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# Labour shortages, foreign migrant recruitment and the portability of qualifications in East and South-East Asia

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Geoffrey Ducanes



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qualifications in East and South-East Asia**

**Geoffrey Ducanes**

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## **Preface**

This paper examines labour shortages, admission of foreign workers and the portability of qualifications in Japan, Malaysia, Republic of Korea, Singapore and Thailand. These countries have been among the most economically successful in the world in recent decades. While this economic success has resulted in many national gains it also has squeezed their current and future labour markets. Rapid economic growth and the rapid transformation of economies, usually towards a more skill-intensive context, lead to a strong demand for a highly skilled workforce that the country's native population is not able to fill. The combination of the supply-side and demand-side factors leads to an undersupply of workers, thus a labour shortage. Labour shortages have increased the pressure on all the governments to admit foreign workers, mainly from labour-rich but poorer neighbouring countries.

The five countries included in this paper differ in their capacity and in the way they assess and address labour shortages. Several measures have been used, including longer working hours, postponement of retirement, investing in automation and outsourcing; for the purpose of this paper, only the use of foreign workers is analysed.

Linking labour migration policy to the domestic labour market is a complex task. The admission policies of the countries of interest differ in the amount of planning involved, the level of government and private sector involvement, the choice of sectors in which foreign workers are admitted and in the rights and entitlements afforded to foreign workers.

There are still significant differences among the receiving countries as to their readiness to recognize foreign worker skills. Without a workable qualifications framework, the recognition of skills across countries is rendered difficult, hindering the mobility of workers and possibly preventing a more efficient allocation of labour resources.

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## **Abbreviations**

CDIB	Construction Industry Development Board
EPS	Employment Permit System
FTA	free trade agreements
GDP	gross domestic product
MOU	memoranda of understanding
NSRS	National Skills Recognition System
OECD	Organisation for Economic Co-operation and Development
UN	United Nations

## **Labour shortages, foreign migrant recruitment and portability of qualifications in East and South-East Asia<sup>1</sup>**

### **1. Introduction**

The so-called tiger economies of East and South-East Asia plus Japan have been among the most economically successful countries in recent history, although there are still significant gaps. Japan, the Republic of Korea and Singapore are routinely classified as highly developed countries, while Malaysia and Thailand are among those considered high middle-income countries.

These countries reached their economic success through roughly similar paths – initially through heavy investment and rapid growth in basic manufacturing and then, in different degrees, a shift over time towards higher-value manufacturing and services provision.

Their economic success has brought with it many benefits, including much higher average living standards for their populations compared with those from their less successful neighbours as well as the steep reduction in poverty within their populations. Figure 1 reflects one estimate of the comparative living standards in those five countries along with, of interest, and in addition includes Indonesia and Philippines, two less successful highly-populated neighbouring countries.<sup>2</sup> Even Thailand, which has the lowest average per capita income in the group, is almost twice as rich as Indonesia and nearly three times as rich as the Philippines. Singapore, which, by using this data set, is ranked as the richest country in the group, is close to 12 times richer than neighbouring Indonesia and nearly 17 times richer than the Philippines.

Similar to other successful economies, such as the United States and in Western Europe, there are many by-products to economic success in the five countries analysed in this paper. Initial economic success typically leads to higher labour force participation, especially for women, who take advantage of previously unavailable employment opportunities that open up. The opportunity cost to women of having children increases and, over time, leads to an increase in the average marrying age, perhaps even less marriage, and consequently to lower fertility rates and the subsequent ageing of the population. Economic success, when in place long enough, also typically leads to the lowering of the labour force participation of the young (who are better served enrolling into higher education) and the old (who are well-provided for with their savings and

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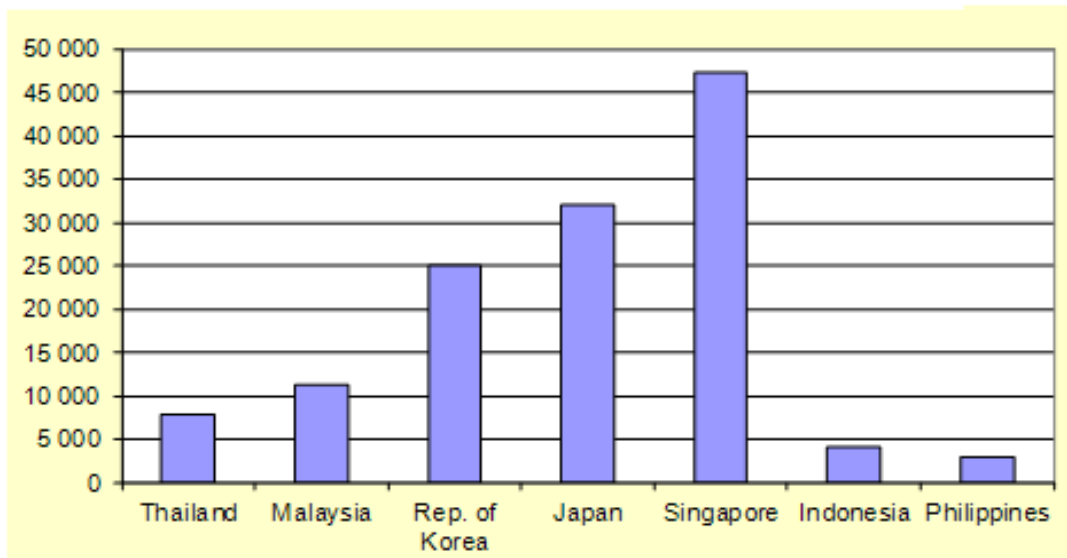
<sup>1</sup> Prepared by G.M. Ducanes for the ILO-Korea Partnership Programme Destination Countries Meeting on the Effective Governance of Labour Migration: Assessing Labour Market Requirements for Migrant Workers, Recruitment, Rights of Migrant Workers and Return and Reintegration, 12–13 Dec. 2011.

<sup>2</sup> The Penn World Table, although a popular source of cross-country comparable data, is only one such source. Using other sources, such as the World Bank's World Development Indicators, for example, the countries' rankings would differ. The main point will still hold, however – that as a set they are much better off than other countries in the region.

pensions). The dependable and generous welfare system that successful countries can provide also leads to populations that can be choosier in the jobs they enter.

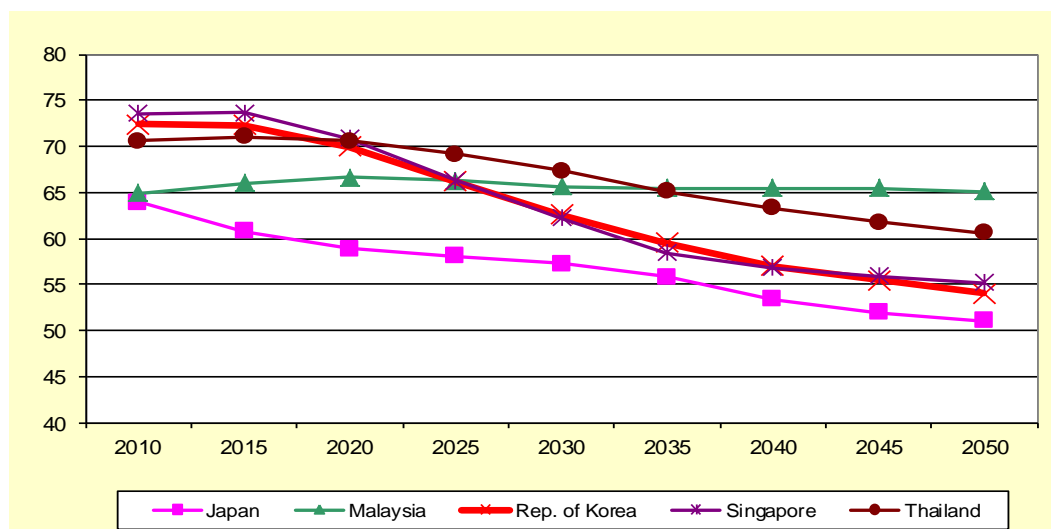
These dynamics add up eventually to a supply of native workers that grows at a very low rate and possibly even declines. Figure 2 shows the changing demographic of the countries of interest in terms of the share of the working-age population (aged 15–64) to the total population. Figure 3 shows the fertility rates over time (1960–2009) in the countries of interest. The illustration depicts such a rapid decline in fertility rates in the Republic of Korea, Singapore and Thailand since the 1970s that all three countries are now at below replacement fertility. Japan has had below replacement fertility since the late 1970s. Malaysia is the sole exception with a still-high fertility rate of 2.5 (as of 2009).

**Figure 1. Real per capita GDP, 2009 (PPP 2005 International \$)**



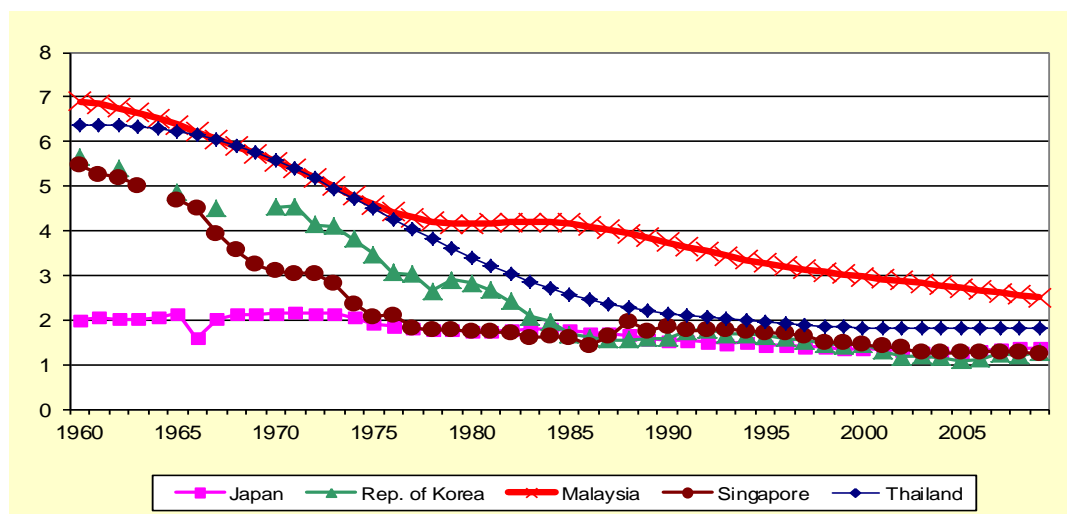
Source of data: Heston, Summers and Aten, 2011.

**Figure 2. Percentage share of working age (15–64 years) in total population, 2010–50**



Source: UN, 2012.

**Figure 3. Total fertility rate, 1960–2009**



Source: World Bank, 2011

On the demand side, rapid economic growth and the sometimes rapid transformation of economies, usually towards a more skill-intensive context, lead to a strong demand for a highly skilled workforce that the country's native population is not able to fill. The combination of the supply-side and demand-side factors leads to an undersupply of workers, thus a labour shortage.

Some analysts have argued that labour shortages do not really exist because an undersupply of labour or too much demand for labour only indicates that wages are not high enough and thus should just be set higher. There is some truth to this, but ultimately raising wages is not as straightforward as it seems. First, there is some rigidity to wages – they are set in advance in contracts. Second and perhaps more importantly, simply raising wages may run counter to other government economic or social goals, such as maintaining a particular growth rate of the economy or ensuring the survival of industries that still employ a large portion of the native population. Raising wages may address a relative labour shortage, in which improved working conditions and higher wages in principle can be expected to attract those who are either unemployed or not part of the labour force (OECD, 2001). But raising wages will not address an absolute labour shortage, which is the case when the skills needed are non-existent or are not present in adequate numbers. Moreover, relative labour shortages are also the result of non-economic factors – nationals may not be attracted to work that involves relocation or is physical, hard, demanding and frequently low paying, such as construction, marine fishing and domestic work. As well, the incentives at a government's disposal to make a sector attractive to nationals may have limited impact.

Linking labour migration policy to the domestic labour market is a complex task (Estruch-Puertas and Zuppi, 2009). There is no unanimously agreed definition or measurement method at the international level of labour shortage. Nonetheless, operative definitions are generally agreed and established in line with policy objectives. The most commonly used indicators for labour or skill shortages are:

- unfilled vacancies (and a range of related indicators); and
- skills gaps.

Sources of information these indicators for assessing those indicators can be administrative data on vacancies, employers' surveys, labour force surveys, quantitative model-based projections, sector-based analysis and migration-specific administrative records (Estruch-Puertas and Zuppi, 2009).

When a labour shortage has been established, countries have tried to address it in various ways (Ducanes and Abella, 2008). One option is to induce existing workers to work longer hours or postpone retirement. Another is to encourage those who are unemployed or not part of the labour force to join the workforce. Another option is to invest in physical capital or to automate. Outsourcing and relocating are other modes of addressing a labour shortage. Finally, admitting foreign migrant workers is yet another option for contending with a labour shortage. The five countries included in this paper have tried some or all of those options; for the purpose of this paper, only the use of foreign workers is analysed.

That analysis proceeds as follows: The next section discusses the extent of labour shortage in each of the five countries referred to in this paper. The third section looks at

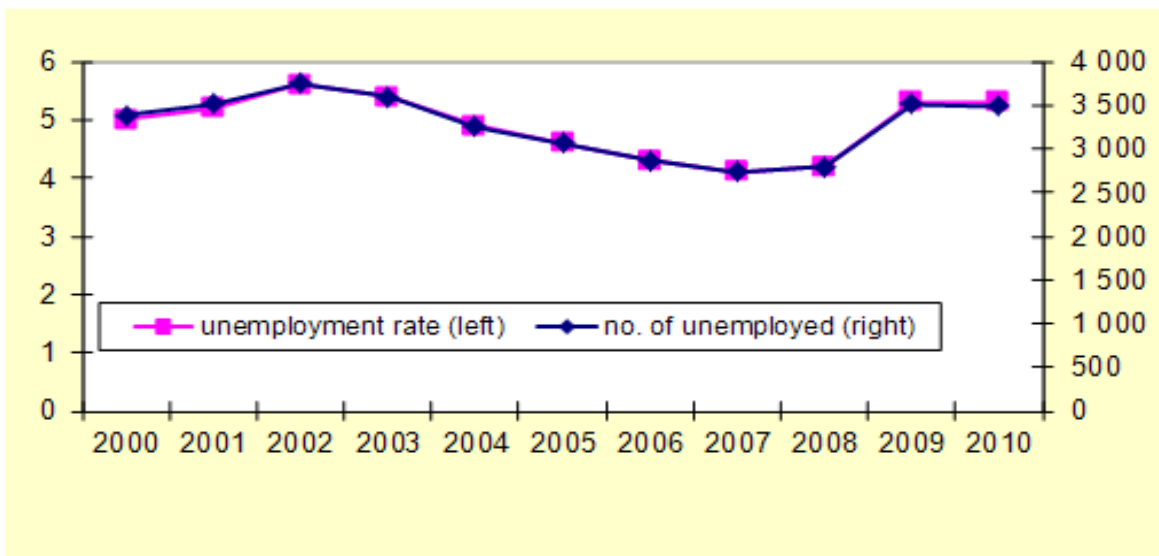
the admission policies of each country towards foreign migrant workers. The fourth section turns to the portability of skills of foreign migrant workers in these countries. The final section summarizes the comparative points.

## 2. Labour shortage

### 2.1 Japan

Iguchi (2007) argues that because of the relatively large number of unemployed people in Japan, the problem is not an absolute shortage of workers but rather the growing mismatch between the skills demanded and the skills supplied, as indicated by the applicant to vacancy ratio and the absolute number of unfilled job vacancies. The applicant to vacancy ratio is monitored by the Government through its public employment service offices. The unfilled job vacancies are counted through the Ministry of Labour's monthly Labour Survey. Figure 4 shows the unemployment rate in Japan from 2000 to 2010 as well as the number of unemployed. The two line graphs more or less coincide because the labour force of Japan was quite steady, at about 66 million over that particular time span. The 2010 unemployment rate of 5.3 per cent was equivalent to about 3.5 million workers.

**Figure 4. Japan's unemployment rate and number of unemployed, 2000–10 ('000s)**

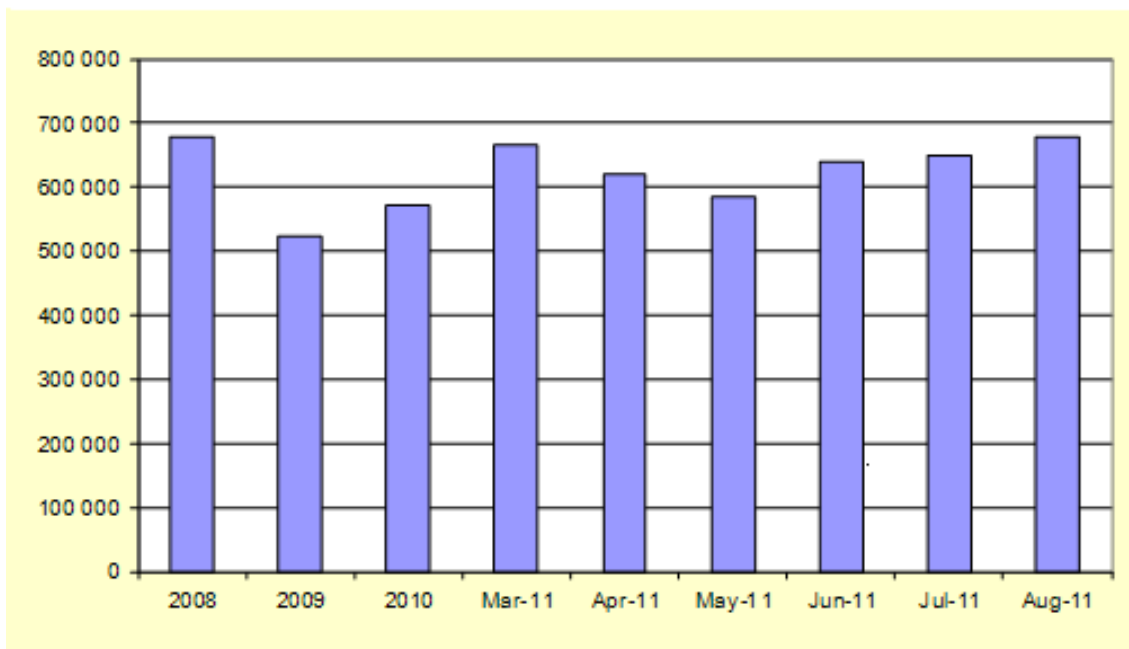


Source: OECD (2011)

Still, despite the large pool of unemployed Japanese, the number of unfilled job vacancies is very large, totalling about 680,000 as of August 2011, and has been on an upward trend since 2009 (Figure 5). Japan has the largest number of unfilled job vacancies among 16 countries within the Organisation for Economic Co-operation and Development (OECD) for which data is available. The OECD data does not have a breakdown of the job vacancies, but based on data from Iguchi (2007), the labour shortage in terms of unfilled job vacancies was most severe for service workers (23 per cent of the total), professionals (21 per cent), production workers (20 per cent) and sales workers (19 per cent). The data includes part-time workers, and 40 per cent of the unfilled job vacancies were for part-time jobs.

By industry sector, the labour shortage was greatest in hotels and restaurants (23 per cent of the total), wholesale and retail trade (21 per cent), manufacturing (15 per cent), business services (13 per cent), followed by transportation (7 per cent) and construction (7 per cent).

**Figure 5. Unfilled job vacancies in Japan, 2008–11\***



\* The 2011 data covers only March to August.

Source: OECD ([www.stats.oecd.org](http://www.stats.oecd.org)), downloaded Dec. 2011

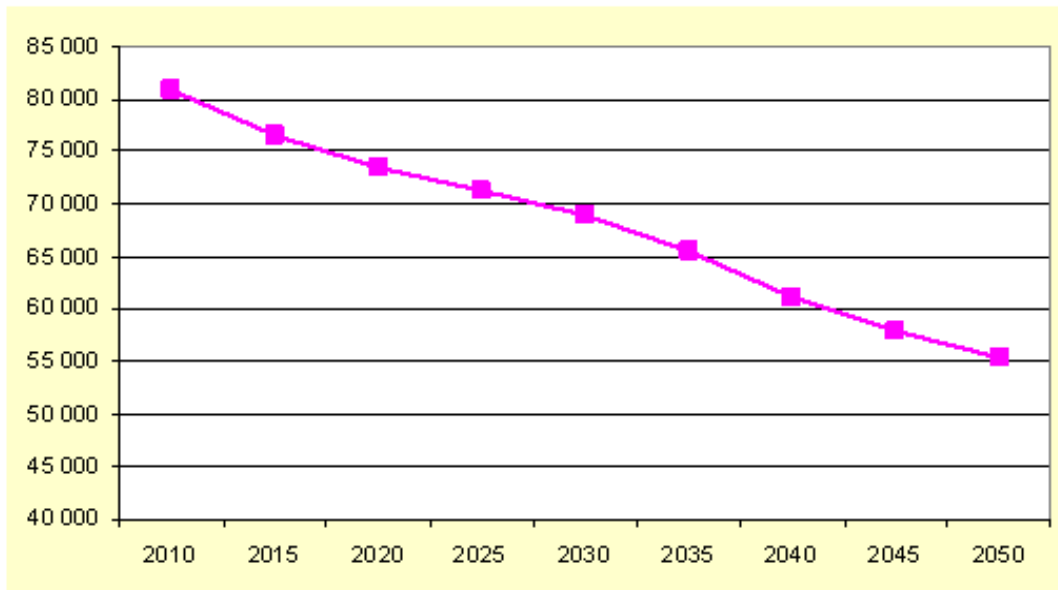
According to Iguchi (2007), the difficulty for manufacturing is in hiring workers for the night shift; in construction and transportation, the problem is the ageing of the mostly male workforce, while in services, in particular health services, the shortage stems from workers quitting because of the intensity of the work.

Longer term, because of the expected continuous drop in the country's working-age population, Japan's labour shortage problem is likely to be of even more serious concern.

Based on United Nations population projections, Japan's working-age population is estimated to decline by about 600,000 workers a year over the next 20 years (Figure 6). The decline is expected to be steepest in the near term, such as the next five years, when it is projected to decrease by about 870,000 workers a year (UN, 2012).

The Government has introduced several initiatives to provide stronger incentives for older workers to continue working and for the unemployed and those not in the labour force to find employment (Ducanes and Abella, 2008). These include premiums for the employment of older workers, raising the mandatory retirement age, putting in place anti-discrimination laws and providing child care and elderly care centres. Although some of these interventions have had a visible effect on labour force participation, they are not regarded as sufficient to reverse the relatively steep downward trend in the native working-age population.

**Figure 6. Japan's projected working age (15–64 years) population, 2010–50**



Source: UN, 2012.

## 2.2 Malaysia

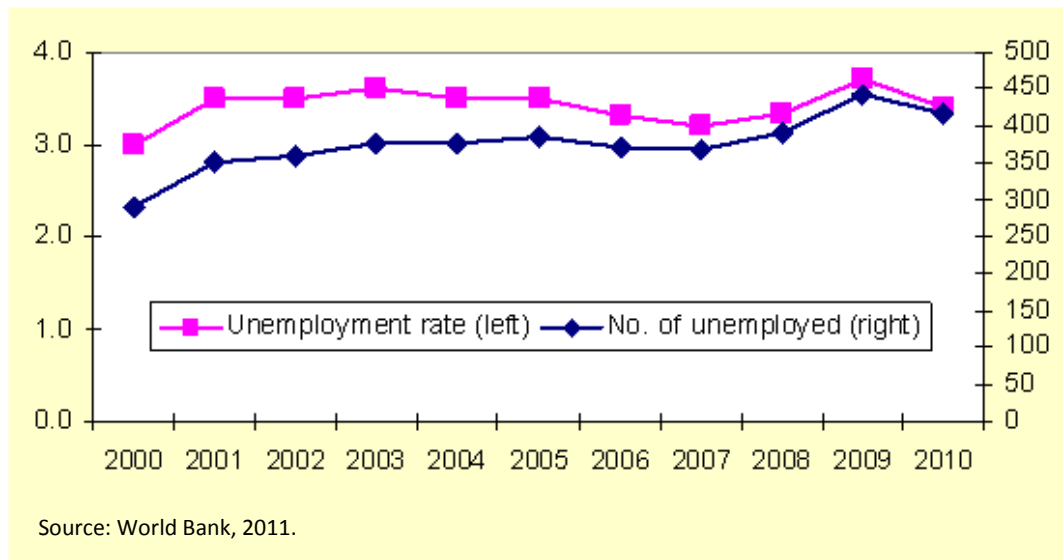
Unlike the other countries included in this paper, Malaysia does not face the prospect of a near- or medium-term decline in its working-age population. As noted, the country's fertility rate is still above the replacement level and the working-age population is expected to continue to increase over the next 50 years. Yet, of all the countries



analysed here, Malaysia is the most heavily reliant on foreign labour. Malaysia's labour shortage is a revealed labour shortage, meaning that even though there does not appear to be, at least in the past, any systematic attempt to measure or estimate the extent of a labour shortage, a strong demand from enterprises in the plantation, agriculture, manufacturing and construction sectors has resulted in a huge influx of foreign workers into the country. By some estimates, it is as much as 4 million foreign workers, half of whom are in the country legally and the other half illegally (Kasim, 2011).

The unemployment rate in Malaysia is fairly low and has stayed at less than 4 per cent since the early 1990s (Figure 7). The total number of unemployed workers was estimated at only slightly more than 400,000 as of 2010. The recruitment of foreign workers is partly justified by the reluctance of local workers to accept the mainly blue-collar jobs available in the plantation agriculture, manufacturing and construction sectors at the going wages. But then, even if all of the 400,000 or so unemployed native workers decided to accept the available work, they would only fill a tenth of the jobs estimated to be currently held by foreign workers.

**Figure 7. Malaysia's unemployment rate and number of unemployed, 2000–10 ('000s)**

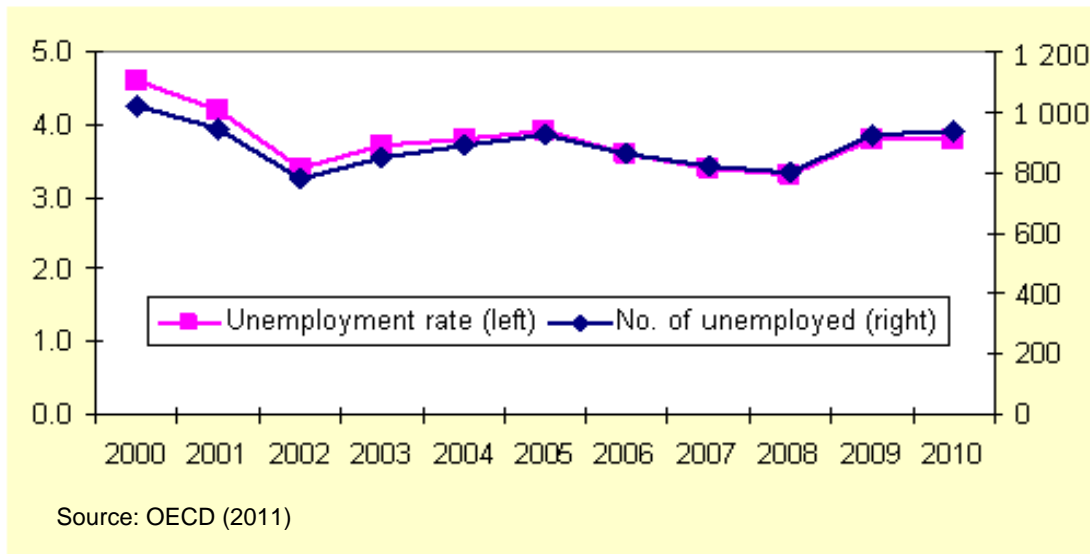


### 2.3 Republic of Korea

The labour shortage in the Republic of Korea is concentrated mainly among small and medium-sized manufacturing enterprises, construction and service-oriented businesses. The Korean unemployment rate has been relatively low, at less than 4 per cent since 2002 (Figure 8). Because of its relatively small population (relative to Japan, for instance), the pool of unemployed in country is fewer than a million. However, the

strong demand for higher education among the young severely limits the pool of available workers for the mainly blue-collar work available in the small and medium-sized manufacturing and construction enterprises.

**Figure 8. Republic of Korea's unemployment rate and number of unemployed, 2000–10 ('000s)**



The extent of the labour shortage (and the quota for foreign workers) is determined annually by the Government through the Foreign Workforce Policy Committee, which is composed of several ministries. The quota for foreign workers is a judgement call by the Policy Committee but based on economic growth forecasts and the stated demand of small and medium-sized enterprises that largely host the workers. The quota was 48,000 foreign workers in 2011, up from 34,000 in 2009 and 2010. The Policy Committee also picks the countries from which to source workers and bases this on the preferences of employers and the past history of irregular migration from those countries to the Republic of Korea.<sup>3</sup>

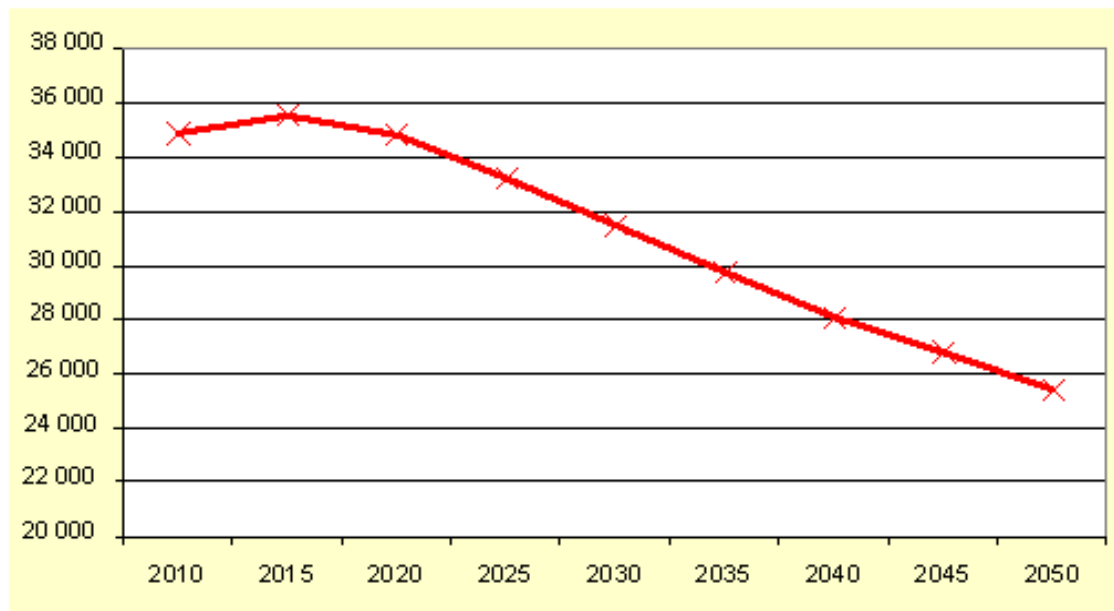
In the medium term, perhaps as soon as five years from now, the Korean working-age population is expected to begin declining. From 2015 to 2020, according to United Nations (UN) projections, the working age population is expected to decline by an average of 135,000 workers per year (Figure 9). The rate of decline is also expected to accelerate soon after and for a longer 15-year period, from 2015 to 2030; the decline in the working-age population is predicted to be around 270,000 workers per year. Recently, the rate of out-migration from the country of young Koreans for studies abroad likewise accelerated.<sup>4</sup> It is not clear yet how much of an impact this will have on

<sup>3</sup> Human Resources Development Services of Korea, [www.hrdkorea.or.kr](http://www.hrdkorea.or.kr) [accessed 7 Aug. 2013]

<sup>4</sup> "Overseas students surge 32% in 5 years" in *The Korean Herald*, 19 Sept. 2011. <http://www.koreaherald.com/view.php?ud=20110919000759> [accessed 7 Aug. 2013].

the future labour force, especially if a significant portion of those students eventually choose to remain abroad.

**Figure 9. Republic of Korea's projected working age (15–64 years) population, 2010–50**



Source: UN, 2012.

## 2.4 Singapore

Singapore closely monitors its labour market imbalances through the Labour Market Survey conducted by its Ministry of Manpower every quarter. Table 1 reflects the findings for the past decade of various indicators of labour shortage or mismatch (job vacancies, the job vacancy rate and the job vacancy-to-unemployed persons ratio). It is clear from the table that from 2009 to 2010 there were strong indications of a tightening labour market, with the number of job vacancies rising by almost 14,000, the job vacancy rate climbing by 0.7 percentage point and the job vacancy-to-unemployed persons ratio rising to almost one (one unemployed person for every one job vacancy). Singapore collects this data by industry and occupational group. By occupational group, the largest numbers of job vacancies as of September 2010 was for service and sales workers, then professionals and associate professionals. By industry, the vacancies were mainly in community, social and personal services, manufacturing and wholesale and retail trade. The resident unemployment rate and the number of unemployed in Singapore are shown in Figure 10. The labour shortage indicators, especially by skills, are critical inputs into the Government's training programmes and also feed into the process for determining the foreign worker dependency ratio by sector.

**Table 1. Singapore's labour shortage indicators, 2000–10**

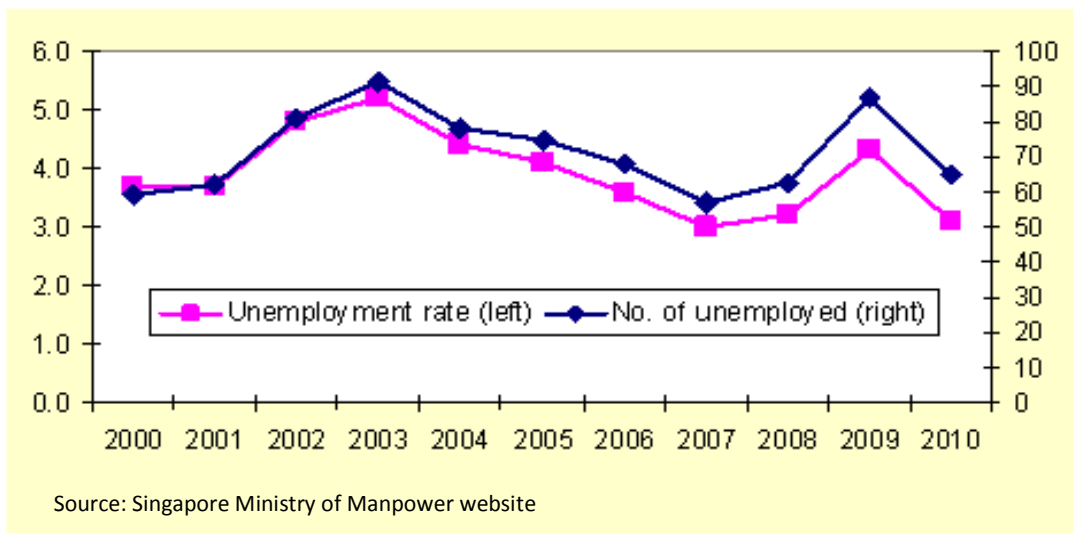
Year	Job vacancy	Job vacancy rate	Job vacancy to unemployed person ratio
2000	27.6	2.7	0.94
2001	15.9	1.5	0.55
2002	15.0	1.5	0.36
2003	12.6	1.2	0.27
2004	16.5	1.6	0.40
2005	19.2	1.7	0.47
2006	31.2	2.3	0.66
2007	38.6	2.6	1.10
2008	37.8	2.4	0.92
2009	30.4	1.8	0.52
2010	44.2	2.5	0.98

*Note:* There is a break in the job vacancy and job vacancy rate series because before 2006, data on job vacancies pertained only to the private sector establishments with at least 25 employees. From 2006 onwards, the data has included the public sector. See [www.mom.gov.sg/statistics-publications/national-labour-market-information/statistics/Pages/job-vacancy.aspx](http://www.mom.gov.sg/statistics-publications/national-labour-market-information/statistics/Pages/job-vacancy.aspx) [accessed 7 Aug. 2013]

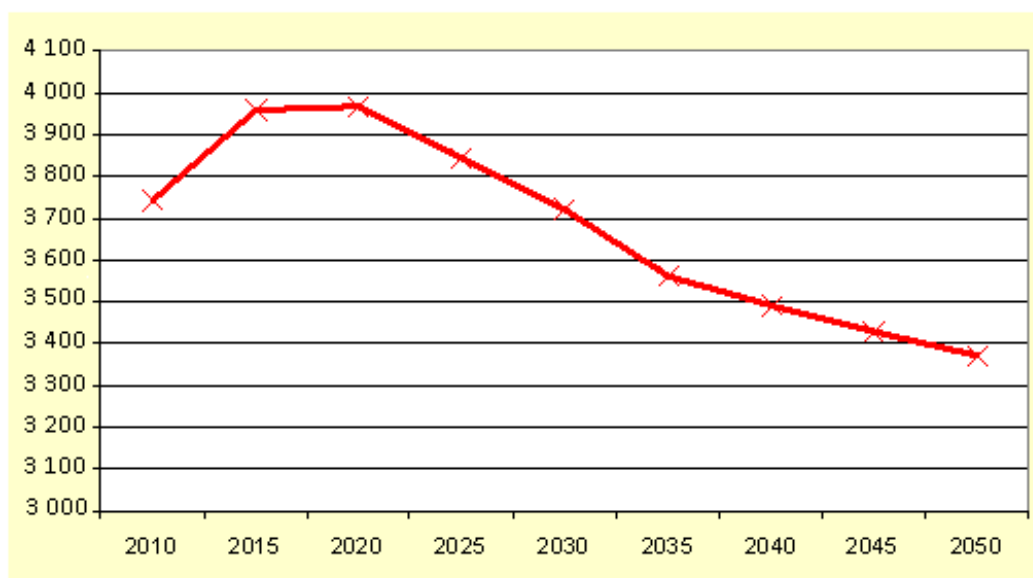
Source: Singapore Ministry of Manpower website.

Singapore's working-age population is expected to peak within the next ten years and then start to decline soon after (Figure 11). From 2020 to 2030, the working-age population is projected to decline by 24,000 workers per year. Without a further substantial transformation of the Singaporean economy before that period, it may augur a further reliance on foreign migrant labour.

**Figure 10. Singapore's resident unemployment rate and number of unemployed, 2000–10 ('000s)**



**Figure 11. Singapore's projected working age (15–64 years) population, 2010–50**



Source: UN, 2012.

## 2.5 Thailand

Thailand is similar to Malaysia in that there does not appear to be any systematic attempt to measure the extent of the country's labour shortage (or to control the number of foreign workers based on that measure). Rather, the labour shortage has directly manifested itself in the huge absorption of foreign workers, mainly from neighbouring countries, in the agriculture, manufacturing and services. Thailand is also similar to Malaysia in that it has porous borders, on the other side of which are poorer neighbouring countries.

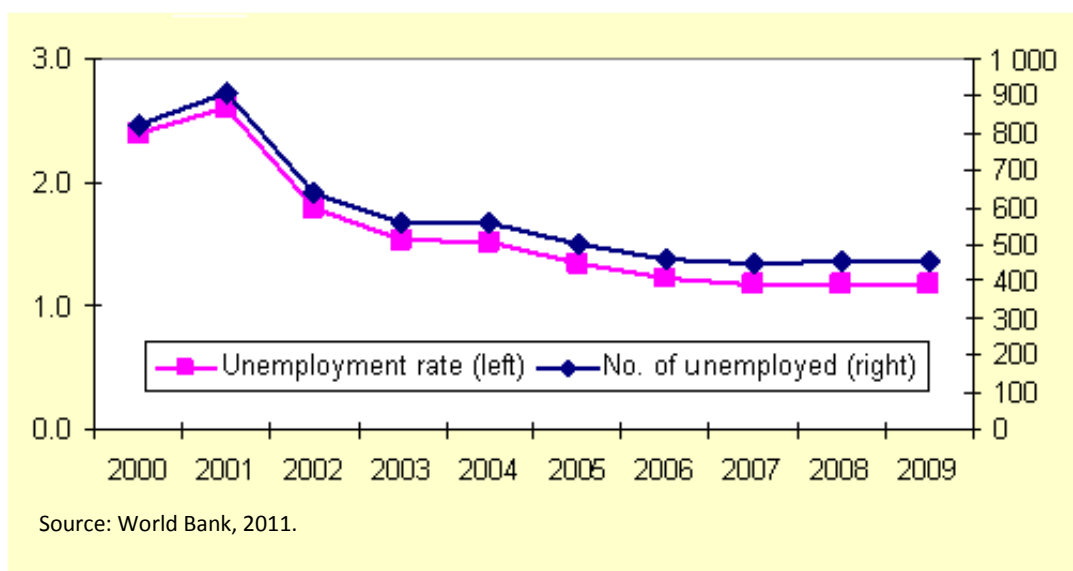
A labour shortage can be deemed implicit, however, in the very low unemployment rate in Thailand, which at close to 1 per cent in recent years is one of the lowest in the world (Figure 12).<sup>5</sup> The total number of unemployed workers in Thailand is fewer than half a million, which is just a fraction of the total number of foreign workers in the country (sometimes estimated at more than 2 million when irregular migrant workers are included<sup>6</sup>). The bulk of jobs carried out by migrant workers are low-end jobs that not enough Thais are willing to accept at the going wage rates.

<sup>5</sup> In fact, it was among the lowest in 2008 and 2009 of the more than 100 countries for which the information on unemployment rate is available in the World Bank's World Development Indicators.

<sup>6</sup> "2 million foreign workers in Thailand", in *Thailand Times*, 10 Dec. 2012.

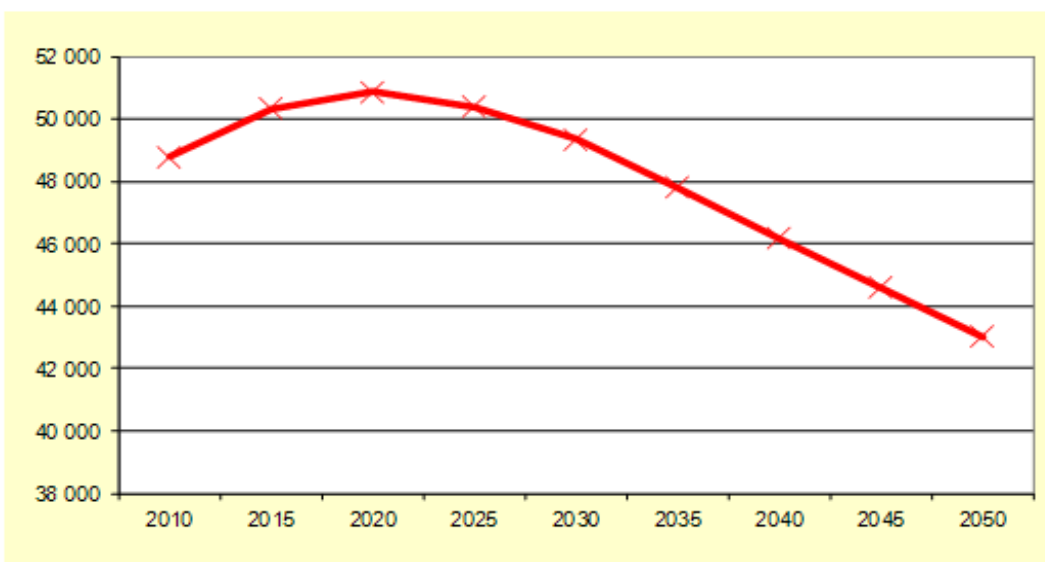
<http://thailandtimes.asia/thailand-news/2-million-foreign-workers-in-thailand/> [accessed 7 Aug. 2013].

**Figure 12. Thailand's unemployment rate and number of unemployed, 2000–09 ('000s)**



Thailand's working-age population is expected to continue increasing over the next decade but then to decline soon after (Figure 13). From 2020 to 2030, the working-age population is projected to decline by 150,000 workers per year. Given its already low unemployment rate and without a drastic transformation of its industries before then, this may signal an even more severe labour shortage in the future and possibly a stronger reliance on foreign workers.

**Figure 13. Thailand's projected working age (15–64 years) population, 2010–50**



### **3. Admission policies for foreign migrant workers**

In varying degrees, the countries included in this paper have relied at least partially on the admission of foreign workers to address the problem of their labour shortage. There are important differences, however, in how they have implemented their admission policies.

Of course, all five countries face different constraints. For one, as previously pointed out, Thailand and Malaysia have porous borders on the other side of which are some poorer countries that have slack labour markets (at least relative to Thailand and Malaysia), and this makes it more difficult for those two countries to control the influx of irregular migrants. In contrast, Japan is an archipelagic country that does not share the same problem. The same is true for the Republic of Korea, which is bordered by wide sea on all fronts except for the shared (heavily guarded) border with the Democratic People's Republic of Korea. The size of Singapore also makes it distinct.

The cultures and histories of the five countries also are very different. Singapore has a long history of labour migration, starting from when it was part of the British Empire (Yeoh, 2007). Thailand and Malaysia share close cultural and ethnic ties with neighbouring countries, which are the main source of its foreign workers. Japan and the Republic of Korea differ from those three countries in their long history of cultural and ethnic homogeneity that is only gradually changing.

The admission policies of the five countries differ in the amount of government planning involved, the level of government and private sector involvement, the choice of sectors in which foreign workers are admitted and in the rights and entitlements afforded to foreign workers.

The Republic of Korea is on one end of the spectrum in terms of the amount of planning and government involvement in its foreign worker admission programme, known as the Employment Permit System (EPS). As noted previously, the Foreign Worker Policy Committee, chaired by the Minister of the Office for Government Policy Coordination, after deliberations decides on the quota of foreign workers to be admitted, mainly in small and medium-sized enterprises. This quota is publicly announced. The quota is distributed among a selected group of potential source countries with which the Korean Government has forged memoranda of understanding (MOU).<sup>7</sup> The recruitment is done government to government; the Korean Government avidly discourages the involvement of private recruitment agencies. The share of each country in the total quota is adjusted every year, depending on such factors as employers' requests and cases of irregular migration to the Republic of Korea from those countries. The Government also requires all potential migrant workers to pass the Korean language test.

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<sup>7</sup> As of 2010, these countries were Bangladesh, Cambodia, China, Indonesia, Kyrgyzstan, Mongolia, Myanmar, Nepal, Pakistan, Philippines, Sri Lanka, Thailand, Timor-Leste, Uzbekistan and Viet Nam.

Singapore is another country in which there is strong planning and government involvement in the foreign worker admission programme, although not as much as in the Republic of Korea. The Singaporean Government does not announce a specific quota for foreign workers, but it strictly enforces a foreign worker dependency ratio limit by industry sector, imposes a foreign worker levy on enterprises and requires work permits, the type of which depends on the skill level and salary of the worker. The Government is helped by a strong statistical system that closely monitors labour market developments (job vacancies by sector and occupation).<sup>8</sup> The types of work permits are the Employment Pass (the P&Q Pass) for skilled workers meeting some minimum salary, the S Pass for mid-level skilled workers meeting a minimum salary threshold (fixed monthly salary of at least SGD\$2,000) and the Work Permit (R Pass) for semi-skilled and unskilled foreign workers. The levy on enterprises for hiring foreign workers is higher for lower-skilled workers. The foreign worker levy rates were increased recently so as to, according to the Government, “encourage companies to rely less on foreign workers, give them an incentive to review their current business operation models and to invest in measures to boost skills and productivity” (Ministry of Manpower, Singapore, 2010). Singapore does not bar foreign worker recruitment through private recruitment agencies.

The Japanese Government likewise does not announce any hard-line quota on total admission, but it offers very limited avenues for lower-skilled foreign worker entry. Japan, like most receiving countries, has the dual approach of being welcoming to highly skilled professionals and technology workers but is very strict towards admitting lower-skilled foreign workers, except for those of Japanese ancestry or the *Nikejins* (ethnic Japanese) (see Table 2). The *Nikejins* who are mainly second and third generation Japanese-Brazilians are permitted to work in Japan (in effect as low-skilled workers) in any industry. The idea is that because of their Japanese ancestry, the *Nikejins* will integrate faster, easily learn the Japanese language, conform to Japanese social norms and not encounter discrimination (Abella, 2009). Other foreign workers are limited by the Immigration Act and Refugee Recognition Law to 28 categories under which they can stay in Japan legally.<sup>9</sup> Entry to lower-skilled employment in Japan for non-*Nikejins* is mainly through a Government-managed trainee system (Abella, 2009). This trainee system has been widely criticized as simply a means of bringing in foreign workers without committing to giving them decent wages and working conditions.

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<sup>8</sup> See for example the Ministry of Manpower website: [www.mom.gov.sg/](http://www.mom.gov.sg/) [accessed 7 Aug. 2013].

<sup>9</sup> The Law was passed in 1951 but was amended in 1965, 1981 and 1989. It was the 1989 amendment that gave the *Nikejins* the right to work in Japan in any industry.



**Table 2. Labour market typology for foreigners in Japan**

	<b>Mobility</b>	<b>Duration</b>	<b>Wage level</b>	<b>Quota labour test etc.</b>	<b>Distribution</b>
Technical intern trainee	Prohibited	3 years No extension	As semi-skilled, relatively low	5% regular employees	In local cities with less youth
Corporate transferee	Limited to within multi-national enterprise	5 years maximum Extendable	As highly-skilled, Equivalent	None	Location of multinational enterprise
Engineer and specialist	Unlimited	3 years maximum Extendable	As highly skilled, equivalent	None	Large cities and their suburbs
Entertainer	Limited	According to contract	Guaranteed fee	None	Local cities overall in Japan
Students working part-time	Limited to near college/residence	3 years maximum	Mainly paid as unskilled	28 hours per week	Near college or universities
Japanese descendant	Unlimited	3 years maximum Extendable	Unskilled but relatively high	None	Chubu and North Kanto
Normal permanent resident	Unlimited	Unlimited	Unskilled but relatively high	None	Almost the same as above
Special permanent resident	Unlimited	Unlimited	Equivalent to Japanese	None	Concentration to Western Japan

Source: Iguchi, 2007.

In Malaysia and Thailand, any idea of a hard-line quota is made problematic by the already large number of irregular workers in those countries and the huge difficulty in controlling their inflow. Instead of the central government determining explicitly or implicitly the number of workers that will be admitted, the inflow is determined mainly by the demand from employers. Both governments' main concern is the management of irregular migration as well meeting labour shortages.

To manage the flow of foreign workers who enter through the regular channel, Malaysia, like Singapore, uses the work permit system. There are three permit types: (i)

the visit pass for temporary employment targeting unskilled and semi-skilled workers; (ii) the visit pass for temporary employment targeting professionals with short employment contracts and who fail to meet some income threshold; and (iii) the employment pass for skilled workers with long employment contracts (at least two years) and who surpass an income threshold. Only holders of the employment pass type are allowed to bring their dependants with them. A levy is imposed on enterprises employing foreign workers, like in Singapore, but with a higher levy imposed for hiring higher-skilled workers – unlike in Singapore.<sup>10</sup> The New Economic Model for Malaysia, announced in 2010, declares that foreign worker policies – more specifically, the excessive use of low-wage foreign labour – runs counter to the national objective of achieving high-income status.

The Government of Thailand signed MOUs with Cambodia, Lao People's Democratic Republic, and Myanmar in an attempt to regulate the entry of foreign workers and address the problem of irregular migration (by some estimates, the three countries contribute as much as 90 per cent of the total foreign workers in the country (Chinvarasopak *et al.*, 2012). The MOUs delineate the procedures for foreign worker admission, including information exchange on job opportunities, qualification requirements, wages and working conditions (from the side of Thailand) and the list and qualifications of the prospective workers (from the side of the sending country). Under the MOUs, recruitment takes place through a mix of regulated private recruiters (Cambodia) and state agencies (Lao People's Democratic Republic, both private and state). Figure 14, which is taken from Vasuprasat (2008), illustrates the process by which workers from Cambodia and Lao People's Democratic Republic can work in Thailand. However, some analysts have pointed out that the cost of migrating legally through the MOU-established process and the time taken is so prohibitive compared with the irregular avenues that only a small fraction of workers from the three countries avail of it.<sup>11</sup>

#### **4. Portability of qualifications**

The recognition of skills or qualifications across countries is a thorny issue that has hounded labour migration discussions for so long. Receiving and sending countries are typically divided by a huge income gap that sometimes translates to a huge gap in the quality of educational or vocational training. This usually leads to reluctance on the part of employers in receiving countries to accept the qualifications of foreign workers at face value.<sup>12</sup> One problem is that many countries (and consequently many regions),

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<sup>10</sup> This was the case up to early January 2013, but beginning the end of January 2013, Malaysian authorities shifted the levy from the enterprises to the foreign workers.

<sup>11</sup> "Southeast Asia" in *Migration News* (2011, Vol. 18 \, No. 3, July). Available at: [http://migration.ucdavis.edu/mn/comments.php?id=3700\\_0\\_3\\_0](http://migration.ucdavis.edu/mn/comments.php?id=3700_0_3_0) [accessed 13 June 2011].

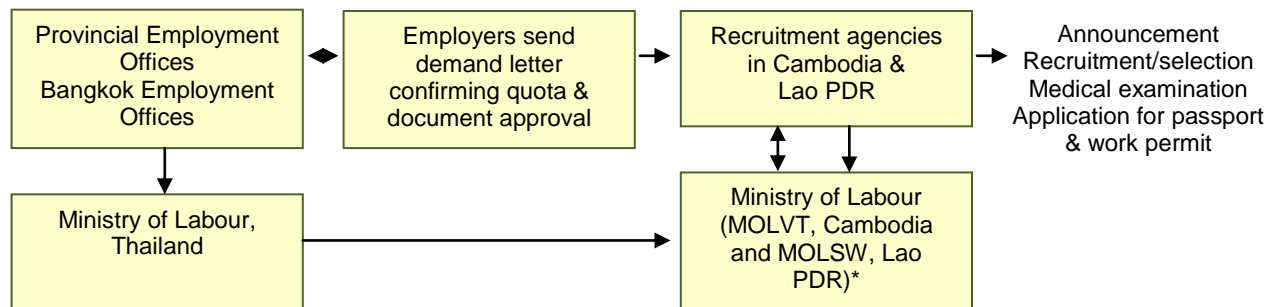
<sup>12</sup> An obvious exception would be workers who work for multinational enterprises and are simply relocated.

including some industrialized countries, lack a workable qualifications framework or an instrument that classifies qualifications according to a set of criteria that measures learning achievement (OECD, 2005). Without such a workable qualifications framework, the recognition of skills across countries is rendered difficult, hindering the mobility of workers and possibly preventing a more efficient allocation of labour resources. Many foreign workers thus are usually only admitted to jobs that are beneath their qualifications as presented on paper.

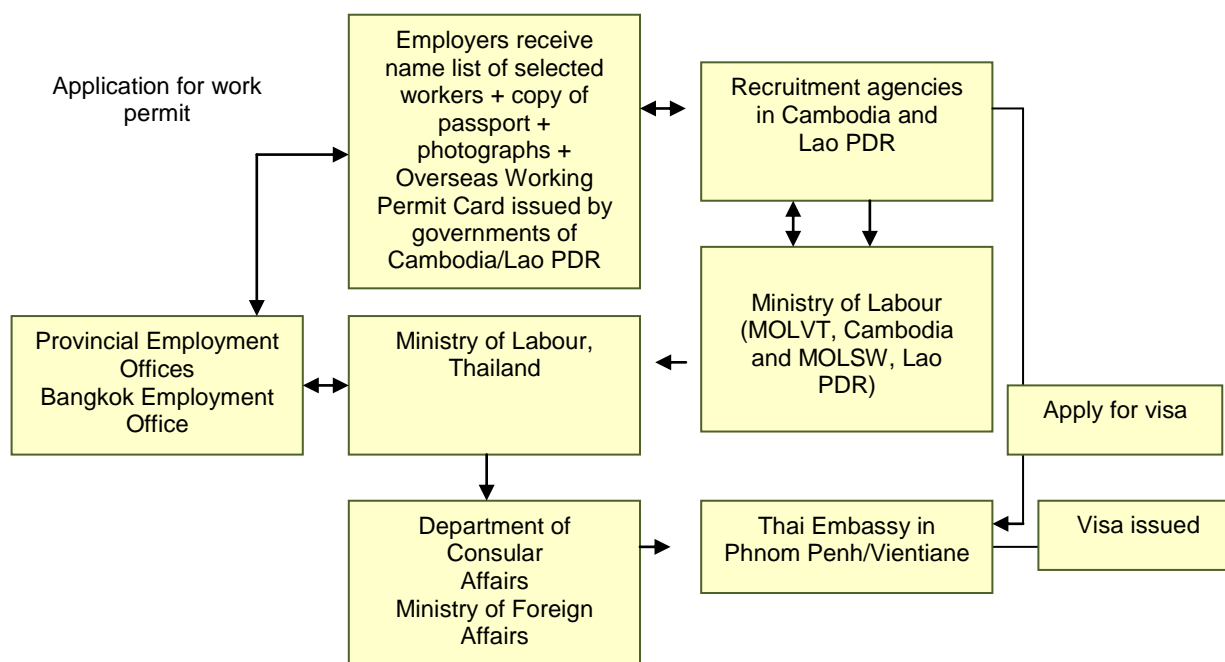
This section thus centres only on describing the mechanisms for recognizing medium- to lower-skilled workers within the five countries. Usually the vetting of high-level professionals is less of a problem and handled by the enterprises or recruitment agents hiring them.

**Figure 14. Process of Cambodian and Lao recruitment to work in Thailand**

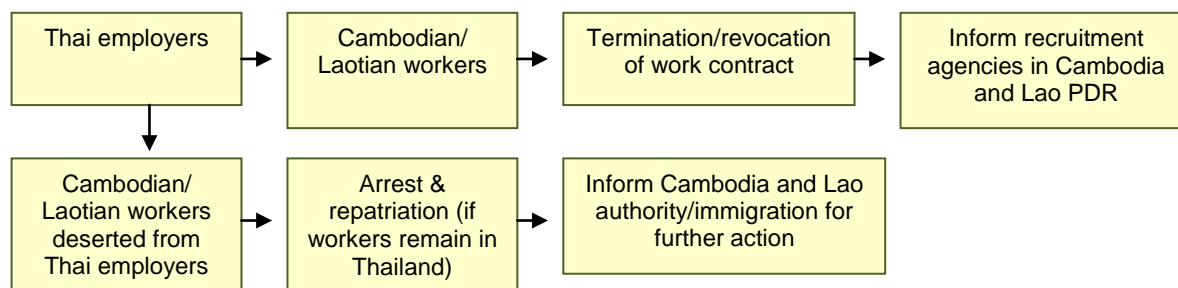
**STEP 1**



**STEP 2**



**STEP 3**



**Box 1: International and transnational benefits of a qualifications framework**

An OECD (2005) report cites the following inter-country advantages of a qualifications framework:

- increased mobility, cooperation and exchange as well as intercultural understanding and mutual recognition;
- more in-depth cooperation and the development of mutual trust among providers, teachers and trainers from different countries and world regions;
- increased recognition, transparency and (credit) transfer of outcomes of training (modules), delivered by different countries;
- development of a common language in the discourse on qualifications (such as the concept of “meta frameworks”) despite differences and variations in detail at the national, regional or local levels.

Japan is one country that does not yet have a qualifications framework, and thus there is no way to properly perform skills accreditation (OECD, 2005; Burke, 2009). The problem this poses was made clear during a recent controversy regarding Japan’s free trade agreements (FTA) with Indonesia and the Philippines regarding health care workers. The FTA that was negotiated bilaterally with each country was criticized in the Philippines as being unjust because it applied a different criteria for acceptance for Filipino and Indonesian nurses; a nurse from the Philippines can only be accepted if she/he is licensed and a graduate of a four-year nursing course, whereas an Indonesian nurse can be accepted even if only a graduate of a three-year course and without having to pass a licensure exam. Regardless of nationality, the nurses can only enter Japan first as trainees, and they need to pass a licensure exam in the Japanese language. Both the Indonesian and Philippine Governments complained about the difficulty of the exams and the very small number of nurses who consequently qualified.<sup>13</sup>

Malaysia, on the other hand, has a well-formulated qualifications framework.<sup>14</sup> It has established the Malaysia Qualifications Agency, which has oversight of the recognition of foreign higher education qualifications. It also has a system in place for recognizing foreign workers’ vocational competencies – through the National Vocational Training Council. Foreigners with specific skills also can seek accreditation as skilled workers. Foreign construction workers, for example, can seek accreditation from the

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<sup>13</sup> “Woes of foreign nurses, caregivers in Japan” in *Philippine Daily Inquirer*, 9 Aug. 2010. <http://globalnation.inquirer.net/news/breakingnews/view/20100809-285751/Woes-of-foreign-nurses-caregivers-in-Japan%5D> [accessed 7 Aug. 2013].

<sup>14</sup> See [www.mqa.gov.my/dokumen/MALAYSIAN%20QUALIFICATIONS%20FRAMEWORK\\_2011.pdf](http://www.mqa.gov.my/dokumen/MALAYSIAN%20QUALIFICATIONS%20FRAMEWORK_2011.pdf) [accessed 16 Aug. 2013]

Construction Industry Development Board (CIDB).<sup>15</sup> According to the website of the CIDB, to do this, a foreign construction worker must apply through the employer for the Competency Test for Skilled Foreign Construction Personnel, submit the necessary requirements (passport, visitor's pass, etc.), pay the processing and other fees, and then submit to the accreditation assessment. A CIDB Foreign Personnel Skills Recognition certificate is issued to applicants who pass the assessment.

The Republic of Korea's initial foray into the admission of foreign workers was through the trainee system, first through the Industrial and Technical Training Programme in 1991, and then later when it was expanded to the industrial trainee system (Abella, 2009). Because the trainee system was overseen by the employers and was (in theory) intended to equip the foreign workers with the necessary skills to work in their businesses, there was little need for a skills accreditation system for foreign workers. But now that the Republic of Korea has moved to a regular guest worker programme (the EPS), there is an emerging need to establish such a skills accreditation or recognition mechanism. It appears the Republic of Korea is moving steadily towards that goal. The Government has expanded the selection criteria for admission to the EPS from initially focusing heavily on the performance in the Korean language test and some basic skills to including work experience and qualification. The Government also has been active in gathering together receiving and sending countries under the umbrella of the EPS to thresh out the possible mechanism for a multilateral system for the recognition of skills.

Singapore established its National Skills Recognition System (NSRS) in 2003, which serves as its framework for establishing work performance standards, identifying job competencies and certifying skills acquisition for lower-skilled workers.<sup>16</sup> The NSRS is open to both local and foreign workers, the latter whether on their own or their employer's initiative. If a foreign worker wants a skill certification, he/she must apply for an assessment (and possibly also enrol in a training programme) in a certified assessment (and training) centre. If the worker passes the assessment, he/she is given a National Skills Certificate that is recognized across the country. A different system applies to higher-skilled workers. For example, according to Iredale (2009), the professional nursing skills and qualifications of graduates from Indonesia, Philippines and Myanmar are not always recognized, and many are only brought in as nursing aides initially. According to Iredale (2009), Singapore has also started offering some nurses the opportunity to become fully registered nurses through bridging courses, but only after serving time as a nursing aide.

Thailand does not appear to have any system in place for accrediting the skills of foreign workers. The MOUs forged by Thailand with Cambodia, Lao People's Democratic

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<sup>15</sup> See [https://www.cidb.gov.my/cidbweb/index.php?option=com\\_content&view=article&id=100&Itemid=210&lang=en](https://www.cidb.gov.my/cidbweb/index.php?option=com_content&view=article&id=100&Itemid=210&lang=en) [accessed 16 Aug. 2013].

<sup>16</sup> Eventually the NSRS is to be applied to higher-end jobs.

Republic and Myanmar do not explicitly address the issue of skills recognition. Because most of the foreign migrant workers in the country are in low-skilled jobs in the agriculture, manufacturing and service sectors, perhaps the Government has not yet felt a compelling need to establish such a system. Should Thailand continue to require foreign labour to support its evolving economy, it will be important in the near future to establish such a system.<sup>17</sup>

#### Box 2

##### Typology of existing processes and mechanisms for recognizing qualifications and/or skills

**Mutual recognition or reciprocity** entails governments signing an agreement to accept each other's qualified workers in particular occupations (such as accountants or engineers) or in all occupations. Mutual recognition agreements or arrangements are the most difficult type to achieve. They represent a two-way process and rely on common standards of training, ethics and practice, and sometimes common cultures, languages and laws. Otherwise, people and their skills are not seen as easily transferable. They involve a lengthy period of negotiation, usually with professional bodies, and they typically do not involve government participation. Such an arrangement is a formal process.

**Assessment/recognition of qualifications** is where qualifications from one country are assessed for equivalence or comparability in another. This has been the most common form of qualifications assessment, and immigrant-receiving countries have gradually instituted mechanisms or bodies for conducting assessments and recognizing/accrediting "paper" qualifications. Government, government-accredited agencies or professional bodies may conduct the assessments. This is a one-way process and there is no "mutual recognition".

**Examinations of knowledge, clinical skills and language** began in the 1970s and 1980s in various countries (such as Australia, Canada and the United States). They are often seen as an easier and more straightforward way of examining skills and preparedness to work in a host country. Once a test has been successfully completed, a person can be "recognized". This is a one-way process.

**Competency-based assessment** is managed by a variety of methods, including:

- Employer, recruiting agent or professional body assessment/interviews are the oldest method of assessing competency and have emerged as the most common method in business-driven temporary migration. It can occur before or after migration.
- A test of competency is common, although in occupations that require licensing or registration, such as nursing or physiotherapy, such tests are often only available in the destination country, but may be offered offshore in some instances (Singapore employers test welders in Myanmar, for example).
- On-the-job competency assessment is conducted during a period of service (nursing, medicine, and teaching). This is only applicable for people who have already arrived in the host country and is not applicable for the recognition of skills of people who have not yet migrated.
- An agreement on regional competencies can be made between governments, which leads to the automatic acceptance of each other's workers.

\*Source: Iredale, 2009.

<sup>17</sup> It is also in the interest of Cambodia, Lao People's Democratic Republic and Myanmar to pursue the inclusion of skills recognition in their MOUs with Thailand.

## 5. Summary

The countries of interest in this paper – Japan, Malaysia, Republic of Korea, Singapore and Thailand – have been among the most economically successful in the world in recent decades.<sup>18</sup> This economic success has resulted in many national gains (drastic poverty reduction, high human development levels, etc.). But it also has squeezed the current and future labour market in those countries. This has increased the pressure on all the governments to admit foreign workers, mainly from labour-rich but poorer neighbouring countries.

The five countries differ in their capacity and in the way they assess labour shortage. Japan and Singapore closely monitor the labour market situation through a regular survey of relevant indicators, such as job vacancies and the job vacancy-to-unemployed persons ratio. In the case of Singapore, this information feeds directly into its migrant admission policy. In the Republic of Korea, the amount of labour shortage (or the need for foreign workers) is decided after deliberations by the Foreign Worker Policy Committee, which publicly announces a quota for foreign workers. Malaysia and Thailand do not monitor labour tightness in the same way as Japan and Singapore, but a labour shortage is evident in their low unemployment rates vis-à-vis their sheer number of foreign workers.

The admission policies of the countries of interest differ in the amount of planning involved, the level of government and private sector involvement, the choice of sectors in which foreign workers are admitted and in the rights and entitlements afforded to foreign workers. The Republic of Korea's admission policy is strictly a government-to-government process and allocates its foreign worker quota among a set of countries with which it has signed MOUs. In Singapore, the government involvement is also strong but comes in the form of a foreign worker levy and a dependency ratio limit by industry sector. Japan offers very limited avenues for lower-skilled foreign worker entry except to those of Japanese ancestry. Malaysia also has a foreign worker levy system in place but it is not as effective as Singapore's because of the large number of irregular migrant workers. Thailand has signed MOUs on migration with Cambodia, Lao PDR and Myanmar for orderly labour migration, but like Malaysia, it has found it difficult to control the number of irregular migrant workers, although the number of foreign migrants using regular channels has been rising.

There are still significant differences among the receiving countries as to their readiness to recognize foreign worker skills. Malaysia has a qualifications framework in place that allows for skills accreditation of foreign workers. Japan does not appear to have one nor does Thailand, even in its MOUs. Singapore has established a National Skills Recognition System that accredits foreign worker skills as well. The Republic of Korea is still moving towards establishing one.

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<sup>18</sup> Earlier in the case of Japan.





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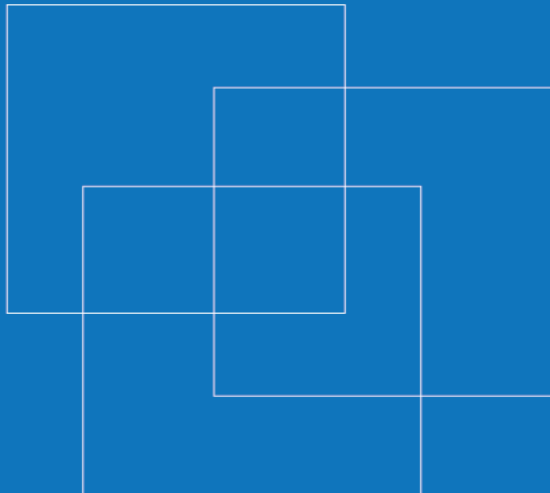
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## Labour shortages, foreign migrant recruitment and the portability of qualifications in East and South-East Asia

This paper examines labour shortages, admission of foreign workers and the portability of qualifications in Japan, Malaysia, Republic of Korea, Singapore and Thailand. Labour shortages have increased the pressure to admit foreign workers, mainly from labour-rich but poorer neighbouring countries. The five countries included in this paper differ in their capacity and in the way they assess and address labour shortages. Linking labour migration policy to the domestic labour market remains a complex task. The admission policies of the five countries differ in the amount of planning involved, the level of government and private sector involvement, the sectors in which foreign workers are admitted and in the rights and entitlements afforded to foreign workers. There are still significant differences among the receiving countries as to their readiness to recognize foreign worker skills. Without a workable qualifications framework, the recognition of skills across countries is rendered difficult, hindering the mobility of workers and possibly preventing a more efficient allocation of labour resources.

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