment of Indonesian academic staff.²¹ The country's president has reportedly discussed relaxing these regulations, but details are yet to be finalised,²² and even if the changes come into force, it will be years before significant numbers of foreign universities establish operations on Indonesian soil.

For now, the only TNE opportunities for Indonesians are joint degrees and twinning agreements, in which one or more years of study are spent at the foreign partner institution. Although cheaper than a three- or four-year programme of overseas study, the cost of a joint degree is high and remains unaffordable for most.

²¹ Global Business Guide Indonesia, *Indonesia's Higher Education Act 2012*, 2012.

²² Ompusunggu, M., Muryanto, B., & Gunawan, A., "Indonesian state universities welcome foreigners as permanent lecturers", The Jakarta Post, 16 April 2018.

INDONESIAN EMPLOYERS' NEEDS AND IN-DEMAND SKILLS

Chapter Summary



- **Indonesian employers report difficulty recruiting employees with advanced technical skills. Demand is highest for hard skills in IT, finance/accounting and digital marketing. There is an even bigger shortage of candidates with soft skills such as creativity, problem-solving and teamwork.**
- **The most attractive degree subjects to Indonesian employers include IT/computing, English/foreign languages, business and marketing.**
- **Employers view postgraduate degrees as highly valuable, and postgraduates can expect to assume senior or managerial roles when they re-enter the job market.**

Indonesian employers face significant challenges in recruiting high-quality graduates. Our survey found that 29 per cent of firms report difficulties, or long gaps, in filling entry-level positions. The biggest challenge in recruitment is a lack of candidates with the desired qualifications, cited by 77 per cent of firms. A lack of applications from candidates with the required hard skills was also cited as a challenge by 49 per cent of survey respondents.

Key reasons for challenges recruiting entry-level candidates in Indonesia (% , N = 103)

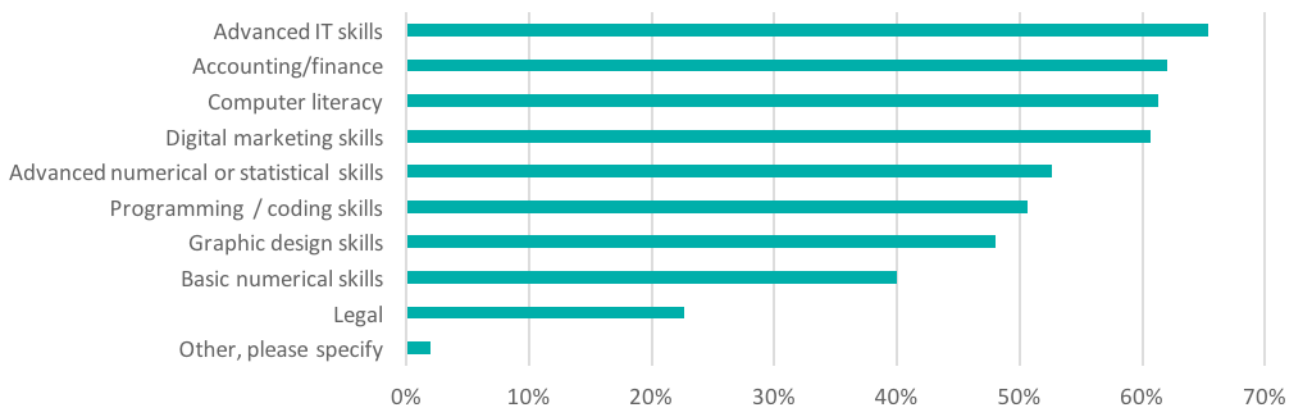
Lack of candidates with desired qualifications	77%
Lack of applications from candidates with the required soft skills, attitude and personality	53%
Lack of work experience	53%
Lack of applications from candidates with the required hard skills	49%
Salaries offered do not meet employees' expectations	40%
Low number of applications	28%
Poor career prospects/progression	26%
Inconvenient site location	9%

Source: Graduate Employability Survey 2018

In terms of hard skills, employers confirmed a shortage of advanced technical skills among applicants. The hard skills most in demand among surveyed employers are advanced IT skills (65 per cent), accounting and finance skills (62 per cent), digital marketing skills (61 per cent), computer literacy (61 per cent) and advanced numerical or statistical skills (53 per cent).

While locally educated graduates are able to supply some of these skills, coders and developers remain difficult to recruit and are highly sought after. Krishnan Menon, the CEO and co-founder of an e-commerce start-up, said: "It is very easy to find talent in creative space. It is easy to find talent in marketing at a junior level. But definitely in technology [coding and development], there is almost no talent. For what little talent exists, there is heavy competition and expense." Other interviewees also noted the dearth of coders in Jakarta's tech scene and the intense competition for their services

Demand for hard skills among Indonesian employers (per cent, N = 150)



Source: Graduate Employability Survey 2018

Soft skills are also perceived as valuable. According to survey respondents, graduates with soft skills are even more challenging to find than those with hard skills, with 53 per cent of employers reporting they struggle to find candidates with suitable soft skills, attitude and personality. More than 75 per cent of survey respondents expressed a desire for employees who are creative and have strong analytical, problem-solving and teamwork skills. A recurrent theme across interviews was a lack of communication and interpersonal skills among local graduates, and interviewees noted that both local and overseas graduates lack intellectual independence and professional maturity at entry level.

Interviewees also reported a lack of key skills in many local graduates, such as creativity, problem-solving and analytical skills. Many suggested that this is because the Indonesian education system fails to foster a culture of critical thinking, and that this problem is exacerbated by the hierarchical nature of Indonesian culture, in which asking questions of one's superiors is considered rude.

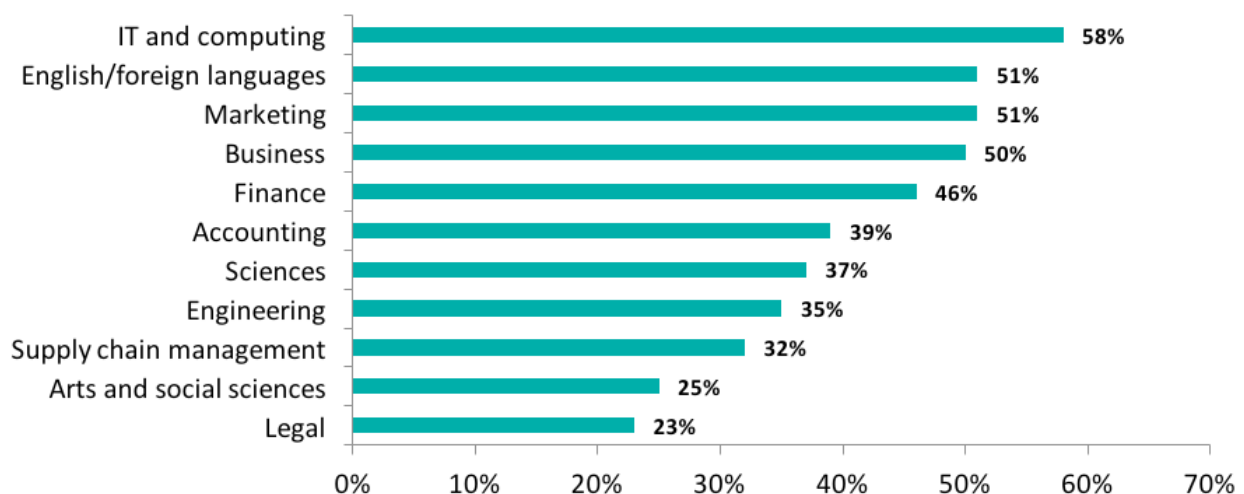
“The education here is still a bit passive. It is all about memorising, being spoon-fed. We largely find that structured thinking is lacking here. We would typically have to train someone to approach problems in a certain way, tackling issues, thinking about how to solve problems,” said Tessa Wijaya, director of a Jakarta-based fintech company. Interviewees also reported that local graduates are typically unassertive, lacking in confidence and unable to present themselves and their ideas adequately to others.

English language skills are also seen as highly desirable, particularly among employers at multinational companies and for the ever-growing number of domestic companies with international connections. Indonesia is plugged into various international supply chains across energy, resources and manufacturing, most of which require staff to have some degree of English proficiency. Staff without English language skills may be at a professional disadvantage.

When asked about the higher education programmes that produce the most qualified graduates, employers generally expressed a preference for candidates who had studied business-oriented subjects or science, technology, engineering and mathematics (STEM) over those who had studied the humanities, social sciences or law. IT and computing courses are seen as most desirable—cited by 92 per cent of respondents as either “appealing” or “extremely appealing”—followed by business (88 per cent), English/foreign languages (85 per cent), marketing (85 per cent) and finance (83 per cent).

Local universities have made some progress in producing graduates with business-related skills. According to a survey conducted by the International Labour Organisation in 2016, courses in business, commerce and finance were the most popular programmes of study among students at Indonesian higher education institutions, accounting for 21.8 per cent of degrees studied.²³ However, demand for hard skills in business-oriented subjects remains unmet, presenting opportunities for overseas graduates with relevant training.

Subjects found extremely appealing by employers for potential candidates (% , N = 150)



Source: Graduate Employability Survey 2018

²³ ILO, *Indonesia Jobs Outlook 2017 - Harnessing technology for growth and job creation*, 2017, p. 51.

Postgraduate degrees are valued highly by employers, especially for those looking to fill management positions. In our survey, 91 per cent of respondents either agreed or strongly agreed that a postgraduate qualification is a positive in a job candidate. Postgraduates can expect to re-enter the job market at a senior or managerial grade. According to our survey, employers seek similar qualities in postgraduates and undergraduates, with the key addition of leadership skills for postgraduate candidates.

In part, this demand for postgraduates reflects the difficulties employers face when trying to fill middle management and directorial roles, which interviewees agreed is more challenging than filling entry-level roles. Postgraduates in business-oriented disciplines are particularly in demand, with interviewees reporting that they expect MBA graduates to be able to enter into managerial positions with relatively little training.

ATTRACTIVENESS OF OVERSEAS GRADUATES

Chapter Summary

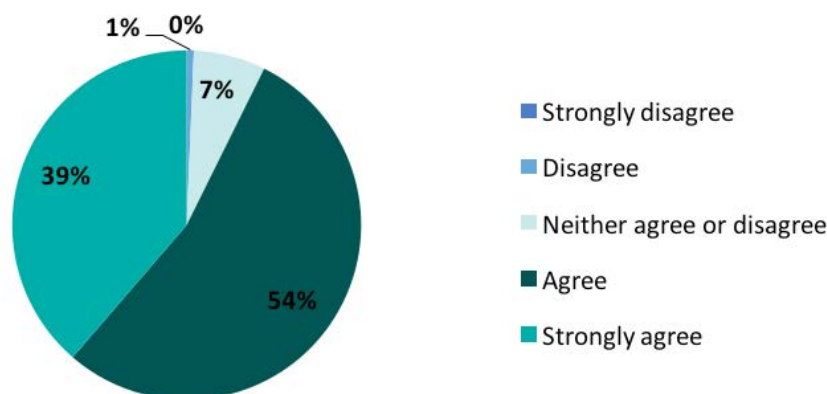


- Employers value graduates with foreign degrees for their hard skills, but they are seen as having an even greater advantage in soft skills such as creativity, communication and analytical thinking.
- English language skills are valued across all sectors, and overseas graduates are perceived to have a clear advantage in this area.
- Postgraduate degrees are valued by employers, and the strengths of overseas postgraduates are perceived as even more pronounced, compared to locally educated peers, than at the undergraduate level.
- Overseas graduates can face challenges when they return to Indonesia, including a lack of local networks and reverse culture shock.

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, 93 per cent either agreed or strongly agreed that a foreign education adds value for a jobseeker—a higher percentage than for any other surveyed country. Additionally, 81 per cent of respondents agreed or strongly agreed that international experience is important for recruitment.

Subjects found extremely appealing by employers for potential candidates (% , N = 150)

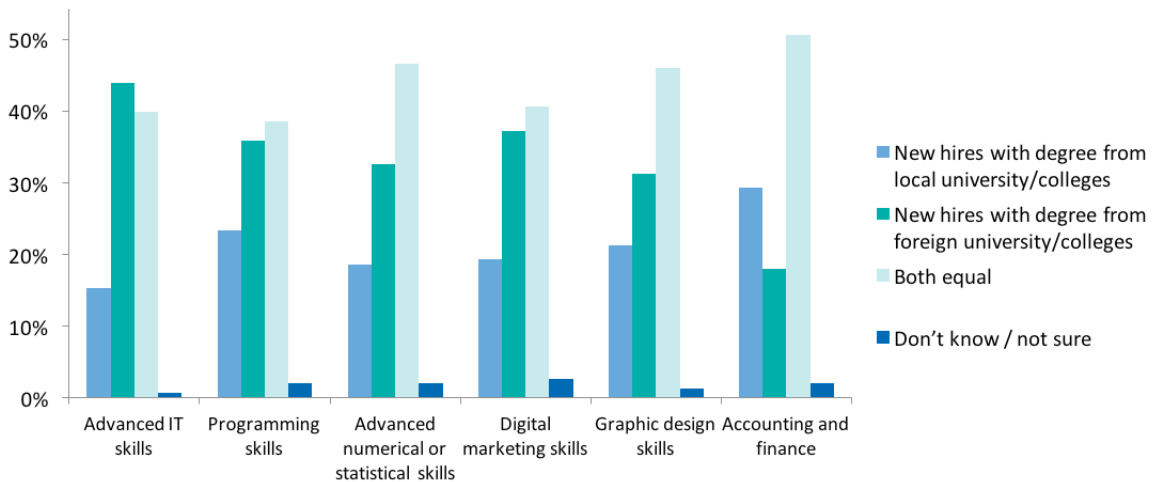


Source: Graduate Employability Survey 2018

Employers generally agreed that overseas graduates possess better hard skills than their locally educated peers, particularly in advanced technical fields. In our survey, 44 per cent of employers reported that overseas graduates perform better at advanced IT skills – roughly three times the proportion that favour local hires. Similarly, 33 per cent reported that overseas graduates perform better at advanced numerical or statistical skills, while just 19 per cent prefer local hires in this area. Programming, digital marketing and graphic design skills are also perceived to be stronger among those who have studied overseas.

These findings suggest that a foreign education fosters higher levels of technical competence, particularly with regard to ICT, giving overseas graduates an edge in the tech industry and business fields. It is also worth noting that some interviewees commented that they only hire locally-educated employees from the leading Indonesian universities, suggesting that returning overseas graduates enjoy an even stronger advantage over local graduates as a whole.

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



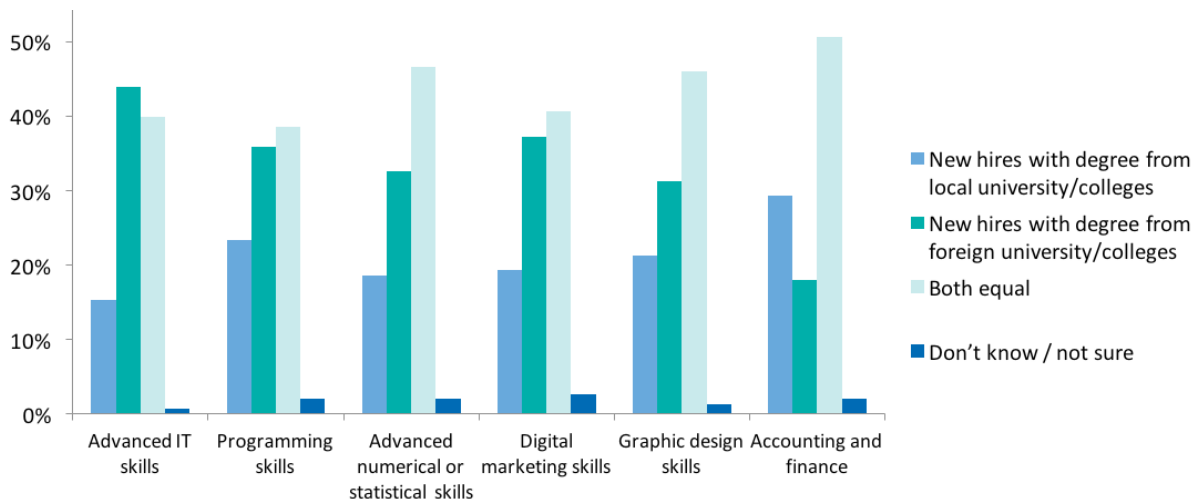
Source: Graduate Employability Survey 2018

The premium placed on English language proficiency across all sectors gives graduates who have studied in English-speaking countries one of the clearest advantages. When asked to compare the abilities of overseas and locally educated graduates, survey respondents reported that overseas graduates have a significant lead in English language skills: 62 per cent reported that, among new hires, overseas graduates tend to perform better at English language skills. Although many locally educated university graduates can speak English at a functional level, the total immersion of studying abroad allows students to achieve greater levels of fluency and express themselves with confidence. “Professionals are going to be collaborating across multiple geographical areas, multiple cultures, so the ability to be able to express their ideas is critical,” said Sam Haggag, ManpowerGroup’s Executive Director - TAPFIN Asia Pacific and Middle East.

Overseas graduates also outperform their locally educated peers in key soft skills. For example, 30 per cent of employers said that overseas graduates perform better at analytical tasks, compared to half that number who favour local hires. Similarly, 29 per cent of respondents reported that overseas graduates display greater creativity, while just 17 per cent favour local hires. Overseas graduates were also rated better on problem-solving, communication, presentation skills and their ability to manage and prioritise tasks. These findings suggest that overseas graduates possess stronger cognitive skills and intellectual independence.

Many of these advantages likely result from exposure to the culture of critical thinking and analysis that is integral to education in the West and other developed countries. Stronger communication skills among those educated overseas also suggest that they graduate feeling more confident, having been forced to learn to express themselves in a foreign culture. According to Krishnan Menon, foreign-educated professionals outshine their locally educated peers partly due to cultural factors, and partly due to the higher quality of foreign universities. “The net difference: I find that foreign-educated hires are exceptionally better,” he said.

Indonesian employer perceptions regarding new hires' performance of soft skills (% , N = 150)



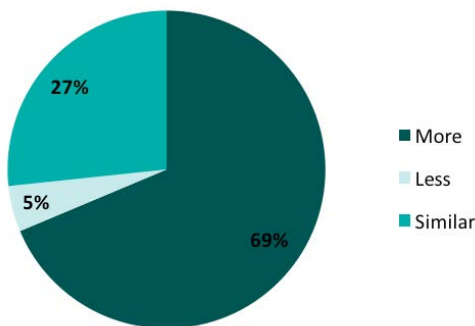
Source: Graduate Employability Survey 2018

Overseas postgraduates are widely perceived to be of higher quality than local postgraduates. According to interviewees, overseas postgraduates are significantly more likely to possess desired skills than local postgraduates, particularly in communication, leadership, problem-solving and analytical skills.

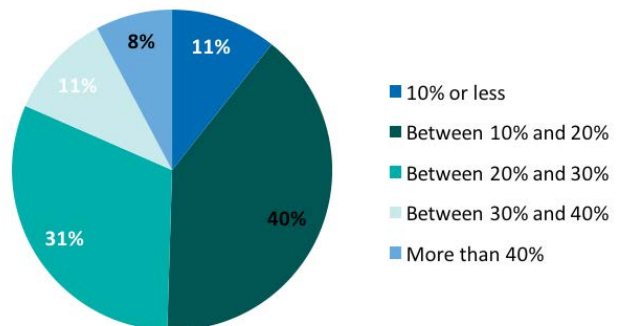
Several interviewees noted that the skills advantage of overseas postgraduates over their locally educated peers is even more pronounced than at the undergraduate level. As Tessa Wijaya observed: “For undergrads, I think the skills gap is there, but it is not as wide. When it comes to postgrads, the skill set is already refined; they have the ability to jump into the work. A lot of them probably have consulting backgrounds or managing backgrounds, which makes it easier.”

The skills advantage associated with a foreign education makes overseas graduates a sought-after commodity in the labour market, which can directly influence job hunting and salary benefits. Although survey respondents cited higher salary expectations as a negative with regard to overseas graduates, it appears that employers are nonetheless willing to pay them more. Among the surveyed firms, 69 per cent reported that overseas graduates tend to be paid more than their locally educated peers (with just 27 per cent reporting that they are paid similarly), and 71 per cent reported that they are likely to command a wage premium of 10–30 per cent.

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 = 127)



Source: Graduate Employability Survey 2018

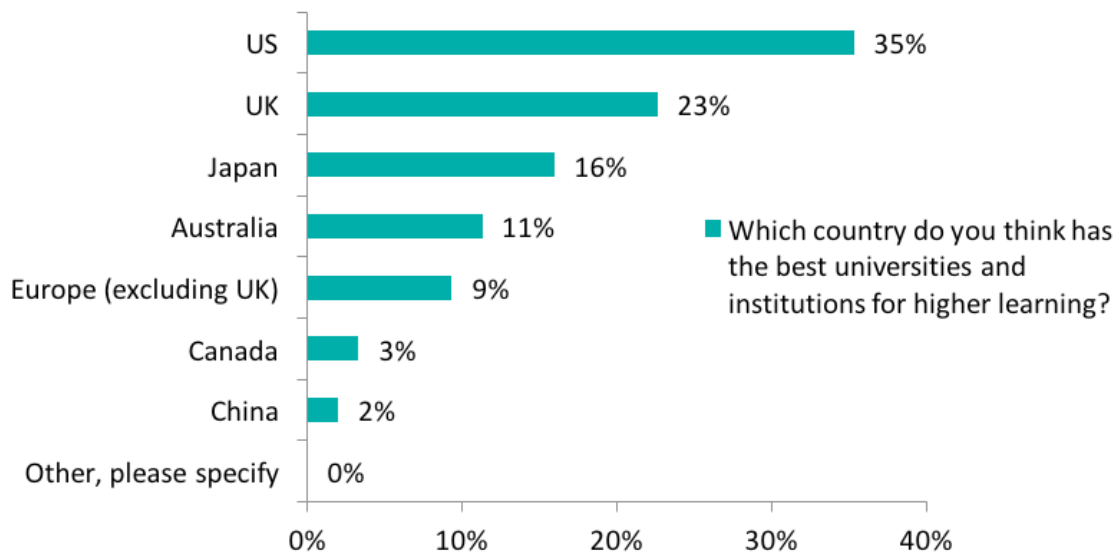
This salary premium is noticeably lower than that reported in other sources, likely for two main reasons. The first is that the survey respondents were mainly from major multinationals and other leading companies or organisations in Indonesia, which tend to have higher-than-average salaries. The local graduates employed by these firms are not typical of the overall Indonesian labour market, with several interviewed hiring managers reporting that they only hire local graduates from Indonesia’s top five institutions. It is likely that graduates from non-elite Indonesian institutions would fare considerably worse when compared to graduates from foreign institutions, and simply being employed by one of these firms rather than a smaller local company will already have a major impact on a returnee’s salary.

In addition, a large part of the salary premium for returnees comes further on in their career rather than as fresh graduates. Several interviewees commented that fresh overseas graduates were not any better equipped to deal with a working environment than graduates of local institutions. This may reflect the fact that all new graduates lack real-life experience and require training to reach competence. Rudy Afandi, human resources lead at General Electric Indonesia, said that although overseas graduates have better English language skills, many returnees still lack assertiveness and confidence in sharing their ideas. However, salaries can grow rapidly once graduates start to accumulate experience. According to Sam Haggag of the ManpowerGroup, it is not uncommon for overseas graduates to regularly leave jobs in the knowledge that they will receive a 15–20 per cent salary increase in their next job.

4.2 Employers' attitudes towards different countries

English-speaking countries account for three of the four most popular destinations for Indonesian overseas students. Australia remains the top choice due to proximity, followed by the US, Germany and the UK (see chapter 2). According to the survey, 35 per cent of employers believe that the US has the best universities in the world, with the UK coming in second (23 per cent). However, many interviewees said that distinctions between graduates from the UK, the US, Australia and other developed nations are insignificant, emphasizing that the reputation of the institution matters most. This was supported by survey findings: 74 per cent of employees either agreed or strongly agreed that the reputation of a candidate's university is an important hiring criterion.

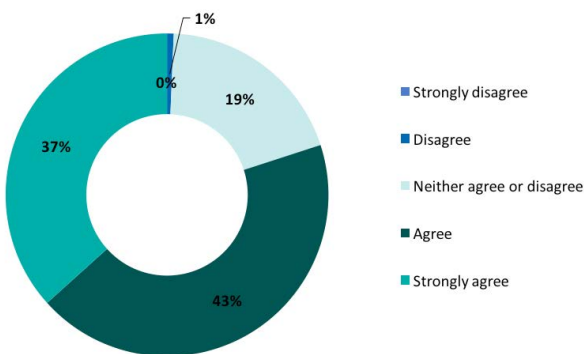
Employer perceptions regarding the best universities for higher education



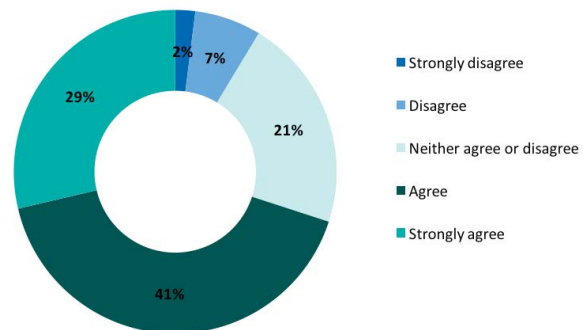
Source: Graduate Employability Survey 2018

Employers hold a positive view of UK universities, with 80 per cent of respondents agreeing or strongly agreeing that studying in the UK is valuable for a jobseeker. The UK is especially well respected as a provider of postgraduate education: 56 per cent of respondents agreed or strongly agreed that postgraduates from UK universities are the best in the world, and 70 per cent agreed or strongly agreed that UK universities produce better postgraduates than Asian universities.

Employer perceptions regarding the value add of a UK education: “Having studied in the UK is a value added for a jobseeker”
(%, N = 150)



Employer perceptions regarding UK versus Asian universities: “UK universities produce better postgrads than Asian universities”



Source: Graduate Employability Survey 2018

In the survey, 83 per cent of respondents reported that they were quite interested or very interested in sponsoring employees to complete postgraduate studies, especially in disciplines such as international business (cited by 87 per cent), marketing (62 per cent) and supply chain management (55 per cent). The UK emerged as the most attractive destination among employers for employees to pursue these studies (cited by 67 per cent), followed by the US (62 per cent) and Japan (35 per cent). Despite their interest, very few employers actually sponsor the postgraduate studies of their employees, largely due to concerns about costs and the fear that employees would leave after receiving their qualification.

The value ascribed to UK universities has the potential to result in higher salaries for overseas graduates. Of surveyed respondents, 65 per cent agreed that they offer higher salaries to postgraduates from UK institutions, compared to postgraduates from Asian institutions, while 63 per cent agreed or strongly agreed that postgraduates from UK universities are offered the highest salaries in general.

4.3 Employers’ attitudes towards transnational education

While employers viewed transnational education programmes positively in principle, there are currently no functioning TNE programmes in Indonesia due to restrictions on the operations of foreign institutions in the country. The only TNE opportunities at this time are joint degrees and twinning agreements, which remain out of reach for most students due to high costs.

However, the government is finalising new regulations that will make it easier for foreign universities to establish local campuses, and the proposed changes have already attracted interest from foreign institutions, primarily Australian universities. If the proposed changes go into effect, this will create more opportunities for students to benefit from an overseas education without leaving Indonesia.

4.4 Disadvantages of overseas study

Despite the clear advantages of studying abroad in terms of skills and attractiveness to employers, overseas graduates do face some challenges when they return home.

Those who study abroad may suffer a disconnection from local networks, through which jobs are often secured. Mr Menon, the e-commerce CEO, said that many of the staff he has hired at his start-up were friends who had studied together at the Bandung Institute of Technology. Without such networks, overseas graduates may only be able to apply for work through more formal channels, leading to lost opportunities. Overseas graduates may also suffer a disconnection from local culture and knowledge. For example, 57 per cent of survey respondents said that locally educated graduates have better knowledge of the local market than overseas graduates, while just 12 per cent reported the reverse.

Transitioning back into a traditional, hierarchical Indonesian work environment can also be a challenge. Interviewees suggested that overseas graduates suffer from a reverse culture shock, and that employers may find overseas graduates difficult to manage. In the survey, 45 per cent of respondents reported that locally educated graduates are easier to manage than overseas graduates, with just 19 per cent reporting the reverse. Overseas graduates also scored relatively poorly on teamwork. This may reflect the difficulties overseas graduates face when readjusting to Indonesia, where questioning processes or decisions can be seen as confrontational or rude. It may also result from overconfidence, having achieved a high-status qualification.

Survey respondents also expressed doubt about the loyalty of candidates who have studied abroad. As described in Section 4.1, overseas graduates tend to have greater skills and independence that place them in strong demand among employers. This is reflected in a perception that overseas graduates regularly move between jobs, capitalising on unmet demand for highly-skilled employees. While this has a positive effect on returnees' salaries, it also leads to negative perceptions – almost half of surveyed employers (47 per cent) reported that returnees are less loyal than local graduates.

Finally, studying abroad can lead to unrealistic salary expectations. Some interviewees suggested that overseas graduates may initially be unhappy that they are unable to obtain salary levels comparable with the West, despite being paid more than locally educated graduates.

CONCLUSIONS AND RECOMMENDATIONS

As Indonesia's steady economic growth drives demand for highly skilled workers, the country's higher education system is currently struggling to keep up. As in many developing economies, this has fuelled a sharp rise in overseas study. Our research found that Indonesian employers tend to regard returning graduates highly, noting their strengths in soft skills, communication, problem solving and analytical thinking. Our research shows that there is considerable demand for overseas postgraduates, who can expect to re-enter the workforce at the senior or managerial level

On the other hand, overseas study also brings some disadvantages in employers' eyes. A number of these disadvantages are the result of being out of Indonesia for an extended period, such as a lack of knowledge of the local market environment, weaker social networks in the country and reverse culture shock when adjusting to the Indonesian workplace.

UK universities could enhance their support for Indonesian students by preparing them for such challenges through Indonesia-centric career counselling, interview training and stronger alumni- network support. Universities could also help give students an edge by cooperating with key players in sectors experiencing skills shortages to develop undergraduate internships and other initiatives. Such opportunities could be marketed to prospective students, emphasising the benefits in terms of employability.

There are also opportunities for UK universities to work directly with employers. Although few firms sponsor postgraduate studies at present – largely due to costs and concerns that employees will leave after they have earned the qualification – many employers expressed interest in sponsoring postgraduate study for employees. Closer partnerships between educators and industry may pay dividends further down the road.

While transnational education opportunities are currently limited due to strict government regulations, UK universities may have a valuable opportunity to partner with local institutions to provide affordable, high-quality TNE programmes in the future. The Indonesian government is currently finalising plans to ease the restrictions, creating a significant opportunity for foreign educational institutions to move into the local market. UK universities could leverage their strong reputations to develop TNE programmes that meet international standards, provide local students with in-demand skills and build trust in TNE qualifications.

Our survey shows that employers' attitudes towards UK universities are very positive overall, especially towards postgraduate programmes. Nonetheless, there is room for universities to better prepare students for a transition back into the Indonesian employment environment and build trust with employers in this rapidly developing economy.

