



CONNECTION SERIES: 3 OF 4

## Asian Labour Connectivity: Mobility boosts productivity

Migration has always been an integral part of the region’s history. Over the last 25 years, cross-border labour migration has benefitted both the sending and receiving countries. In the next 25, Asia’s growing prosperity and the need to build human capital will continue to drive intraregional migration.

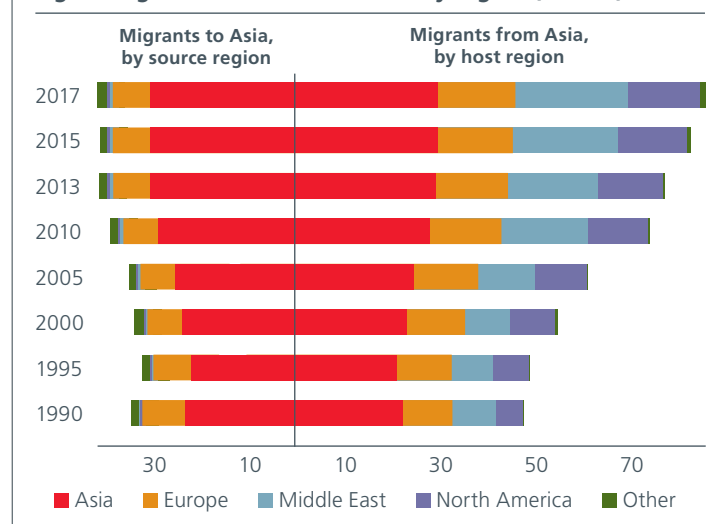
People move for various reasons. According to a 2015 McKinsey report<sup>1</sup>, more than 90% of world’s 247 million migrants moved voluntarily while the rest were mainly refugees or asylum seekers. For those who chose to relocate, the availability of job opportunities, the possibility of higher incomes and a better future for the family are typically the key drivers.

In the late 1960s-70s, the oil boom led to labour migration to the Gulf countries in West Asia. Then in the mid-1980s strong labour demand in the newly industrialising economies of East and Southeast Asia saw another round of migration. This trend continued into the 1990s and has stabilised post the Asian financial crisis. In fact, labour migration has become a structural feature of some economies.

### CROSS-BORDER MIGRATION TRENDS

Intraregional migration continues to be an important feature, with 33.4% of Asian migrants staying within the region and 71.3% of all migrants to Asia originating from within the region, based on 2017 data (See Fig 1). By subregions, there are notable differences. Majority of migrants from the Pacific

Fig. 1: Migration to and from Asia, by region (million)<sup>2</sup>



tend to migrate to other regions of Asia, those from South Asia move out of Asia while the people of Oceania stay within their subregion (See Fig 2).

Apart from distance, a migrant’s choice of destination is also a function of his/her comfort level and ability to adapt to a new language and culture. According to Ari Pitoyo, CIO of Eastspring Indonesia, Malaysia remains the main destination for Indonesia’s outbound labour possibly due to these reasons.

New trends are emerging in recent years; the flows of highly qualified migrants have increased throughout the region where the early migrants were mostly low-skilled workers seeking greener pastures. Further, new source countries i.e. Vietnam, Cambodia and Burma have become more visible lately while another key development has been the higher proportion of female migrants.

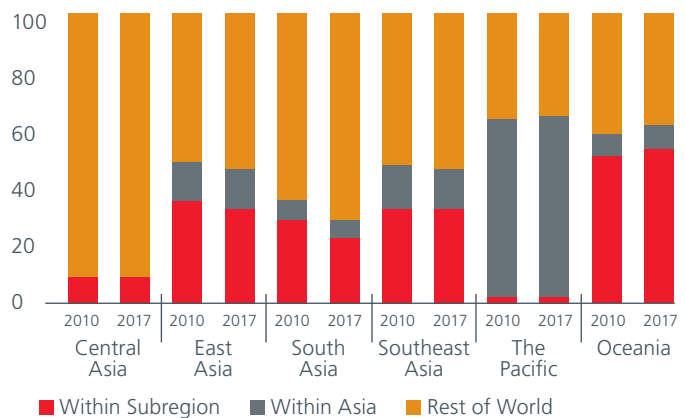
Increasing global connectivity has also allowed migrants to stay in constant touch with their families, to return to home country for specific holidays and more importantly facilitate easy remittance of monies to their families. Greater interconnectedness tends to have a stabilising effect on many families that otherwise might also be under pressure to migrate, resulting in irregular migration.

## REAPING MUTUAL BENEFITS

The money sent home by migrants is an important source of income to developing countries. The inflows to Asia have also increased steadily over the years. 2017 Asian Development Bank (ADB) data showed that intra-Asian remittances were the second largest source of inflows with a 27.7% contribution. Middle East was top with a 30.9% share while North America claimed the third largest share of 25.3%.

The same ADB report highlighted the top three recipients of these inflows were India, the People’s Republic of China and the Philippines. Together they

**Fig. 2: Migration from Asia, by subregions (% of total outward migrants)<sup>2</sup>**



consumed approximately 60.8% of all remittances to Asia. The importance of these remittances cannot be underestimated; in the Philippines, for example, remittance inflow was equivalent to 10.5% of GDP and in Vietnam, it was 6.3%.

Remittance aside, the McKinsey study suggested that migrants regardless of their skillset increase a host country’s productivity whilst contributing to the development of their own. Migrants too plug the labour shortfall and replace fertility as the key driver for population growth in many developed countries. On the flipside, labour mobility is a lifeline for many populous countries with youth looking for decent jobs who may otherwise cause unrest and pose other social issues.

## MAKING PROGRESS, ALBEIT SLOWLY

To unlock the full benefits, a host country must have a formalised national migration policy which looks into the overall welfare of migrant workers, not just the employment aspect. Many migration policies remain restrictive with quotas on numbers of migrant workers and requirements on qualifications.



**90% of world’s 247 million migrants move voluntarily while the remaining 10% are asylum seekers**

## People move for better jobs, incomes and lives

### 1970s

**The oil boom led to Asian labour migration to Gulf countries**

### 1980s

**Mid 1980s demand for labour from newly industrialising economies of East and Southeast Asia led to another round of migration**

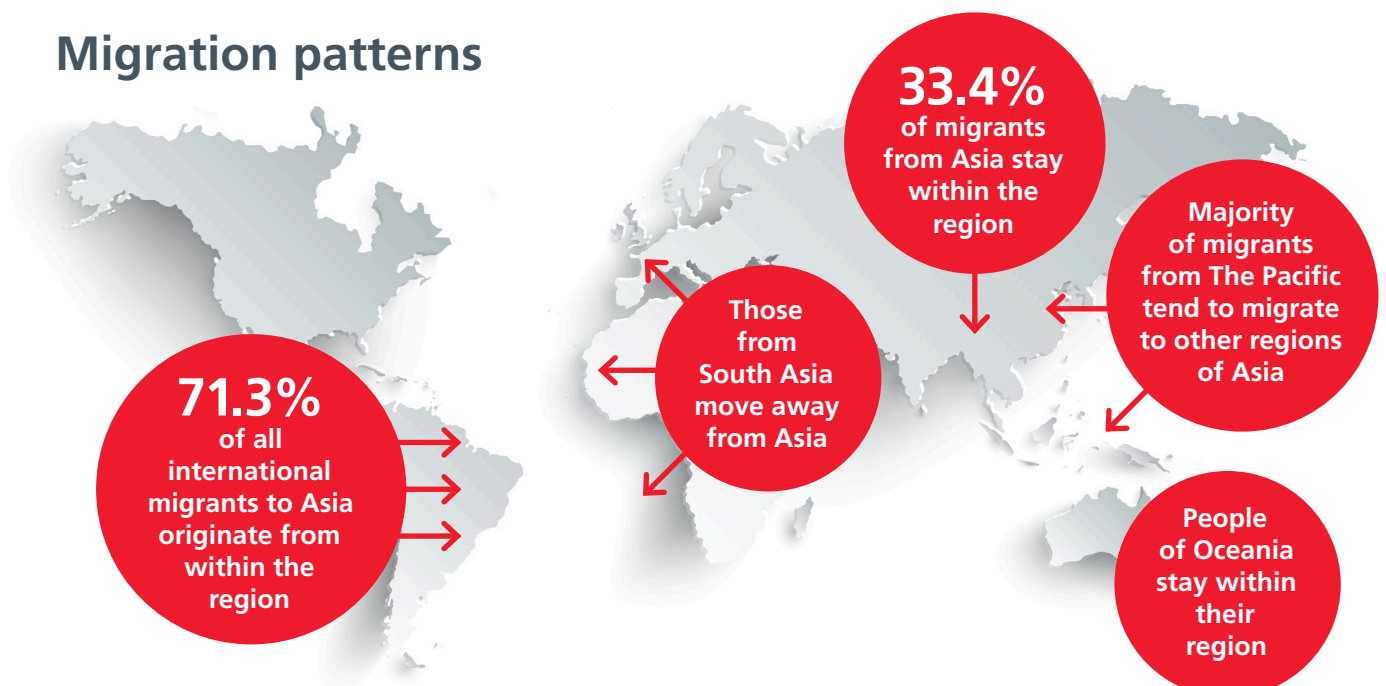
In Asia, there has been a move towards regional cooperation policies. The Colombo process, initiated in 2003 by 10 countries, is a regional consultative process that makes recommendations for management of overseas employment. Then the Abu Dhabi Dialogue of 2008 brought together the Colombo Process countries with the Gulf Cooperation Council states and acts as a forum for new ideas and activities that aid the development of a framework to manage temporary contract labour mobility across Asia.

Meanwhile ASEAN nations have taken further steps to facilitate greater labour mobility via mutual recognition arrangements (MRAs). But these arrangements only cover certain skilled professions (i.e. engineering, nursing, architecture, medicine etc.). An International Labour Organisation study found such existing MRAs only represent 1.5% of the region's labour force whilst approximately 87%

of intra-ASEAN migrants tend to be low-skilled workers<sup>3</sup>. Unfortunately, not much has been done to promote the mobility of lower skilled workers which potentially has the biggest development impact. Doreen Choo, CIO of Eastspring Malaysia, says that about a third of all low-skilled migrants in Malaysia are employed in manufacturing, while agriculture absorbs about a quarter.

Looking ahead, Asia's forecasted growth, income and demographic differentials will continue to underpin intraregional labour migration. East Asian countries will need 275 million people between the ages of 15 and 64 by 2030 to keep a steady share of the working-age population<sup>4</sup>. The region's economic growth could increase further if more Asian countries took steps to improve labour market information and expand the MRAs to lower skilled workers.

## Migration patterns



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Sources: <sup>1</sup>McKinsey Global Institute: People On The Move, Dec 2016. <sup>2</sup>Asian Development Bank (ADB): Asian Economic Integration Report, Oct 2018. <sup>3</sup>RSIS Commentary from S. Rajaratnam School of International Studies: Managing Labour Mobility – Stronger ASEAN Integration, Mar 2018. <sup>4</sup><https://www.economist.com/node/21716584/comments?sort=1#sort-comments>.

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