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## **ASEAN Economic Community: Slow Progress on Labour Issues**

*By Kaewkamol Pitakdumrongkit*

### **Synopsis**

*Although Southeast Asian economies rely on international labour as a key element of the ASEAN Economic Community (AEC), the progress of labour liberalisation has been disappointing. It is obstructed by domestic laws and regulations due to differing concerns of labour-exporting and labour-importing countries.*

### **Commentary**

ASEAN recognises the crucial role that labour plays to help realise the ASEAN Economic Community (AEC). The region's leaders have pledged to "hasten the establishment of the ASEAN Economic Community by 2015 and to transform ASEAN into a region with free movement of goods, services, investment, skilled labour, and freer flow of capital".

Migration of labour is a crucial factor driving the Southeast Asian economies and mutual economic dependency is substantial. For example, Singapore has the highest ratio of foreign labour to the local population in the region. About 25 percent of Malaysia's workforce consists of migrant workers who fill several sectors such as manufacturing and agriculture. Inward remittances from expatriates account for about 10 percent of the Philippines' GDP annually.

### **Making process, not progress**

Despite the importance of labour at the domestic and international levels, liberalising labour flows across the member states has been very slow and limited. Although significant progress has been witnessed by the ASEAN Scorecard under Pillar I, with significant achievements in several areas including free flows of skilled labour, one must also be aware that so far only eight Mutual Recognition Agreements (MRAs) have been signed.

This means that only engineers, nurses, surveyors, architects, accountants, medical practitioners, dental practitioners, and tourism professionals can travel to work abroad. These personnel flows account for less than 2 percent of total ASEAN employment. In short, in regard to labour migration ASEAN appeared to engage in a "process" rather than make progress.

Even so, such MRA implementation faces obstacles mainly due to domestic regulations and labour laws that directly and/or indirectly curb their mobility. Moreover, it must be emphasised that AEC

welcomes only free flows of *skilled workers* while being silent on the liberalisation of cross-border mobility of unskilled labour which is also in high demand for several industries.

A joint study by the International Labour Organisation and Asian Development Bank in August last year calculated that ASEAN integration would boost regional GDP by about 7 percent and create 14 million new jobs by 2025. Without additional effort to advance further the liberalisation of labour, the prospect of hiring the right personnel to do these jobs seems grim.

### **Different strokes for different folks**

There are key reasons why the member states have been reluctant to ease the inflow of migrant workers. Labour-sending governments are more likely to be disturbed by the plight of their own nationals working abroad due to abuses and unfair treatment from employers in host states. For worker-receiving states, their worries tend to centre on the impact of migrant workforce on domestic employment and national security.

Domestic employment concerns usually stem from the idea that the lower wages of migrant workers make them more competitive than the locals with higher wages, and likely to take away the latter's jobs. This notion sometimes fuelled the local citizens' outcry, making the host country feel pressured to curb labour migration. Another cause of host countries' unwillingness to open up their domestic labour market is national security concerns.

Labour-importing states occasionally view migrant workers as a security problem. Illustratively, when foreign labour was viewed as agents carrying out illegal activities, the Malaysian public was agitated. The government cracked down on migrant workers in 2002 and 2005, resulting in about 400,000 foreign workers (mainly Indonesian and Filipino) either leaving the country or being evicted by the government.

### **Policy considerations**

As the international labour issue is multi-faceted, tackling it requires a combination of several policies to address different concerns. Firstly, to deal with possible abuses and bad treatment of migrant workers by labour-receiving states, host governments should work together with local and international non-governmental organisations (NGOs) to obtain more information about abuses and unfair treatment of migrant workers. It is because these agencies are usually closer to and have better access to the people on the ground than the governments.

Secondly, labour-receiving countries should rectify the misperception of migrant workers being a threat to the host economy by informing their citizens that cheaper wages alone do not always win. In the world of transnational production networks and value chains, businesses are not too naïve to go for cheaper migrant workers only. Rather, they pragmatically seek labour that is "cost-efficient" with sufficient quality to carry out desired tasks.

In other words, employers search for most cost-efficient labour (not necessarily the cheapest) to fill in particular niches of their production chains. Also, the services sectors increasingly involve higher levels of customisation, making businesses more selective in choosing the right workforce for the right tasks.

For example, customer care companies look to hire phone responders who are trilingual and familiar with local cultures, which could dampen the chance of foreign workers taking up this job in the host economy. Thus, even though labour migration is more liberalised, the degree of lower-wage foreign workforce "stealing" the local people's jobs may not be as dramatic as generally viewed.

To mitigate national security problems, labour-importing governments can systematically document foreign workforce in their country. Although it is challenging to put up a comprehensive record of migrant workers, doing so begets multiple benefits. Firstly, it can deter individuals who are prone to commit crimes. By being registered and put into the system, these people can be discouraged from carrying out unlawful activities.

Moreover, the records of migrant workers can facilitate police work as they help the law enforcers to

identify the suspects once the crime has been committed. Labour-exporting states, on the other hand, can help worker-receiving countries by providing the necessary information from their side.

In sum, ASEAN can benefit significantly from additional liberalisation of labour. However, the issues of foreign workers often tempt states to be reluctant to go down the liberalising path, resulting in slow progress. By employing the policies above, certain misperceptions about the effects of migrant workers on the host economy can be redressed and concerns lessened. These policy considerations can help pave a way for a brighter future for labour migration in ASEAN.

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