

## ASEAN economic community: the potential impacts of labour mobility on the economy and construction industry

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**Abstract:** In their endeavors to achieve economic integration, the leaders of ASEAN initiated and implemented policies under the so called “ASEAN Economic Community 2015”. The policies relate to almost all sectors of the ASEAN’s economy. In relation to labour mobility, the policy on free movement of skills and unskilled across the 10 member countries of ASEAN may bring economic and non-economic implications to both the host and exporting member countries. However, empirical study on the subject matter is scarce. Consequently, a study employing desk research and a questionnaire survey among respondents from selected member countries of ASEAN was carried out. The findings from the study highlight the potential impacts of labour mobility may have, economically and socially, to both the host and exporting member countries.

**Key words:** ASEAN; Construction; Economy; Labour; Policy; Regional

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### 1. Introduction

This paper aims to reports on a study concerning the ASEAN Economic Community (AEC) 2015. Specifically the study focuses on labour mobility of the construction sectors of ASEAN and the potential impacts they may have, economically and socially, to both the host and exporting member countries. The study is considered timely and important because AEC 2025 is rapidly approaching and the policies of AEC 2015 are already being implemented. However, no study has so far been carried out on the impacts of AEC 2015 on labour mobility of the ASEAN member countries. The study was conducted through extensive literature search and questionnaire survey of selected ASEAN member countries, i.e; Malaysia, Indonesia, Philippines, Vietnam and Cambodia.

The paper is presented in 6 parts. Part 1 introduces the paper. Part 2 provides an overview on the AEC policies related to labour mobility while Part 3 and Part 4 present the methodology used and the results from the study, respectively. Finally Part 5 presents the results and Part 6 concludes the paper.

### 2. ASEAN economic community (AEC)

#### 2.1 AEC and labour mobility

ASEAN was formed on 8<sup>th</sup> August 1967. Table 1 shows the membership of ASEAN and its key economic data.

In November 2002, the ASEAN Heads of Government in a meeting in Phnom Penh proposed

that the region should consider the possibility of creating an ASEAN Economic Community (AEC) by 2020. However, in 2007, ASEAN has agreed to fast-track the implementation of AEC by bringing forward the date to 2015. AEC aims to transform the region into a single market and production base characterized by, among others, a free flow of skilled labour. In the context of AEC 2015, there are altogether 16 key policies focusing on four (4) pillars namely, (i) Single market & production base, (ii) Competitive economic region, (iii) Equitable economic development, and (iv) Integration into the global economy (Sharina et al., 2016). Within these policies, and in looking at labour mobility issues, the AEC 2015 Blueprint (ASEAN, 2008) listed two (2) critical areas under the said policy, i.e; facilitating visa issuance and recognition of qualifications and skills.

Under the Facilitating Visa Issuance, ASEAN Member States, in 2012, signed two agreements aimed at to streamlining the movement of select individuals within the region, namely; (i) The ASEAN Agreement on the Movement of Natural Person (MNP) and (ii) The ASEAN Comprehensive Investment Agreement (ACIA) (Sugiyarto and Agunias, 2014). In addition, ASEAN Member States are taking various approaches to better recognize qualifications and skill of labours. Hence, under the Recognition of Qualification and Skills, two key initiatives were agreed to be implemented, i.e; (i) Mutual Recognition Arrangements (MRAs) whereby MRAs in six key occupations (engineering, nursing, architecture, medicine, dentistry, and tourism) and Framework Agreement on MRAs in two others (surveying and accounting), and (ii) The ASEAN

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Qualification Framework (AQF) (Sugiyarto and Agunias, 2014).

**Table 1:** Key economic data of ASEAN member countries

Country	Total Population <sup>i</sup> ('000)	GDP Per Capita <sup>ii</sup> (USD)	Labour Force <sup>iii</sup> ('000)	Unemployment Rate <sup>ii</sup> (%)	Labour in Construction <sup>iv</sup> ('000)
1. Brunei Darussalam	413.00	27,759.00	203.60	2.7	n.a
2. Cambodia	15,184.12	1,140.00	8,250.00	n.a	298.30 <sup>v</sup>
3. Indonesia	252,164.80	3,416.00	121,872.93	5.8	6,349.40 <sup>vi</sup>
4. Lao PDR	6,809.00	1,785.00	n.a	n.a	n.a
5. Malaysia	30,261.70	9,080.00	13,931.60	2.9	1,226.40
6. Myanmar	51,486.00	1,269.00	32.98	4.0	n.a
7. Philippines	101,174.90	2,951.00	41,379.00	6.3	2,578.00
8. Singapore	5,469.70	53,224.00	3,530.80	2.0	98.20
9. Thailand	68,657.00	5,426.00	38,576.23	0.8	2,114.90
10. Viet Nam	90,630.00	2,171.00	53.70	2.5	3,184.60

<sup>i</sup> As of 2014 (Source: ASEAN, [http://www.asean.org/?static\\_post=selected-key-indicators-2](http://www.asean.org/?static_post=selected-key-indicators-2)) (4)

<sup>ii</sup> As of 2015 (Source: Malaysian Economic Report 2015/2016) (Ministry of Finance Malaysia, 2016)

<sup>iii</sup> As of 2014 (Source: ADB, <http://www.adb.org/data/statistics>) (Asian Development Bank (ADB), 2016) <sup>v</sup> As of 2010

<sup>iv</sup> As of 2014 (Source: ILOSTAT, <http://www.ilo.org/ilostat>) (International Labour Organization, 2016) <sup>vi</sup> As of 2013

Furthermore, a host of labour related actions were initiated that concerns politics, security, economy and socio-cultural parameters (Jurje and

Lavanex, 2015). Table 2 provides a summary of these.

**Table 2:** Labour mobility cooperation in AEC (Jurje and Lavanex, 2015)

AEC Community	Labour-related actions in blueprints	
1. Political-security	<ul style="list-style-type: none"> <li>Strengthen criminal justice responses to trafficking in persons</li> </ul>	<ul style="list-style-type: none"> <li>Protect victims of trafficking</li> </ul>
2. Economic	<ul style="list-style-type: none"> <li>Facilitate movement through issuance of visas and employment passes for business and skilled labour</li> <li>Recognition of professional qualifications</li> <li>Implement and develop new MRAs</li> </ul>	<ul style="list-style-type: none"> <li>Human resources development in the area of services                             <ul style="list-style-type: none"> <li>Core competencies and qualifications in priority services</li> <li>Strengthen labour market program capacities</li> </ul> </li> </ul>
3. Socio-cultural	<ul style="list-style-type: none"> <li>Human resource development</li> <li>Promote decent work</li> </ul>	<ul style="list-style-type: none"> <li>Protect and promote rights of migrant workers</li> </ul>

Nevertheless, AEC does not guarantee or seek full labour mobility even among the highly skilled; it only facilitates this movement (Sugiyarto and Agunias, 2014). In addition, AEC does not address the movement of unskilled or lowerer skilled labour within the region. This is despite the fact that the overwhelming share of both recorded and unrecorded labour flows within ASEAN is actually the low and semi-skilled labours (Jurje and Lavanex, 2015).

### 3. Impact of labour mobility on the economies and construction industries of ASEAN

By providing much needed labour to the economies of the receiving countries, and enabling those labours to earn wages which are then sent back to their home country as remittance, labour mobility provides direct benefits that assist in the development of both countries (TF-AMW, 2009). If intra-regional migration is properly managed, the rising mobility of ASEAN's human resources, both skilled and unskilled, can become a unique source of

comparative advantage in the increasingly competitive global environment (ILO, 2007).

However, free labour movement can also result in competition for skilled human resources that less-developed countries view as un-fair, and the fear that brain drain will deplete their already limited stocks of highly skilled labours (Bernard, 2015). For example, the Philippines bilateral arrangement involving the migration of healthcare professionals have depleted the number of nurses in its healthcare sector (Bhattacharyay, 2009).

Focusing on the construction industry, it is well known that infrastructure development is essential towards reducing economic gaps and in realizing the economic integration that ASEAN aims for (Bhattacharyay, 2009). Increases in competition between domestic and foreign contractors and suppliers and service providers may result in loss of activity in a country (Indira and MacLaren, 2012). Those who are uncompetitive are considered losers for losing out to foreign competition. Nevertheless, diverse services offered including new technologies brought in may present opportunities for the industry to be more innovative.

Whether in the context of regional integration or other multilateral and bilateral trading agreements, greater trade liberalization through Free Trade Agreements (FTAs), the implementation of ASEAN economic integration will have impacts on the labour markets. It is an open question whether the various ASEAN's industry sectors, including construction, and their workers will benefit or became victims of such liberalization.

**4. Methodology**

The study's objective is to assess the impacts of labour mobility under the AEC 2015 to the economies and the construction sectors of the ASEAN member countries. It involved extensive review of literature and a questionnaire survey. Respondents for the survey were identified through contact addresses of 4 ASEAN countries and the questionnaires were emailed to them. Table 3 provides the breakdown of the targeted respondents.

The objective of the questionnaire is to solicit the respondents' views regarding the rate and impact of labour movements upon the implementation of AEC 2015 policies. The questionnaire has 4 parts. Section A is on the basic background of the respondents, Section B seeks the respondents' perceived rate of labour movements arising from the implementation of the 16 policies of AEC 2015, and Section C and D solicit their opinions on the potential impact of labour movement upon the implementation of the 16 policies on AEC 2015 on macroeconomics (general) and microeconomics (focusing on construction industry), respectively.

Data from the study is analysed using descriptive statistics. In assessing the respondents' views on the impact of labour mobility, a five (5) point Likert scale was used ranging from 'Strongly disagree' to 'strongly agree'. In determining the importance of the view, a 'cut-off' mean of 3.75 is used whereby a score of 3.75 or higher is used to identify very important item responses that were included in the answer set of the respective variables. Consequently, the variables that obtained mean scores lower than the 'cut-off level' will be considered as unimportant and hence will be excluded (Franklin and Hart, 2006; Ayob, 2013).

**5. Results**

**5.1. Feedback from survey**

From an estimate of 500 sets of questionnaires distributed, only a total of 49 sets of questionnaires were returned. The returned questionnaire was found to be completed and sufficient for analysis and to be used as input for the study. Detail distribution of respondents according to countries is as shown in Table 3. Due to the scarcity of data secured from some of the countries responding to the survey, those countries with very low respondents were combined to represent as 'others'.

Majority of the respondents (36 or 73.5%) are professionals related to the construction industry followed by 5 (10.2%) academia and 8 (16.3%) others.

**Table 3: Feedback from the survey**

Country	Frequency		Total
	Google Drive (Online)	Manually Distributed	
1. Malaysia	14	1	15
2. Indonesia	2	18	20
3. Philippines	-	6	6
4. Viet Nam	7	-	7
5. Cambodia	-	1	1
Total	23	26	49

**5.2. Perceived rate of labour movement**

Results from the survey on perceived rate of labour movement arising from the implementation of the 16 policies of AEC 2015 (Table 4) shows that overall the outflow is equal to the inflow (cumulative

responds of 348/784). In addition, individual country registers similar result.

However, on free movement of skilled labour, the result on policy no. 5 (Table 5) suggests that overall there would be more inflow than outflow.

**Table 4: Cumulative responds on the perceived rate of labour movement**

Countries	Cumulative Responds On Perceived Rate Of Labour Movements Arising From The Implementation Of The 16 Policies Of AEC 2015				TOTAL
	<INFLOW	50/50	<OUTFLOW	NO ANSWER	
Malaysia	12	123	72	33	240
Indonesia	68	116	39	97	320
Others	61	109	22	32	224
TOTAL	141	348	133	162	784

**Table 5:** Cumulative responds on the perceived rate of labour movement arising from the implementation of Policy No. 5

AEC 2015 Policy		MALAYSIA					INDONESIA					OTHERS					ASEAN				
		<INFLOW	50/50	<OUTFLOW	NO ANSWER	TOTAL	<INFLOW	50/50	<OUTFLOW	NO ANSWER	TOTAL	<INFLOW	50/50	<OUTFLOW	NO ANSWER	TOTAL	<INFLOW	50/50	<OUTFLOW	NO ANSWER	TOTAL
A5	Free movement of skilled labour	1	6	6	2	15	5	4	5	6	20	5	3	4	2	14	11	13	15	10	49

**5.3. Potential impacts on the economies of ASEAN member countries**

The results in Table 6 suggest that the respondents considered the followings as the potential impacts of AEC labour mobility on the economy (according to level of importance):

1. Increase employment competition (4.21)
2. Greater competition between local and foreign business entities (4.08)
3. Increase quality of services (4.08)
4. More diverse services (3.92)
5. Better job qualities (3.85).

**5.4. Potential impacts on construction industries of ASEAN member countries**

The results in Table 7 show that the respondents considered the followings as the potential impacts of AEC labour mobility on the construction industry (according to level of importance):

1. Larger target market (4.04)
2. Construction firms becomes more competitive (4.02)
3. Increase employment competition (3.92)
4. Increase quality of service (3.91)
5. More diverse services (3.85)
6. Greater transfer of technology (3.85)
7. Greater competition between local and foreign business entities (3.80)

Construction industry is opened to domestic and foreign markets (3.76).

**Table 6:** Potential impacts of AEC labour mobility on economy

IMPACT	MALAYSIA			INDONESIA			OTHERS <sup>1</sup>			ASEAN		
	MEAN	SD	RANK	MEAN	SD	RANK	MEAN	SD	RANK	MEAN	SD	RANK
Increase job opportunities	3.8000	0.56	6	3.6842	1.34	7	3.2857	1.07	8	3.6042	1.07	7
Increase employment competition	4.3333	0.62	1	4.4737	0.51	1	3.7143	1.33	2	4.2083	0.90	1
Increase unemployment	3.2000	0.86	15	3.0000	1.11	14	2.7857	0.70	13	3.0000	0.92	15
Better job qualities	3.8667	0.92	5	4.1053	0.74	4	3.5000	0.94	6	3.8542	0.87	5
More diverse services	4.2000	0.56	2	3.9474	0.62	5	3.5714	1.02	5	3.9167	0.77	4
Increase quality of services	4.0667	0.80	3	4.4211	0.51	2	3.6429	0.93	3	4.0833	0.79	2
Shift of employment preference	3.6667	0.82	7	3.7778	0.55	6	3.6429	0.93	3	3.7021	0.75	6
Greater competition between local and foreign business entities	4.0000	0.76	4	4.3158	0.67	3	3.8571	1.03	1	4.0833	0.82	2
Less opportunity for local business entities	3.4000	0.74	12	3.2105	1.32	12	2.6429	1.01	15	3.1042	1.10	13
Loss of talents/brain drain	3.6000	0.99	9	2.8421	1.26	15	2.7857	0.97	13	3.0625	1.14	14
Imbalance age gaps between the working and non-working population	3.5333	0.64	11	3.1667	1.04	13	2.8571	1.03	12	3.1915	0.95	12
Improves socioeconomic status	3.4000	0.63	12	3.6316	0.96	9	3.4286	0.85	7	3.5000	0.83	8
Increase of remittance	3.6000	0.51	9	3.6842	0.82	7	3.0714	1.00	10	3.4792	0.82	9
Increase in supply restrain wage inflation	3.6667	0.62	7	3.5789	0.90	10	2.9286	1.07	11	3.4167	0.92	10
Lower retail price of final goods and services	3.4000	0.91	12	3.4444	0.70	11	3.2143	1.12	9	3.3617	0.90	11

The Philippines (6 respondents), Viet Nam (7 respondents) and Cambodia (1 respondent)

**Table 7:** Potential impacts of AEC labour mobility on construction industry

IMPACT	MALAYSIA			INDONESIA			OTHERS <sup>1</sup>			ASEAN'S VIEW		
	EAN	D	ANK	EAN	D	ANK	EAN	D	ANK	EAN	D	ANK
Increase job opportunities	.7333	.46	0	.6316	.16	5	.4615	.78	1	.6170	.87	1
Increase employment competition	.8000	.68		.2632	.56		.5385	.27		.9149	.88	
Increase unemployment	.8000	.94	3	.7368	.19	3	.0000	.71	1	.8298	.99	3
Construction industry becomes more efficient	.4667	.74	8	.8421	.69		.3846	.77	5	.5957	.74	3
Better job qualities												

	.5333	.74	7	.9474	.52		.6923	.63		.7447	.64	
Construction firms becomes more competitive	.1333	.74		.0526	.52		.8462	.80		.0213	.68	
More diverse services	.8667	.35		.8889	.58		.7692	.60		.8478	.51	
Increase quality of services	.7333	.70	0	.3333	.49		.5385	.88		.9130	.76	
Shift of employment preference due to wider range of selecting new employee	.8667	.64		.3333	.03	8	.6154	.51		.5870	.80	4
Construction industry is opened to domestic and foreign markets	.9333	.80		.7778	.73	1	.5385	.88		.7609	.79	
Easier to venture into foreign construction industry	.6000	.63	4	.7222	.75	2	.4615	.78	1	.6087	.71	2
Greater transfer of technology	.6667	.72	3	.2778	.67		.4615	.05	1	.8478	.87	
Larger target market	.8000	.68		.3333	.69		.9231	.76		.0435	.73	
Greater competition between local and foreign business entities	.8000	.94		.9444	.73		.6154	.96		.8043	.86	
Faster physical development	.8000	.68		.8333	.79	0	.5385	.97		.7391	.80	0
Less opportunity for local business entities	.2667	.59	1	.1667	.04	1	.7692	.73	3	.0870	.84	2
Loss of talents/brain drain	.3333	.90	0	.1667	.99	1	.1538	.69	8	.2174	.87	0
Imbalance age gaps between the working and non-working population	.4000	.63	9	.2222	.81	0	.0000	.00	1	.2174	.81	0
Improves socioeconomic status	.6000	.83	4	.6667	.97	4	.4615	.78	1	.5870	.86	4
Increase of remittance	.7333	.46	0	.7222	.67	2	.1538	.14	8	.5652	.81	6
Increase in supply restrain wage inflation	.6000	.74	4	.5000	.79	6	.3571	.74	6	.4894	.75	7
Decrease of construction costs	.2667	.96	1	.2778	.96	9	.2143	.70	7	.2553	.87	9
Increase of health issues	.8000	.56		.3889	.04	7	.1429	.66	0	.4468	.83	8

<sup>1</sup> Ibid

## 6. Discussion and conclusion

The results show that the potential impacts of ASEAN 2015 to the economies of ASEAN member countries are generally positive. For instances through the results, respondents believe that there will be better employment with better quality of service as well as a more diverse services and higher job qualities.

However, as far as construction industry is concerned, higher movement of unskilled labour within ASEAN and the outflow of skilled labour to countries outside ASEAN suggest that the construction industry of ASEAN may not be able to uplift productivity and quality may take longer to achieve.

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