

# Employability in Focus

EXPLORING EMPLOYER PERCEPTIONS OF OVERSEAS  
GRADUATES RETURNING TO MALAYSIA

2018/2019



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# EXECUTIVE SUMMARY

- Malaysia has ambitious plans to transform itself from an upper-middle income to high-income country. The government's economic development plans are focused on expanding services and developing "Industry 4.0" to reinvent itself as a high-value, knowledge-based economy.
- However, there are key skills gaps in areas critical to its economic growth, notably in the ICT sector. This is due to a lack of quality graduates, skills mismatch and a moderate "brain drain" whereby high-skilled workers are leaving the country.
- There is a growing demand for overseas education. The UK, Australia and the US are the most popular destinations, but costs are a barrier to greater international student flows.
- Transnational education (TNE) has become a popular option for middle and high-income families who demand quality higher education but cannot afford to study overseas. Malaysia has become a regional TNE hub, attracting students across Asia and Middle East.
- In terms of quality of graduates, employers perceive graduates from foreign universities are best, followed by TNE graduates and local universities. Employers value graduates who have spent more time abroad (some overseas experience in a TNE programme is more valuable than no time at all).
- Employers believe foreign-educated graduates tend to perform hard skills — particularly advanced technical skills and English language skills — better than those who are locally educated. Foreign-educated graduates are also perceived to possess stronger soft skills, particularly those related to critical thinking.
- As a result, foreign-educated graduates are more likely to be hired and receive higher wages than their locally educated counterparts.
- Foreign-educated postgraduates are expected to possess similar skill sets to those of undergraduates, with the addition of leadership and management skills.
- Employers perceive UK institutions to be the world's best, however an education from a good institution in any developed country is well-regarded. There are many Malaysia employers who now have degrees from UK or Australian universities, which leads to a preference for UK and Australian graduates in new hires.
- Foreign-educated graduates face unique challenges upon returning to Malaysia, including reverse culture shock and lost personal networks.

# INTRODUCTION AND METHODOLOGY

**Malaysia has witnessed rapid economic transformation since its independence in 1957. Like some of its Southeast Asian neighbours, it has transitioned from a lower-income economy reliant on agriculture and the extractive industries to a middle-income economy driven largely by services and manufacturing.<sup>1</sup> The country experienced annual average GDP growth of 6.2 per cent between 1970 and 2016<sup>2</sup> and is expected to maintain 5.5 per cent average growth through 2022.<sup>3</sup>**

The government is pushing the country to become a high-income economy through implementation of the Eleventh Malaysia Plan, 2016–2020, the last leg of its Vision 2020 development masterplan. The World Bank expects Malaysia to reach its goal – though perhaps later than expected – predicting that it will be considered a ‘high-income economy,’ with a gross national income per capita of \$12,276 between 2020 and 2024. The government’s plan identifies six “strategic thrusts” to support this transformation, including accelerating human capital development, strengthening infrastructure and “re-engineering economic growth” to focus on high-value goods and services.<sup>4</sup> It also identifies economic “game changers”, including enhanced productivity, the facilitation of industry-led technical and vocational training, and research and development (R&D) innovation to boost growth.<sup>5</sup>

The incoming Pakatan Harapan (PH) government, led by 93-year-old Mahathir Mohamad, is considering what goals to set for the Twelfth Malaysia Development Plan (2021–2025).<sup>6</sup> At the time of writing this report, the new administration had not made significant public announcements on its long-term economic planning.

Malaysia needs highly skilled graduate labour to achieve and sustain high-income status. Local universities are not producing the quality required, but what about overseas university graduates? How do employers perceive the value of foreign degrees? What are the differences in key skills gaps between local and overseas university graduates? To answer these questions, we surveyed 150 companies operating in Malaysia, including public-sector entities, domestic and foreign private enterprises, international organisations and foreign joint ventures. Additionally, we conducted in-depth, qualitative interviews of employers 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. Most of the companies are located in Kuala Lumpur (69 per cent), with the rest in Penang (21 per cent), Johor (17 per cent) and other locations. All of the respondents had either full or partial roles in hiring staff for their respective organisations and experience hiring graduates with overseas qualifications. Manufacturing companies accounted for the largest proportion of surveyed companies (29 per cent), followed by construction and infrastructure (12 per cent), retail (11 per cent) and financial services (9 per cent), among others. Manufacturing and services are important growth sectors in Malaysia, and services and industry are the country’s two largest employers.

1 World Bank. (2018). The World Bank in Malaysia. Retrieved from <http://www.worldbank.org/en/country/malaysia/overview#1>

2 Government of Malaysia. (2015). Eleventh Malaysia Plan 2016–2020: Anchoring growth on people. Executive summary. Retrieved from <http://www.epu.gov.my/sites/default/files/11MP%20Summary%20Bl.pdf>

3 EIU Malaysia country report

4 Government of Malaysia. (2015). Eleventh Malaysia Plan 2016–2020: Anchoring growth on people. Executive summary. Retrieved from <http://www.epu.gov.my/sites/default/files/11MP%20Summary%20Bl.pdf>

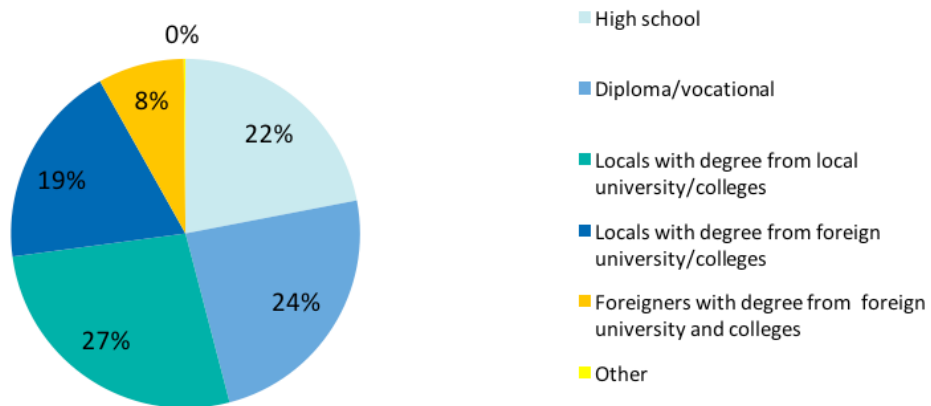
5 Government of Malaysia. (2015). Eleventh Malaysia Plan 2016–2020: Anchoring growth on people. Executive summary. Retrieved from <http://www.epu.gov.my/sites/default/files/11MP%20Summary%20Bl.pdf>

6 Palansamy, Y. (2018). New economic policy, new economic model under review for 12th Malaysia Plan, says Azmin. Retrieved from <https://www.malaymail.com/s/1655161/new-economic-policy-new-economic-model-under-review-for-12th-malaysia-plan>



Just over half of the respondents reported that they sought degree-level candidates to fill entry-level positions, with 27 per cent seeking locally educated graduates and 19 per cent seeking overseas graduates. An additional 8 per cent reported that they sought foreigners with overseas degrees. In part, this may reflect the fact that 42 per cent of the surveyed companies are in industry (manufacturing, construction and infrastructure) and may be focused on recruiting low-skilled labour. However, the broader employment market is also dominated by lower-skilled jobs and is not yet creating large numbers of higher-value or knowledge-based positions that require graduates. The survey also suggests that overseas graduates have a higher likelihood of securing a senior role, accounting for 37 per cent of the surveyed companies' senior management teams.

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



Source: EIU Graduate Employability Survey. 2018

# ECONOMIC AND SOCIAL BACKGROUND

## Chapter Summary

- **Malaysia has ambitious goals to become a high-income economy. Growth will be driven by the services and manufacturing sectors, and information and communications technology (ICT) has been prioritised as a key economic enabler.**
- **With an ageing population, it is critical that Malaysia continues to educate and upgrade skills of its youth to maintain labour productivity and achieve high-income status.**
- **Demand for higher education has increased rapidly in Malaysia and its tertiary enrolment rates are among the highest in Southeast Asia.**

## 2.1 Economic trends and labour markets

As part of the Eleventh Malaysia Plan, 2016-2020, Malaysia is aiming to become a high-income economy driven by services and manufacturing. The government has focused on accelerating human capital development, strengthening infrastructure and on high-value goods and services. It has largely achieved its economic goals and, according to the World Bank, will have a gross national income per capita of US\$12,276 between 2020-2024.

Malaysia's two most important growth sectors are services and manufacturing, which will account for approximately 55 per cent and 37 per cent of GDP between 2018 and 2022, respectively.<sup>7</sup> Tourism accounted for 14.9 per cent of GDP in 2017 and finance and insurance accounted for 6.2 per cent in the same year.<sup>8</sup>

Straddling services, manufacturing and other sectors, ICT has been prioritised by the government as one of Malaysia's key economic enablers in moving towards a "knowledge-based economy" and the full realisation of Industry 4.0. ICT accounted for 16.8 per cent of GDP in 2015, and this figure is expected to rise to 18.2 per cent by 2020.<sup>9</sup> ICT is expanding fastest in the services sector, fuelled by the explosion in mobile apps catering to various consumer needs, from food delivery to e-payments to transportation.

Presently, Malaysia's services sector is its largest employer, accounting for almost 60 per cent of jobs. Industry is the second largest employer, at 28.4 per cent.<sup>10</sup> Total unemployment is low at 3.4 per cent,<sup>11</sup> but youth unemployment was 10.8 per cent<sup>12</sup> in 2017, a rate that has stayed roughly the same over the past decade. Of total unemployment in the country, graduate unemployment constituted 40.5 per cent. Slow job growth in recent years—averaging 1.3 per cent<sup>13</sup> between 2015 and 2018—has contributed to a tight jobs market, but a report by Bank Negara Malaysia also attributes high graduate unemployment to a skills mismatch.<sup>14</sup>

7 EIU Malaysia country report

8 Department of Statistics, Malaysia.

9 Tan, K. S., & Tang, J. T. H. (2016). New skills at work: Managing skills in ASEAN-5. Singapore: Singapore Management University, School of Economics.

10 Ramos, C. (2017). Skills Issues, Sources of Skills Issues, and Policy Responses in Five ASEAN-Member Countries, p19. Retrieved from [http://www.headfoundation.org/papers/2016\\_-\\_1\)\\_Skills\\_Issues,\\_Sources\\_of\\_Skills\\_Issues,\\_and\\_Policy\\_Responses\\_in\\_Five\\_ASEAN-member\\_Countries.pdf](http://www.headfoundation.org/papers/2016_-_1)_Skills_Issues,_Sources_of_Skills_Issues,_and_Policy_Responses_in_Five_ASEAN-member_Countries.pdf)

11 EIU Malaysia country report

12 The Sun Daily. (2018). Youth unemployment hit record high in 2017: MIDF Research. Retrieved from <http://www.thesundaily.my/news/2018/05/03/youth-unemployment-hit-record-high-2017-midf-research>

13 EIU data.

14 Dian Hikmah Mohd Ibrahim & Mohd Zaidi Mahyuddin. (2016). Youth unemployment in Malaysia: Developments and policy considerations. Retrieved from [https://www.bnm.gov.my/files/publication/ar/en/2016/cp04\\_003\\_box.pdf](https://www.bnm.gov.my/files/publication/ar/en/2016/cp04_003_box.pdf)

Malaysia's manufacturing sector, which grew by an average of 4.9 per capita between 2013 and 2018, is more mature than most of its regional competitors.<sup>15</sup> The country has moved from being a destination for low-cost labour and is now producing more complex goods as it moves up the value chain. Elements of Industry 4.0—where manufacturers adopt greater levels of automation, connectivity and digitisation into their production processes and supply chains—are already present in Malaysia's electronics, automotive and aerospace industries.<sup>16</sup> The previous government released its Framework on Industry 4.0 for public consultation in February 2018 in a bid to facilitate more widespread technology adoption.<sup>17</sup>

While Malaysia's human capital issues currently centre on the quality of labour, supply challenges also lie ahead. The country's dramatic economic growth has been boosted by a demographic dividend (the working-age population has grown faster than the general population). However, due to falling birth rates and growing life expectancy, this window of economic opportunity is set to close by 2020, when Malaysia will become an ageing nation.<sup>18</sup> If the country is to reach its high-income status targets, it will need to upgrade worker skill sets and increase labour productivity. The government must also stem a moderate brain drain, where approximately 2 per cent of those with a tertiary education and 25+ years old are living overseas.<sup>19</sup>

## 2.2 Domestic higher education trends

Demand for higher education in Malaysia has increased rapidly in the past two decades. The country's tertiary enrolment rates are among the highest in Southeast Asia, growing from 9.4 per cent in 1993 to 44.1 per cent by 2016.<sup>20</sup> In 2017, 1.12 million Malaysian students were enrolled in tertiary institutions. Consumer spending on education has also experienced strong growth, from \$3.3 billion in 2011 to \$4.2 billion in 2018, and is forecast to reach \$6 billion by 2022.<sup>21</sup> Demand for education has been fuelled by rapid urbanisation and the aspirations of an expanding middle class, as well as young Malaysians' perception that a university degree facilitates career advancement, higher wages and self-betterment.

Despite rapid growth in the number of institutions, Universiti Malaya is the only Malaysian institutions to place among the top 20 Asian universities in the 2019 QS University Rankings. Though education funding is quite healthy—20.6 per cent of total government expenditure was spent on education in 2016—Malaysia's teaching culture is characterised by dictatorial learning and tests instead of problem-based learning that will equip youth with skills for the future. According to independent academic I Lin Sin, this style of teaching reduces the student to a "passive, unquestioning recipient".<sup>22</sup> There have also been reports of lacking objectivity and accuracy in institutions' assessment standards.<sup>23</sup>

Thus, the quality of Malaysia's many graduates is falling short of employer expectations. According to a survey of 472 managers conducted by JobStreet.com, 70 per cent were disappointed with the quality of graduates and 24 per cent

15 EIU data

16 New Straits Times. (2018). Government in full force for Industry 4.0. Retrieved from <https://www.pressreader.com/malaysia/new-straits-times/20180118/282295320612622>

17 Malaysian Industry Government Group for High Technology. (2018). Draft national Industry 4.0 policy framework – public review. Retrieved from <http://www.might.org.my/download/draft-national-industry-4-0-policy-framework-public-review/>

18 Rabi, A. (2017). Malaysia 2050: Economically productive and socially inclusive: Overcoming the challenge of demographic pressure (UNICEF Malaysia Working Paper Series WP/2017/001). Kuala Lumpur, Malaysia: UNICEF Malaysia. Retrieved from [https://www.unicef.org/malaysia/WP1\\_Malaysia\\_2050\\_-\\_Economically\\_Productive\\_and\\_Socially\\_Inclusive.pdf](https://www.unicef.org/malaysia/WP1_Malaysia_2050_-_Economically_Productive_and_Socially_Inclusive.pdf)

19 2016\_-\_1)\_Skills\_Issues,\_Sources\_of\_Skills\_Issues,\_and\_Policy\_Responses\_in\_Five\_ASEAN-member\_Countries.pdf, p20

Managing Skills Challenges in ASEAN-5\_Final Report.pdf, P47

20 UNESCO UIS. (n.d.). Malaysia. Retrieved from <http://uis.unesco.org/country/MY>

21 Euromonitor International.

22 Sin, I. L. (2014). Cultural capital and distinction: Malaysian students and recent graduates of UK education (doctoral dissertation).

23 British Council. (2014). TNE Graduate Employment Study: An Analysis of Graduate Employment Trends in Malaysia (A Research Study in Three Phases) – Phase I, p60. Retrieved from [https://www.britishcouncil.org/sites/default/files/phase\\_1\\_employability\\_of\\_graduates\\_in\\_malaysia\\_the\\_perceptions\\_of\\_selected\\_employers\\_final\\_report\\_5\\_june.pdf](https://www.britishcouncil.org/sites/default/files/phase_1_employability_of_graduates_in_malaysia_the_perceptions_of_selected_employers_final_report_5_june.pdf)



said the quality was “bad”. Just 6 per cent reported that the quality of graduates was “good”.<sup>24</sup> A World Bank survey found that 90 per cent of companies think Malaysian graduates should be given more industrial training, and 81 per cent of companies rated communication skills as a major deficiency.<sup>25</sup> According to the survey conducted for this report, employers also think that graduates lack advanced technical skills, English language proficiency and critical thinking skills, among others.<sup>26</sup> Professor Edmund Terence Gomez of the Faculty of Economics and Administration at the University of Malaysia explains: “The quality of labour coming out of the education system is just not qualified enough to fit into the high-tech sector, which is where we have to go towards if you want to move up the technological ladder.”

To address some of these challenges, the government launch the National Higher Education Strategic Plan 2020 (NHESP) in August 2007. Its goals include improved quality of teaching and learning, greater internationalisation, strengthened higher education institutions, increased equity, and enhanced research and innovation, among others.<sup>27</sup>

## 2.3 Overseas education trends

The lower quality of Malaysia’s higher education institutions means that many students aspire to get an international education. The UK is the most popular study destination, with 17,505 Malaysian students enrolled in UK institutions in 2017, a 52 per cent increase in the last decade (from 11,490 students in 2006). Australia is the second most popular destination, with 14,680 Malaysian enrolments, followed by the US (8,247), New Zealand (1,615), Canada (1,316) and Germany (1,147).<sup>28</sup>

According to students and graduates interviewed by Dr Sin for her 2014 PhD thesis on Malaysians in international higher education, studying in the UK is believed to offer the “best opportunities to gain better quality education” and allows the students to “embark on a journey of personal growth”.<sup>29</sup> The students interviewed by Dr Sin ranked overseas education in the UK as the world’s best, with the US or Australia typically occupying the second and third spots, followed by other developed countries such as Japan, New Zealand and Singapore.

24 Aditi Sharma Kalra. (2015). 70% of Malaysian employers disappointed with the quality of fresh graduates. Retrieved from <http://www.humanresourcesonline.net/70-malaysian-employers-disappointed-quality-fresh-graduates/>

25 Dian Hikmah Mohd Ibrahim & Mohd Zaidi Mahyuddin. (2016). Youth unemployment in Malaysia: Developments and policy considerations. Retrieved from [https://www.bnm.gov.my/files/publication/ar/en/2016/cp04\\_003\\_box.pdf](https://www.bnm.gov.my/files/publication/ar/en/2016/cp04_003_box.pdf)

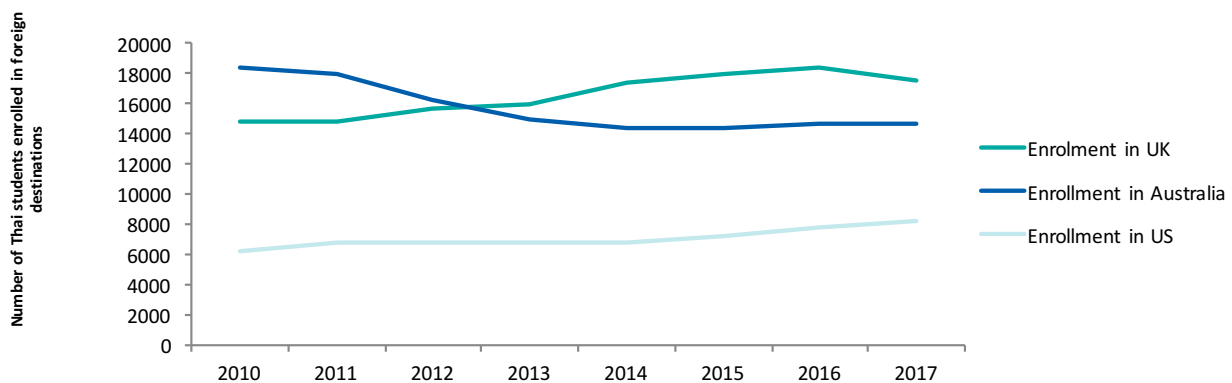
26 Dian Hikmah Mohd Ibrahim & Mohd Zaidi Mahyuddin. (2016). Youth unemployment in Malaysia: Developments and policy considerations. Retrieved from [https://www.bnm.gov.my/files/publication/ar/en/2016/cp04\\_003\\_box.pdf](https://www.bnm.gov.my/files/publication/ar/en/2016/cp04_003_box.pdf)

27 Mohd Ismail Abd Aziz & Doria Abdullah. (2014). Malaysia: Becoming an education hub to serve national development. In J. Knight (Ed.), *International education hubs: Student, talent, knowledge-innovation models* (pp.101–119). The Netherlands: Springer Netherlands.

28 Australian Education International, Institute of International Education, UK Higher Education Statistical Agency.

29 Sin, I. L. (2014). *Cultural capital and distinction: Malaysian students and recent graduates of UK education* (doctoral dissertation).

### Malaysian demand for international education



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

Despite the clear desirability of overseas study, relatively few students can afford it. The 44,510 Malaysian students receiving a foreign education in 2017 represented just 3.9 per cent of the total student population. International tuition fees alone can cost more than 10 times higher than those at local universities. Despite the cost, the number of students going abroad is increasing. According to UNESCO statistics, the number of Malaysian students studying abroad increased from 59,918 in 2011 to 64,655 in 2017.<sup>30</sup>

The cost of an overseas education and limited availability of quality Malaysian institutions have prompted the expansion of TNE programmes, which are seen as a way of accessing a prestigious foreign education. International students are drawn to Malaysian TNE programmes to study under cross-border arrangements, including twinning degree programmes, advanced standing or credit transfers for bachelor's degree programmes, and 3+0 foreign bachelor's degree programmes.<sup>31</sup> TNE programmes are also a more cost-effective option for education: tuition fees at a three or four programme at a private college in Malaysia costs RM48,000 – RM 66,000 (£8,700 - £12,200).

<sup>30</sup> UIS Statistics, UNESCO.

<sup>31</sup> Mohd Ismail Abd Aziz & Doria Abdullah. (2014). Malaysia: Becoming an education hub to serve national development. In J. Knight (Ed.), *International education hubs: Student, talent, knowledge-innovation models* (pp.101–119). The Netherlands: Springer Netherlands.

# MALAYSIAN EMPLOYERS' NEEDS AND IN-DEMAND SKILLS

## Chapter Summary



- **Malaysia's labour market has a serious skills mismatch, with students not studying the subjects in demand by employers.**
- **Employers are looking for high-quality graduates, particularly those with ICT and business-related hard skills. Advanced technical skills and English language proficiency are the most in demand. Soft skills are also valued.**
- **Many companies offer in-house training to improve hard skills such as computer literacy, but these measures are not enough to fully close the skills gap.**

In our survey, 47 per cent of respondents reported that they experience difficulties, or long gaps, in filling entry-level positions. The most common challenge is finding candidates with the desired qualifications, cited by 68 per cent of respondents, followed by a lack of candidates with appropriate work experience (54 per cent) and a lack of applications from candidates with the right hard skills (42 per cent). "I think the overall state of the talent pool in Malaysia is poor. Many highly skilled Malaysians have migrated abroad over the years," said Dr Sin. "At the moment the universities in Malaysia are not producing enough of what I would say relevant graduates need to meet the country's expansionary goals." Similarly, Patrick Cheah, Chief Financial Management Officer at Avicennia Capital, lamented that "it is really difficult to find talent" and good talent is also often leaving the country.

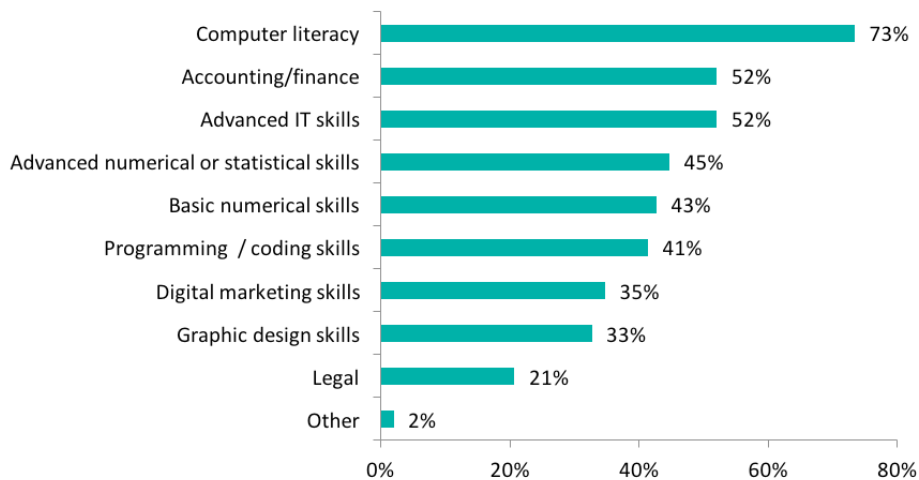
### Key challenges in filling entry-level positions in Malaysian companies (% , N = 71)



Source: EIU Graduate Employability Survey. 2018

Generally, surveyed employers reported demand for both hard and soft skills. English language was identified by all employers surveyed as one of the top four most desirable skills, but the most in-demand skills according to the survey are computer literacy, accounting/finance and advanced IT skills. These findings underscore cross-sectoral demand for ICT and business-related skills.

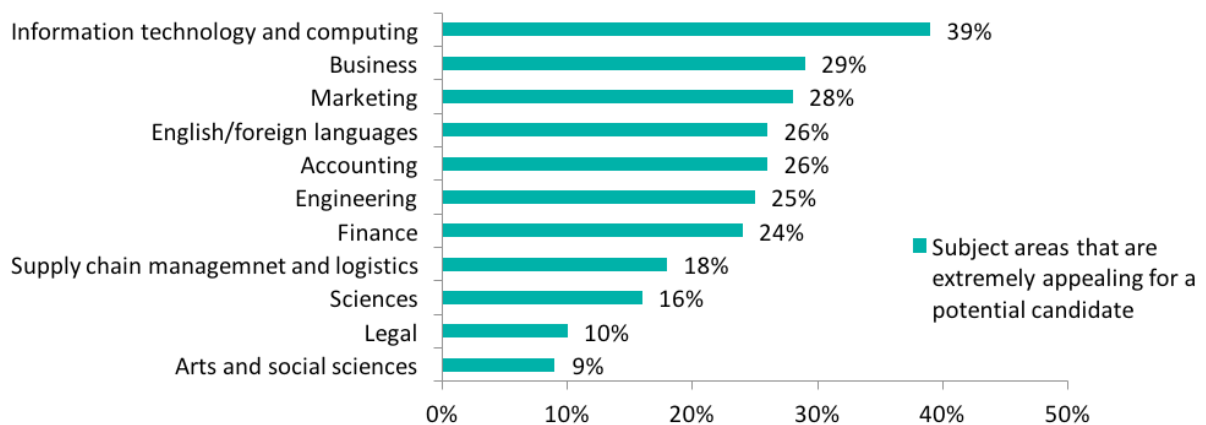
### Demand for hard skills among surveyed Malaysian employers (% , N = 150)



Source: EIU Graduate Employability Survey, 2018

According to survey responses, employers find bachelor's degrees in IT and computing (reported as either appealing or extremely appealing by 73 per cent of survey respondents), followed by business (69 per cent), finance (65 per cent), marketing (64 per cent) and English/foreign language skills (63 per cent). However, declining numbers of local ICT graduates are exacerbating a skills mismatch in this area. A 2015 Malaysia Digital Economy Corporation (MDEC) study indicated that while demand for graduates in ICT increased from 7,121 in 2010 to 13,300 in 2014, the supply of graduates decreased from 8,237 to 8,000 during the same period.<sup>32</sup>

### University courses in most demand (% , N = 150)

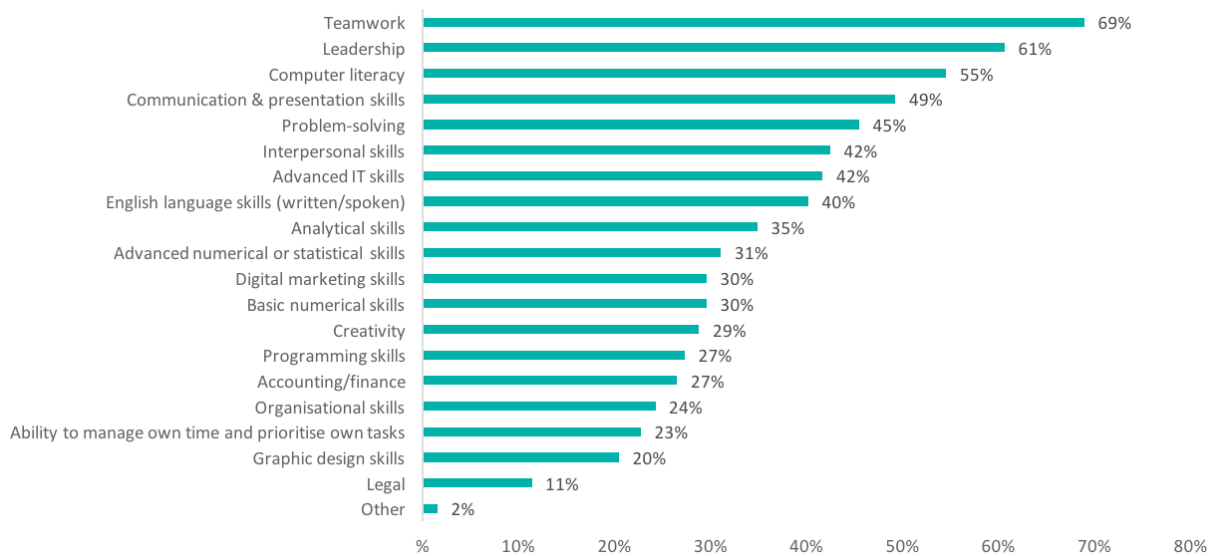


Source: EIU Graduate Employability Survey, 2018

Employers have suggested that more action is needed to inform students of labour market needs, and to encourage degree choices that align with employment opportunities. According to a senior hiring manager at an international recruitment consultancy, many students are pressured by their families to study for degrees in “traditional” fields, such as law or engineering, when in fact there is greater demand in other sectors: “They do it because their parents told them to do it and the parents were paying for it. I think that is a cultural issue that Malaysia, or Asia, will have to deal with.”

In order to improve hard skills of new hires and close the skills gap, Malaysian companies often provide in-house training for certain skills. For example, 55 per cent of employers in our survey reported that they provide in-house training in computer literacy, 42 per cent provide training in advanced IT skills, 40 per cent provide training in English language skills and 31 per cent provide training in advanced numerical or statistical skills. However, these measures are not sufficient to resolve existing skills mismatches, presenting opportunities for overseas graduates with the relevant technical competencies.

### In-house skills training of employees in Malaysian companies (% , N = 132)



Source: EIU Graduate Employability Survey, 2018

There is also unmet demand for soft skills, which 42 per cent of employers consider to be lacking in local graduates. The most in-demand soft skills are teamwork, described as desirable by 79 per cent of respondents, followed by problem solving (73 per cent), communication and presentation skills (65 per cent), interpersonal skills (59 per cent), and more. The soft skills expected from postgraduates were similar to those desired in undergraduates, but with the addition of managerial skills. These soft skills are cited across a variety of sectors, from energy to construction and infrastructure and retail, underlining a noticeable appetite for more creative, independent-thinking senior personnel than produced and/or readily available within Malaysia.

# ATTRACTIVENESS OF OVERSEAS STUDENTS

## Chapter Summary



- **Most employers agree or strongly agree that studying abroad adds value to a jobseeker.**
- **Many employers favour overseas graduates for their language skills and believe that overseas graduates have better hard and soft skills.**
- **UK universities have the best reputation, followed by Australia and the US, but employers also place weight on institution name recognition.**
- **TNE programmes are reasonably well respected by Malaysian employers, although an overseas education is still widely considered to be of higher quality. There are concerns about the quality of these programmes, but interviewees agreed that TNE graduates have superior skills to those who graduate from local universities.**

### 4.1 Employers' Attitudes Towards Overseas Graduates

Returning to Malaysia with hard and soft skills—and life experience—gives overseas graduates a significant advantage over their locally educated peers in the jobs market, which can directly influence job hunting and salary benefits. In our survey, 76 per cent of respondents agreed or strongly agreed that studying abroad adds value for a jobseeker, and 59 per cent agreed that having international experience is important for recruitment.

| Employer perceptions regarding value add of foreign degree for a jobseeker (% N = 150) |     |
|--|-----|
| “Having studied abroad is a value added for a jobseeker”                               |     |
| Strongly disagree  | 2%  |
| Disagree   | 2%  |
| Neither agree nor disagree   | 20% |
| Agree  | 46% |
| Strongly agree   | 30% |

Source: EIU Graduate Employability Survey, 2018

Over half (60 per cent) of employers either agreed or strongly agreed that jobseekers in Malaysia lack language skills. When asked which group of new hires tended to have better English language skills, 54 per cent of employers cited overseas graduates, with just 13 per cent favouring locally educated graduates. While many locally educated university graduates may speak English to a reasonable degree, the experience of studying abroad pushes students to greater levels of fluency, with many able to express themselves articulately and with confidence.

According to Dr David Yoong Soon Chye, a professor at the Faculty of Languages and Linguistics at the University of Malaya, this is particularly important in companies operating across borders and international supply chains: “Most employers are looking for what you could call ‘global literacy’. They look for command of the English language because most of our companies here would like to get into the international scene as well. They also talk about adaptability. They want students to be able to communicate with people from different backgrounds and to have public speaking skills.”

| Employer perceptions of English/ foreign language courses (% , N = 150 for overall) | Overall | Foreign/ international companies | Local companies |
|---|---------|----------------------------------|-----------------|
| 1 = Not appealing at all  | 3%      | 2%                               | 4%              |
| 2 = Less appealing  | 9%      | 13%                              | 8%              |
| 3 = Moderately appealing  | 24%     | 28%                              | 22%             |
| 4 = Very appealing  | 37%     | 30%                              | 40%             |
| 5 = Extremely appealing   | 26%     | 26%                              | 26%             |

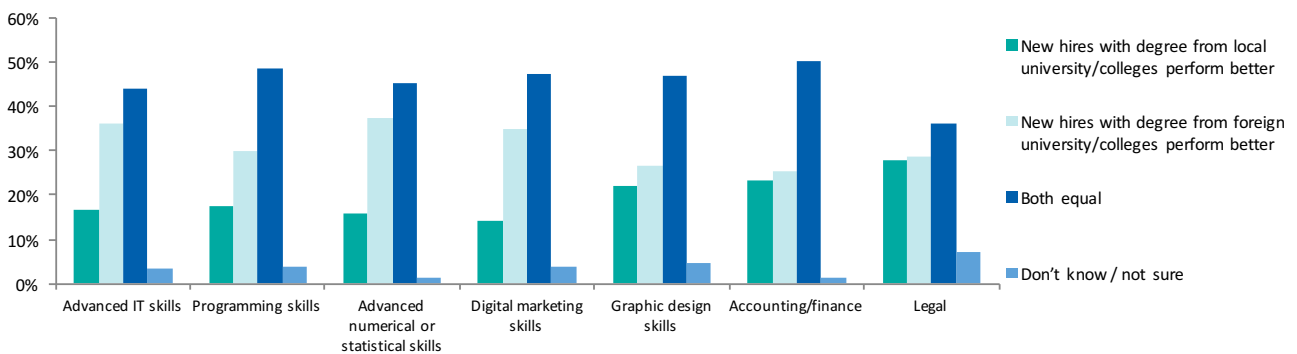
Source: EIU Graduate Employability Survey, 2018

Acquiring hard skills is seen as a key benefit of overseas study, with the survey demonstrating that overseas graduates are considered to perform better than local graduates in all hard skill areas. The largest preference for overseas graduates was in advanced numerical or statistical skills, where 37 per cent of employers reported that overseas graduates perform better than their locally educated peers (with 16 per cent favouring local hires). Similarly, 35 per cent of employers reported that overseas graduates perform digital marketing skills and 36 per cent of employers said overseas graduates perform better in advanced IT skills.

While there are some skills where overseas graduates are considered only marginally better than locally educated graduates (for example, basic numerical skills, accounting and finance skills, and legal skills), overseas graduates are generally considered to be more competent, particularly in advanced technical skill areas and English language proficiency, giving them an advantage in ICT and business-related fields.



### Malaysian employer perceptions regarding performance of new hires on selected hard skills (% , N = 150)



Source: EIU Graduate Employability Survey, 2018

Our survey also found that overseas graduates are believed to perform better in all soft skill areas, particularly communication and presentation skills, interpersonal skills, creativity, leadership and analytical skills. Interviewees suggested that overseas graduates have superior critical thinking skills, which are typically developed in Western higher education. There is a clear value-add in studying overseas, said Mr Cheah: “In terms of technical skills, I don’t see that much of a difference between local and overseas graduates. But when it comes to ideas and expressing a view, graduates from foreign universities tend to perform much better.”

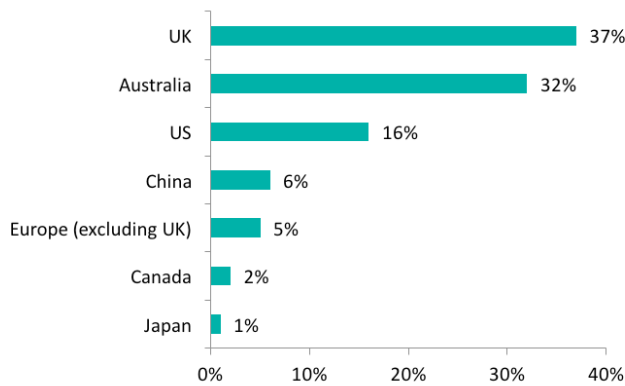
Overseas graduates were also considered to be more assertive and able to express their ideas. Salika Suksuwan, executive director of human capital at PwC Malaysia, explained: “If you had the exposure of living abroad, you tend to have more confidence and courage simply because you are away from home, and you are exposed to various cultures.”

Returning to Malaysia with these hard and soft skills—and life experience—gives overseas graduates a significant advantage over their locally educated peers in the jobs market, which can directly influence job hunting and salary benefits. In our survey, 76 per cent of respondents agreed or strongly agreed that studying abroad adds value for a jobseeker, and 59 per cent agreed that having international experience is important for recruitment. In addition, 46 per cent reported that overseas graduates are paid more than local graduates (with just 7 per cent reporting that local graduates are paid more and 47 per cent reporting that they are paid similarly).

## 4.2 Employers’ Attitudes Towards Different Countries

English-speaking countries are by far the highest rated study destinations among employers, with 37 per cent of survey respondents reporting that the UK has the world’s best institutions for higher learning, followed by Australia (32 per cent) and the US (16 per cent). These perceptions align with Malaysian students’ preferences for overseas education.

### Which country do you think has the best universities and institutions for higher learning?



Source: EIU Graduate Employability Survey, 2018

With regard to postgraduate courses, 72 per cent of survey respondents approved of study in the UK, 52 per cent approved of study in Australia, 50 per cent approved of study in the US and 20 per cent approved of study in Japan. Moreover, 56 per cent of respondents agreed that postgraduates from Western universities are offered higher salaries than those from Asian universities. However, despite a clear bias in favour of institutions in the UK and other English-speaking nations, interviewees considered an education at any highly-ranked university in an advanced country to be of high value, with 63 per cent reporting that the reputation of a candidate’s university was an important criterion for selection.

There is also a preference for graduates from universities the hiring manager is familiar with. According to a director from an international recruitment firm in Malaysia, there are many graduates from UK and Australian universities who are now hiring managers, and they “tend to prefer hiring graduates from these schools because they are familiar with the culture and education.”

| Employer perceptions of UK education (per cent, N = 150) |   |   |   |
|--|---|---|---|
| Survey Questions   |   |   |   |
|  | Having studied in the UK is a value added for a jobseeker | Postgraduates from UK universities are best | Postgrads from UK universities are offered the highest salaries |
| Strongly disagree  | 1%  | 3%  | 3%  |
| Disagree   | 1%  | 7%  | 7%  |
| Neither agree or disagree                                | 27%   | 33%   | 37%   |
| Agree  | 44%   | 37%   | 36%   |
| Strongly agree   | 27%   | 19%   | 17%   |

Source: EIU Graduate Employability Survey, 2018

Malaysian employers and students have a very positive perception of UK universities, with 71 per cent of survey respondents either agreeing or strongly agreeing that studying in the UK adds value for a jobseeker. In addition, 57 per cent reported that UK universities produce the best postgraduates, and 62 per cent reported that UK universities produce better postgraduates than Asian universities. The status associated with a UK education is also perceived to translate into greater salary returns, with 53 per cent of employers reporting that postgraduates from the UK receive the highest salaries. According to Mrs I Lin, employers have a positive perception of graduates who have studied in the UK.

### 4.3 Employers' Attitudes Towards Transnational Education

Malaysia has established itself as a regional hub for TNE, and a large majority of employers (89 per cent) reported that they had hired TNE graduates. TNE programmes are reasonably well-respected by Malaysian employers, although an overseas education is still widely considered to be of higher quality. In our survey, 51 per cent of respondents reported that overseas graduates are better than graduates from TNE programmes. Just 4 per cent reported that TNE graduates are better, and 45 per cent reported that TNE and overseas graduates are somewhat similar in quality.

According to a recruiter at an international headhunting firm, there is a premium attached to going abroad, even if for a short period of time. This means that where students are able to do a 3+1 or 2+1 type twinning programmes, employers value these graduates more than graduates who complete foreign degree programmes in private colleges but do not spend any time in foreign universities. While the preference is always for a foreign degree graduate who has completed the full degree abroad, Mr Cheah added that TNE graduates are perceived to be better quality than graduates from local universities.

| Employer perceptions of transnational education (TNE) (% , N = 150) | Overall | Foreign/<br>international<br>companies | Local<br>companies |
|---|---------|--|--------------------|
| Overseas graduates are better quality than TNE graduates            | 51%     | 43%                                    | 54%                |
| Overseas graduates are poorer quality than TNE graduates            | 4%      | 4%                                     | 4%                 |
| Both are somewhat equal in quality                                  | 45%     | 52%                                    | 42%                |

Source: EIU Graduate Employability Survey, 2018

However, despite largely positive associations held by students with regard to TNE and foreign university brand names, insiders have their doubts over the quality of TNE education. According to Professor Gomez, who has previously worked at a branch campus, the teaching quality and academic staff was significantly lower than would be expected at the university's UK campus. "They function like a high school. Many of their lecturers did not have a PhD," he said. "[At the UK campus] you would get exposed to academic staff who are doing research and writing at the top of their field. That was not the case [at the Malaysia campus]. So the quality was not there."

Other researchers into TNE education also point out that even if the qualification is of comparable quality to that of the conferring country, it is likely that the student experience will not be. In this regard, interviewees said there was a danger

of TNE becoming merely an award-granting exercise rather than a learning experience.<sup>33</sup> Despite these misgivings, our interviewees and survey respondents generally considered TNE institutions to produce more skilled graduates than students educated at local universities, although not as skilled as those educated overseas. According to employers we interviewed and surveyed, quality of TNE graduates tend to be higher than local university graduates.

### 4.3 Disadvantages of Overseas Study

Despite obvious advantages to a foreign education, returning overseas graduates face certain challenges. Firstly, those who study abroad may suffer a disconnect from local culture, knowledge and networks. For example, 40 per cent of survey respondents reported that locally educated graduates have better knowledge of the local market, with just 17 per cent favouring overseas graduates. A lack of local networks can also lead to lost job opportunities, as work is often secured through local contacts. According to Ms Suksuwan, the degree to which students maintain their ties to Malaysia varies greatly by individual. Ms Suksuwan cited a number of ways in which students may maintain their ties to the domestic labour market, including joining Malaysian societies, contacting Malaysian business leaders and government, and contributing articles to domestic media. However, Ms Suksuwan also noted that “others break away from the Malaysian circle and totally lose touch”.

Secondly, upon returning, some face difficulties related to reverse culture shock. In our survey, 33 per cent of employers reported that locally educated graduates are easier to manage than overseas graduates (29 per cent found overseas graduates easier to manage). Overseas graduates also scored relatively poorly on teamwork (although better than their locally educated peers). These findings may be reflective of the difficulties the latter have in fitting back into Malaysia’s more traditional and hierarchical working environment, where workers are expected to be deferential to seniors, and where questioning processes or decisions, or speaking frankly, can be interpreted as impolite.

**Perceived Disadvantages of Studying Abroad (% , N = 150)**

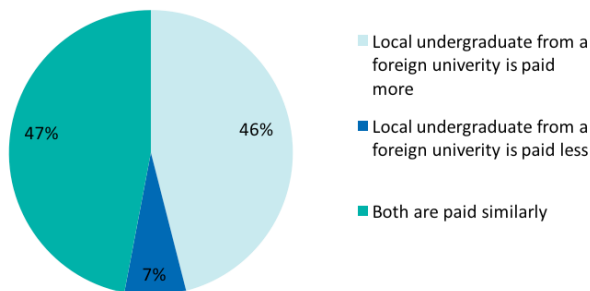


Source: EIU Graduate Employability Survey, 2018

33 TNE, Trans national education or tensions between national and external A case study of Malaysia.pdf, p953

The status associated with a foreign education can also be a double-edged sword, with returnees judged or disliked for their privilege.<sup>34</sup> According to a director at an international recruitment company, overseas graduates are sometimes considered arrogant or entitled by their co-workers: “The biggest issue is entitlement, because their parents have spent a lot of money sending them to a top overseas university. When these graduates enter the local jobs market, they expect a big job or a senior role”.

**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 = 69)**

|                     |     |
|---------------------|-----|
| 10% or less         | 6%  |
| Between 10% and 20% | 47% |
| Between 20% and 30% | 36% |
| Between 30% and 40% | 8%  |
| More than 40%       | 3%  |

Source: EIU Graduate Employability Survey, 2018

Finally, studying abroad can lead to unrealistic salary expectations, despite being paid more than locally educated graduates. This may lead overseas graduates to move jobs more frequently, in search of higher wages. This was reflected in our survey, where 41 per cent of employers reported that locally educated hires are more loyal than overseas graduates (with 15 per cent reporting the reverse).

34 Sin, I. L. (2014). Cultural capital and distinction: Malaysian students and recent graduates of UK education (doctoral dissertation).

# CONCLUSIONS AND RECOMMENDATIONS

**As Malaysia reaches for its 2020 goal of “high-income” economic status, the demand for skilled workers is higher than ever. Employers featured in our research noted significant skills gaps in the local talent pool, particularly in ICT and business-related hard skills. While local higher education has improved dramatically over the past two decades, remaining quality gaps and employer preferences continue to fuel overseas study.**

Our research found that Malaysia employers regard returning graduates highly, noting their strengths in advanced technical skills and English language ability. Our respondents tended to hold the UK in high regard among overseas study destinations, particularly at the postgraduate level, where 56 per cent of respondents agreed that UK graduates are best. Moreover, 53 per cent of respondents said that workers with UK postgraduate degrees command the highest salaries.

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 Malaysia 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 local workplace.

UK universities could enhance their support for Malaysian students by preparing them for such challenges through career counselling that focuses more on students' home market, 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.

When comparing transnational education programmes to overseas study, under half of employers felt that students who earned a foreign degree in Malaysia were of similar quality to those that studied abroad, but most of the remainder felt that graduates returning from overseas made better employees. Although most employers would still agree to hire a TNE graduate, our findings show that there is still a significant advantage to the overseas experience, despite the disadvantages discussed above.

Our research shows that employers' attitudes towards UK universities are highly positive overall, especially towards postgraduate programmes. Nonetheless, there is room for universities to better prepare students for a transition back into the Malaysian employment environment and build trust with employers in one of Asia's leading economic hubs.

