



INSTITUT MASA  
DEPAN MALAYSIA

# SOCIOECONOMIC INSIGHT NO.2 / 2023

## Brain Drain/Talent Outflow

POLICY AND RESEARCH DIVISION  
INSTITUT MASA DEPAN MALAYSIA  
21 MARCH 2023

**Brain Drain/Talent Outflow**  
**Dated 21 March 2023**

**Theme:**

**Brain Drain/Talent Outflow**

**Introduction:**

Brain drain or talent outflow is described as the migration of a highly qualified workforce (highly qualified migration). It is the migration of experts or human capital where it is usually a person who has completed a graduate or at least undergraduate study.

According to EMIR Research, **2 out of 10 or 20% Malaysians with tertiary education migrate and choose to advance the foreign economies.** Aligned with Shared Prosperity Vision 2030 (SPV2030) in becoming a high income nation, Malaysia will need to develop, attract, and retain talent. The fact that talent is leaving Malaysia when Malaysia needs talent does not seem to sync up with this goal.

In the study of brain drain, the most cited reasons for its acceleration are the **push factors in the emigrants' countries** and the **pull factors in the developed countries that cause them to want to work overseas.**

Concerns about the migration of Malaysia homegrown talents are influenced by these persisting internal and external issues. These are:

- 1) Career prospects;
- 2) Quality of life.

**1.0 Brain Drain/Talent Outflow**

Elaboration

According to DOSM, the median monthly salaries and wages for 2021 rose to RM2,250 (9.1%) from RM2,062 (2020). Meanwhile, the median for the age group of 25 to 34 years old is only at RM2,001, a drop from RM2,052 (2020)<sup>1</sup>.

<sup>1</sup> [Salaries & Wages Survey Report, Malaysia, 2021 \(DOSM\)](#)

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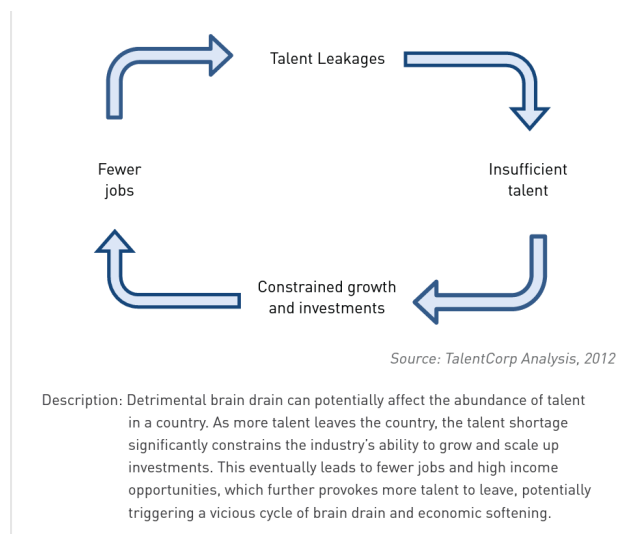
Many Malaysians are still receiving underpaid salaries despite the long working experiences and much worse for fresh graduates.

**Issues:**

**1) Career prospects**

- Emigration rates are often the highest in middle-income countries, which have both the incentive and the means to migrate. In 2000, about a **third of those in the 25 years old and above diaspora at some point left Malaysia<sup>2</sup>**, typically Singapore being the magnet for skilled migrants from Malaysia.

Figure 1: Brain drain can trigger a vicious cycle, affecting the abundance in a country



- Malaysia continues to **lag behind other countries in terms of STEM education and qualification,**

<sup>2</sup> [Malaysia economic monitor: brain drain \(The World Bank\)](#)

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	<p>which the process of employing the right talents for professional positions to be time-consuming and costly. It takes six weeks to fill the position as compared to three weeks in the Philippines and two weeks in Indonesia<sup>3</sup>.</p> <ul style="list-style-type: none"> <li>- Salary growth in Malaysia has not been on par with the current cost of living. Post-1997 Asian financial crisis shows that Malaysia’s growth in <b>real salary and wages</b> (wages minus inflation) <b>has not returned to pre crisis levels across all sectors</b>. This disparity is a factor intensifying difficulties in homegrown Malaysian talents, especially those who are learning abroad.</li> <li>- According to the research by Employment Hero, <b>72% of young Malaysian employees</b> are considering leaving the country for better employment opportunities, with the <b>main reason being better pay and improved career prospects</b><sup>4</sup>.</li> <li>- <b>Lack of training opportunities, little to no career advancement, and lack of recognition</b> are just a few of the career prospects that are lacking. Other issues include <b>no pay raises, problems with management, feeling overworked, and a lack of flexibility</b>.</li> <li>- Local companies should review their policies, workplace cultures, and strategies of the organisation in light of this issue.</li> </ul> <p><b>2) Quality of life</b></p>
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<sup>3</sup> [Addressing Talent Issues \(TalentCorp Malaysia\)](#)

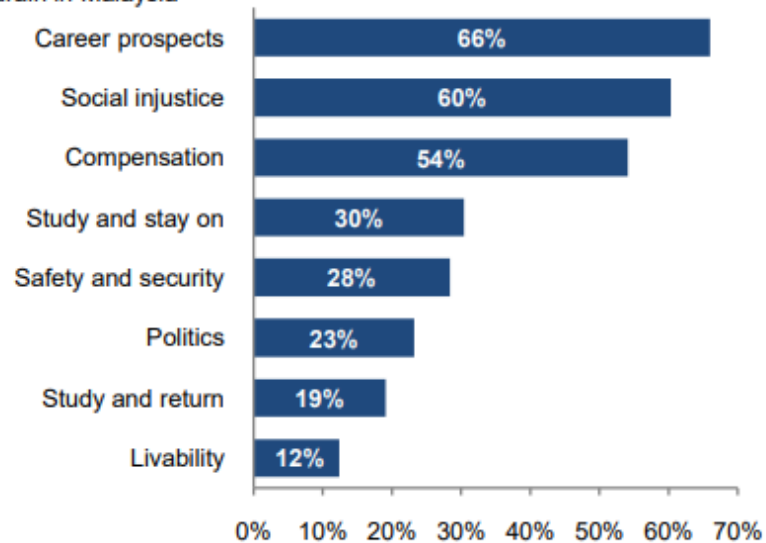
<sup>4</sup> [Survey: Over 70pc young Malaysian employees would consider leaving country for better job prospects](#)

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- Differences in quality of life have an impact on both the decision to immigrate and the justification for staying abroad. According to the World Bank online survey on the Malaysian diaspora, economic incentives and social disincentives matter most<sup>5</sup> as seen in the figure below:

**Figure 3.32. Economic conditions and social injustice are considered as the top three drivers of brain drain**

Share of respondents listing item as one of three top reasons for brain drain in Malaysia



Source: Survey among the diaspora.

- For others, constant headlines on **political instability** as well as **economic uncertainty** are **discouraging those overseas from returning home**.
- **Social injustice perceptions** seem to play a significant role in people's decisions to move or return to migrate. **Malaysia's diaspora includes a significant ethnic component** particularly among

<sup>5</sup> [Malaysia economic monitor: brain drain \(The World Bank\)](#)

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	<p>the younger members of the non-Bumiputera group. Factors like <b>unequal access to scholarships and higher education appear to be of grave concern.</b></p> <ul style="list-style-type: none"> <li>- There is also a prevalent belief and perception that Malaysia may <b>not be seen as a welcoming environment for returning talent.</b> A returnee that earns substantial wages and is at the top management abroad may find it difficult to find positions at their level or above locally. <b>Difficulties in assimilating professionally</b> due to the different and unwelcoming work culture can also serve as a reason for them to not return.</li> <li>- Emigrants perceive a quality difference between local and foreign institutions of primary through tertiary education as well as a problem with <b>access to high-quality education.</b> While the lack of accessibility appears to be a powerful push, the high quality abroad acts as a hindrance to returning.</li> <li>- <b>Underdevelopment</b> - Malaysia's poor infrastructure, lack of resources, and inadequate facilities have all led to a less attractive working environment, resulting in low worker morale and job satisfaction.</li> </ul> <p>Thus, it is crucial for the <b>Government</b> and <b>employers</b> to lessen the impact of labour emigration and the loss of talents by implementing policies in relation to labour more seriously and take a brave step, to shift the work culture in Malaysia.</p>
<p>Recommendations</p>	<p>The Government should <b>become proactive</b> in increasing the <b>skill-intensive growth of the country</b> and retain Malaysia-born talents, by:</p>

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- 1) **Empowering the value of STEM from an early age** by incentivising an immersive classroom environment that integrates fun activities in STEM-related subjects to grow Malaysia rapidly into a high-skilled country.
- 2) **Increasing the wages** by engaging the employers to **raise RM150 per month salary adjustment** immediately for all employees **earning less than RM3,000**. This can be done by incentivising the employers to increase the productivity of the company.
- 3) Employers, with the consultation from recognised organisations, should start **restructuring their companies/firms** to implement values that respect **egalitarianism, work-life balance and perfect balance of team collaboration**, which employees start to look for.

Additionally, the Government should also create **social incentives to ensure talent remains within the country**. Such an approach should be **holistic in nature** as improvement for the quality of life for Malaysians includes many aspects such as:

- 1) **Investing in infrastructure, education and research and development** to create a more attractive environment for highly skilled workers.
  - a) Access to scholarships and higher education should also be visibly transparent and need-based rather than ethnic-based.

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	<p>b) Teaching and research quality should also be strengthened to up-skill the level of personnel in education institutions.</p> <p>c) Analysis of future market demands is necessary. To prevent graduate "dumping" or non-relevant courses (<i>lambakan bidang tidak berkenaan</i>) that do not match the demand from the workforce.</p> <p>2) <b>Strengthening inclusion</b> as a key policy aim in the Malaysian government's reform agenda. The government should emphasise Malaysia's multicultural nature and promote tolerance and acceptance of people.</p>
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