Labour Market and Economic Performance in Thailand and the Philippines: Supply-Demand Imbalance and the ASEAN Economic Community (AEC)*

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Abstract

In the 1960s, Thailand and the Philippines had similar population sizes. However, the different policies on economic development and population control affected the rate of economic growth. Thailand overtook the Philippines in terms of GDP per capita in the 1980s, as Thailand strongly promoted foreign direct investment in manufacturing sectors to absorb surplus labourers from the agricultural sector. It also initiated one of the world's most successful national family planning programmes and gained a demographic dividend. In contrast, the Philippines lagged behind because it was not dedicated to the promotion of foreign direct investment and its family planning programme was ineffective. When the labour supply exceeds demand, unemployment and poverty problems increase. The Philippine government, faced with an overpopulation problem, has adopted a labour export policy for the last four decades. In contrast, Thailand has struggled with labour shortages, particularly unskilled labours, and an increasing proportion of the elderly. In 2015, the Association of South East Asian Nations (ASEAN) will form a single market, the ASEAN Economic Community (AEC). It is expected to encourage more regional trade and investment and greater intra-ASEAN labour mobility. Furthermore, the integration will help increase ASEAN competitiveness and adjust the imbalances in labour supply and demand among member countries. This article aims to provide a comparative analysis of the labour problems between Thailand and the Philippines using panel data compiled from labour force surveys and educational statistics for the period 1960–2013. The employment opportunities for Thai and Filipino workers that might come with AEC and labour strategies needed ahead of AEC will also be discussed.

Keyword: Thailand, Philippines, ASEAN Economic Community (AEC), imbalances of labour supply and demand, migration transition

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1. Introduction

Some empirical research has documented different economic performance between Thailand and the Philippines. The focus on these two Southeast Asian economies is due to the fact that the countries were very similar in population size, market economy and income per capita in the late 1970s and they are suggested to be the next newly industrializing economies (NIEs). Thailand experienced rapid and sustained economic growth after the mid-1980s and is regarded as one of the high performing Asian economies in the context of the Asian Miracle while the Philippines is not (World Bank, 1993). This makes the comparison interesting from a development perspective. According to the World Bank's World Development Indicators (World Bank, 2012), by 2011, Thailand's per capita gross domestic product (GDP) was double that of the Philippines – US$4,972 for Thailand and US$2,370 for the Philippines. The poverty headcount index in 2009, using $US1.25 a day (purchasing power parity) as the poverty threshold, was 0.4 percent in Thailand and 18.4 percent in the Philippines.

What are the structural differences between the two countries that are responsible for the disparity in economic performance? Some have traced it back to historical factors – differences in initial conditions (Oshima, 1987; McCoy, 1994).[1] However, many believe that Thailand promoted policies that saw state investment working together with private investment. Also, family planning policy, exposure to foreign direct investment, and political stability (Yoshihara, 1994; Bello, 2008; Kurita and Kurosaki, 2007) account for its superior economic performance compared to the Philippines. Thailand's superiority is evident in the majority of the labour indicators, including higher GDP per capita, lower poverty, and fewer workers working abroad.

[1] Oshima (1987) has underscored that the concentration of landholdings and political power were much more pronounced during the pre-war years in the Philippines than in Thailand. In addition, McCoy (1994: 10-19) has argued that even though the Philippines is an Asian country, the Philippine economy must be viewed in a Latin American context. In particular, he points to the small group of elite families, oligarchs and cronies whose control of key sectors of the national economy was a lingering reminder of more than 300 years of history, when the Philippines was ruled by Spain. The United States removed the Spanish colonialists in 1898, but for another half century, before the country became independent in 1946, the new American colonial masters continued the tradition of ruling the Philippines through the entrenched family elites. Philippine economic growth had long been held back by the unhealthy confluence of a "weak state and powerful political oligarchies".

However, controlling population growth poses a serious threat in terms of population aging and dwindling human resources, problems now faced by many advanced economies. Some countries need to rely on foreign workers, resulting in other social problems. Thailand is moving along the same track as developed countries. The Philippines, on the other hand, has experienced overpopulation, requiring the government to create jobs both domestically and overseas as fast as the population increases to reduce unemployment and poverty.

At the end of 2015, the Association of South East Asian Nations (ASEAN) will form a single market, the ASEAN Economic Community (AEC). This is expected to encourage more regional trade and investment and greater intra-ASEAN labour mobility. Greater economic integration will help increase ASEAN competitiveness and intra-regional migration will help adjust the imbalances in labour supply and demand among member countries.

This article aims to analyse comparatively the labour problems between Thailand and the Philippines using panel data (1960–2013) compiled from the labour force surveys of the National Statistical Office for Thailand and the National Statistical Office and the National Statistical Coordination Board for the Philippines. In addition, data on education were compiled from the Office of the Permanent Secretary, Ministry of Education, for Thailand and the Department of Education and Commission of Higher Education of the Philippines. The Thailand Overseas Employment Administration and Bank of Thailand and the Philippine Overseas Employment Administration and Bank of the Philippines provided information on number of overseas workers and remittances.

The paper comprises seven parts. Following the introduction, section two presents a theoretical description of the relationship between migration transition and economic development. Section three provides an overview of economic development from the 1950s to the 2000s, highlighting the differences between the two countries. Section four presents the labour market development, including population and unemployment, employment by sector (which explores the evidence of turning points), and the relationships between globalization and employment, which include overseas labour migration and global outsourcing/off-shoring of white-collar jobs. Section five presents the analysis of education and mismatch of labour supply and demand. In section six, we examine future labour mobility under the AEC framework. The employment opportunities for Thai and

Filipino workers that might come with AEC and the labour strategies needed ahead of AEC will also be discussed. Section seven is the conclusion.

2. Theoretical Framework: Migration Transition and Economic Development

Neoclassical economics explains international (and) international migration at the macro level as caused by geographical differences in the supply and demand for labour, with migrants moving from low-wage to higher-wage areas (Huguet, 2005). Meanwhile, some countries which previously experienced substantial emigration flows are now importing labour. Such a transition has occurred in a number of countries, among them, Singapore, South Korea, Taiwan, and Thailand. The migration transition in these countries can be explained in large part by changing labour market conditions accompanying rapid economic growth. Particularly, export-led growth has had a major effect on conditions in labour markets (Alburo, 1993; Fields, 1994).

There are two stages in the structural transformation of economies which have succeeded in terms of industrialization and development. In the first stage, there is absorption of surplus labour from the rural sector outside agriculture into manufacturing, at existing levels of wages and productivity. This is associated with a decline in the share of agriculture and a rise in the share of manufacturing in output and in employment. But the changes are more significant in the composition of employment than in the composition of output. The process can be described as the "extensive margin of labour absorption". Labour exports may come to an end once this stage in the structural transformation of an economy is complete.

In the second stage, there is a transfer of labour from low productivity to high productivity occupations in the manufacturing sector while, at the same time, there is an increase in the average productivity of labour in the agricultural sector. Real wages rise in both sectors. There is a further increase in the share of manufacturing, and a further decrease in the share of agriculture, in output and in employment, but at this stage the changes are more pronounced in the compositions of output than in the composition of employment. The process can be described as the "intensive margin of labour use". Labour imports may begin once this stage in the structural transformation of an economy is complete. The sequence outlined here suggests that there may be an initial turning point in migration when labour exports end and a subsequent turning point in migration when labour imports begin. The points do not coincide. Indeed, there may be a significant time lag between the two events (Nayyar, 2013; Ranis, 2012).

It is worth noting that, there is a third stage of structural transformation that emerges from the experience of the industrialized world. Once countries have industrialized and reached an advanced stage of economic development, the share of the manufacturing sector declines, somewhat more in output than in employment, while the share of the service sector rises. The recent historical experience of some surplus labour economies which have not succeeded at industrialization reveals a curious asymmetry, in so far as structural changes in output and employment are characterized by a move from the first stage where agriculture dominates to the third stage where services dominate, without passion through the second stage where manufacturing dominates (Nayyar, 2013; Ranis, 2012).

The response of producers or employers to the labour shortage problems takes three forms. First, producers attempt to substitute capital for labour through technological choice, by acquiring technologies that economize on labour use or augment labour productivity. Second, firms endeavour to use trade flows as a substitute for labour, either by importing goods that embody scare labour or by exporting capital which employs scare labour abroad to provide such goods through an international relocation of production. Third, producers or firms seek to import labour, but this is a last resort in so far as immigration laws in most countries tend to be restrictive for social and political reasons. Yet, labour imports often begin with unskilled and semi-skilled labour for employment in the agricultural sector or the service sector. Because these sectors are not quite as tradable as goods in the manufacturing sector (International Organization for Migration, 2011; World Bank, 2006).

3. Economic Development

A common perception among development observers is that the disparities in economic performance between Thailand and the Philippines began in the mid-1980s. The Philippines gained formal independence in 1946. In the 1950s, the initial stage of industrialization and economic take-off was established. The country was touted as Asia's second newly industrializing nation after Japan, both in terms of its level of literacy and per capita GDP. A review of early post-war data shows that the Philippines was considerably ahead of Thailand in 1950. The Philippines then had a per capita GDP of US$150 which was close to double that of Thailand (Table 1).

Table 1 GDP per capita
(US$ current prices)

Year	Thailand	Philippines
1950	80	150
1960	101	257
1970	210	230
1980	681	689
1990	1,495	719
2000	1,943	1,048
2010	4,614	2,140

Sources: Compiled by author from *World Development Indicators,* World Bank.

However, in the 1980s, Thailand can be seen to have performed strongly or relatively well, just as the Philippines was slipping into economic stagnation. This has resulted in Thailand surpassing the Philippines in terms of per capita income and the country has never looked back. Economic and social development in Thailand has been fairly successful in the past three decades. With a well-developed infrastructure, a private-sector led economy, generally pro-investment policies, strong export industries, and tourism, prior to the Asian financial crisis, Thailand enjoyed some of the world's highest growth rates with GDP increasing at an annual average rate of 7.6 percent (1977–1996), more than five times the rate of population growth (Huguet, 2005).

Then from 2000 to 2010, Thailand experienced solid growth, averaging more than four percent per year. Although the Thai economy has been affected by a variety of shocks (e.g. the December 2004 tsunami, the global economic slowdown, political instability, and the worst flood in half a century in 2011), observers predict that growth will continue on a steady upturn when the environment is more certain.

For the Philippines, growth was highest during the 1973–1982 period, averaging 5.5 percent per year. A quite sophisticated manufacturing sector emerged in the 1950s and 1960s, spurred on by protection and a well-developed human capital base. In the late 1960s, there seemed to be some prospect of a transition to export-oriented industrialization. However, a combination of foreign debt crisis, political turbulence (e.g. the crisis of the Marcos regime, military-led revolt, coups, etc.) and the enduring failure to maintain and expand basic infrastructure in the 1980s weakened the economy in general and industry in particular (Ofreneo, 1995: 173).

4. Labour Market Development

4.1 Population and Unemployment

In 2010, the population of Thailand was 67.3 million. The population aged 15 years and over, classified as being of working age, comprised approximately 57.4 percent of the total population, or 38.6 million persons. Historically, Thailand has enjoyed extremely low unemployment rates, averaging less than two percent over the last 15 years. Although rapid economic growth has certainly contributed to the country's low levels of unemployment, the main factor relates to pure demographics.

By implementing a strong population policy in the 1970s, Thailand succeeded in reducing fertility and population growth rates (just one percent per year between 1991 and 2011). As fertility declines, the working-age population increases relative to younger and older dependents. This creates a unique opportunity for families to eradicate poverty and increase savings, as well as for faster economic growth, provided countries make the necessary investments in both physical and human capital. This is referred to in the literature as the "demographic bonus/dividend".[2]

The demographic window is defined as that period of time in a nation's demographic transition when the ratio of the working-age to dependent population is particularly prominent. It began in Thailand in 1965–1970 and may last until 2010–2015. Philippines also began the demographic window in 1965–1970, but this is expected to last until 2040–2045 due to a slower decline in fertility rates. After the end of the demographic window, as the relatively large working age cohort grows older, population aging will set in. These constraints will force Thailand to become more open to imported labour and undertake social security and pension reform and healthcare financing and provision.

[2] Two concepts are introduced here: the demographic bonus and the demographic onus. The demographic bonus is taken to refer to the extra rewards for economic growth and societal vigor due to the combination of a decreasing fertility rate (the number of births per woman) and a decreasing dependency ratio (meaning the combined dependency ratio, that is, the ratio of the child population and old-age population to the labour force population). During this demographic window of opportunity, output per capita rises. The demographic onus is defined as the extra punishments for economic growth and societal vigor due to the combination of a decreasing fertility rate and an increasing dependency ratio (Inoguchi, 2009).

According to Ranis (2012), Thailand reached the famous Lewis-Fie-Ranis turning point in the late 1990s, when labour stopped being abundant. Real labour earnings shot up in response to supply and demand in labour markets, as employers continuously raised wages in order to attract or retain their workforces.

For the Philippines, it is a case of "population causes poverty". The growth of the labour force outstripped the growth rate of employment (Pernia, 1990). The country is Southeast Asia's only Christian nation and has one of the world's highest population growth rates, averaging 2.2 percent in the period 1995–2007 in comparison with a global rate of 1.3 percent. Caused in part by rapid population growth, unemployment and poverty rates have increased, in turn feeding back into high total fertility rates. In 1948, based on the census conducted by the National Statistics Office, the total population was a mere 19 million. In January 2012, the population of the Philippines was at 92.4 million, meaning that it had increased more than four times within half a century. The labour force participation rate was 64.2 percent, resulting in a labour force (15 years old and over) of 62.7 million. Unemployment was at 7.2 percent and underemployment 18.8 percent.

The country has missed out on the early demographic bonus experienced in other parts of Asia. The current challenge is to deal with its "demographic onus" while trying to telescope the time taken to gain a demographic bonus (Herrin and Pernia, 2003). Overpopulation has obstructed development and prolonged poverty at both the household and national levels. The country seems to be stuck in a phase of "jobless growth" and slow accumulation of human capital (Canlas, 2001, 2008; Herrin and Pernia, 2003).

4.2 Employment by Sector

Apart from differential macroeconomic performance, the corresponding pattern of agro-industrial transition in the two countries is also instructive. In Thailand, in 2010, the agriculture sector remained the dominant player, absorbing 38.7 percent of the country's total workforce, although its share of GDP was relatively low following the economy's growing industrialization. The reverse is true for the industry and service sectors, which employed 20.6 and 40.7 percent of the total labour force respectively. Agriculture's disproportionate employment share vis-à-vis output could be the reason for the high incidence of urban–rural income disparity (Table 2).

Table 2 Employed Persons by Industry Group

Year	Total	Primary	Secondary	(Manufacturing)	Tertiary
(1) Thailand					
1960	13,749	82.4	4.1	3.4	13.5
1970	16,652	79.3	5.7	4.1	15.0
1980	23,281	72.2	7.5	5.6	20.3
1990	30,844	63.9	13.5	10.2	22.6
2000	31,749	37.6	23.7	16.9	38.7
2010	38,465	38.7	20.6	13.8	40.7
(2) Philippines					
1960	8,539	61.2	12.6	12.1	26.2
1970	11,358	53.7	12.6	11.9	32.1
1980	15,900	51.4	11.6	10.6	36.5
1990	22,212	45.2	10.7	9.7	44.0
2000	27,775	37.4	16.0	10.1	46.5
2010	36,035	33.2	14.9	8.4	51.9

Sources: Compiled by author from Suehiro (1997); Labour Force Survey, National Statistical Office, Thailand; Ofreneo (1995); *Labour Force Survey,* National Statistics Office, the Philippines

Thailand flourished in the period 1985–1995 because it was flooded with Japanese investment (Ismail and Yussof, 2003;Tsai and Tsay, 2004).; this relocated from Japan to make up for the loss of competitiveness of Japan-based production owing to the drastic revaluation of the Japanese yen relative to the dollar under the famous Plaza Accord of 1985. During that period Thailand received US$24 billion in foreign direct investment (FDI) from Japan, Korea, and Taiwan, or 15 times the amount invested by the three countries in the Philippines, which came to a paltry US$1.6 billion. Kunio Yoshihara (1994) asserted that this difference in the flow of FDI from Japan, Korea, and Taiwan produced a significant disparity in the growth performance of the two countries during this period.

While the Philippines appeared to be the least agricultural (or most industrialized) in the early post-war years in terms of the relative shares of GDP and labour force accounted for by agriculture, the reductions in these shares over time were relatively negligible (Ofreneo, 2003). In 2010, the service sector continued to account for the bulk of employment at 51.9 percent of the total and the shares of those employed in agriculture and industry stood at 33.2 percent and 14.9 percent respectively. Industry is still underdeveloped, with its share in overall employment remaining at about 14–16 percent since the 1970s. This change in the structure of employed persons by sector somewhat parallels the change in the structure of GDP by industrial origin. This means that workers leaving the agricultural sector tend to be absorbed not by industry but by the service sector.

The Philippines, it is said, has become stuck in a low-growth pattern because of low capital accumulation or investment. Many of the jobs created in the service sector in the Philippines, however, were typically characterized by short-term contracts, long hours of work, and low productivity and earnings. The contract norms discourage long-term employment and undermine the development of skills. Most job generation can be found in the informal (or unorganized) sector. In addition, partly in response to the lack of domestic job opportunities and lack of elasticity in the labour market, overseas contract work absorbs a significant amount of Philippine labour, as discussed in section 3.4.

4.3 Global Outsourcing/ Offshoring of White-Collar Jobs

The Philippines has emerged as a strong player in the rapidly evolving offshoring and business process outsourcing (BPO) industry, competing successfully with India and other low-wage destinations in creative value. BPO has emerged as one of the most vibrant industries, enabling the country to reach its economic targets and provide employment opportunities for people (Mushero, 2006; Magtibay-Ramos, et al., 2008).

In 2009, the Philippines exported more than US$7.5 billion worth of services, making this the third largest industry export following electronics and garments. The number of people employed by the BPO sector by the end of 2008 was 435,000. The country has attracted work in software

[3] Contract norms for employment are based on the Labour Code of the Philippines and implemented by the Department of Labour and Employment (DoLE). One law provides a probationary period of six months (Article 281 on probationary employment), after which time the employer must offer permanent employment. Under the terms of a second law (Article 279 on security of tenure), it is very difficult to dismiss workers. A third law is one that does not allow the diminution of benefits once awarded (Article 127). These laws encourage employers to offer short-term contracts of less than six months.

development, animation, medical transcription, engineering design, back office processing, and shared financial and accounting services. The Commission on Information and Communications Technology and Business Processing Association of the Philippines expect to win five percent of worldwide global BPO revenues by 2011, creating an industry worth as much as US$12 billion.

Despite the fast increasing demand for IT-enabled service professions, only around 10 out of 100 applicants are accepted. There is a considerable mismatch between school curricula and industry demand. Potential IT workers must continuously upgrade their competency in IT. The promotion of the acquisition of ICT certifications and the reduction of the associated costs must also be observed in standardizing recruitment, training, and salary administration. In addition, there are other related issues such as the prohibition of night work for women workers, changes in the lifestyles of workers, and employee organizations and unions that need to be addressed (Sibal, 2006).

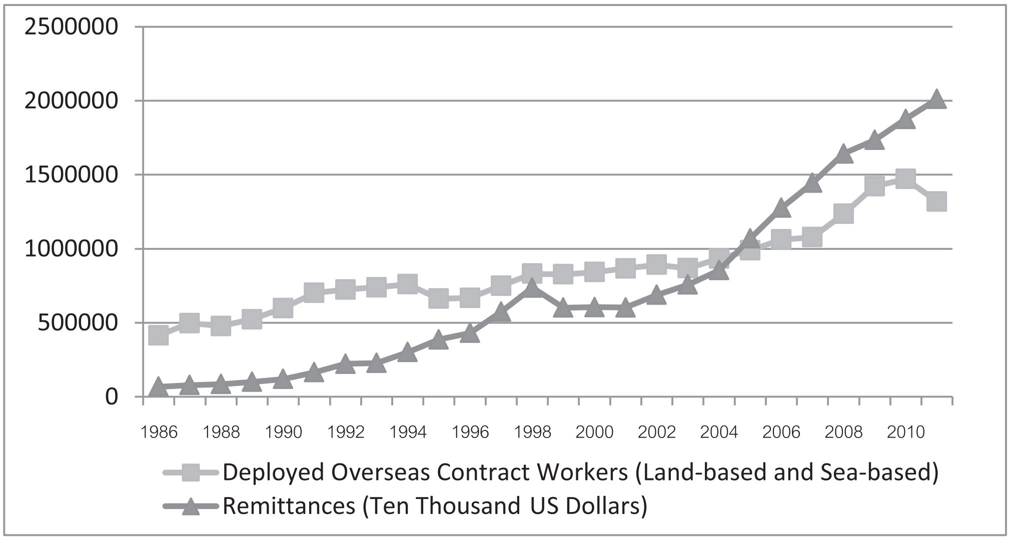
This newest sunrise industry effectively reverses the brain drain phenomenon in the country. Many English-speaking knowledge workers and college graduates are encouraged to stay on in the country, both in the Metro Manila areas and in various regional centres, such as Baguio City, Pampanga, Cebu City, and Davao City. The government and private sector should make efforts to strengthen this industry in order to achieve the vision of making the country the ICT hub of the world, helping to create jobs and upgrade new technology (Magtibay-Ramos, et al., 2008).

In the case of Thailand, the BPO industry is not as active as in the Philippines due to the language barrier and the negative attitude of young people toward this kind of job. However, government policies support the country as a centre for sourcing and services outsourcing in the following activities: regional operating headquarters, international procurement offices, international distribution centres, design centres, and R&D. It is also chasing new competitive niches, such as advertising and film making, international healthcare and advanced business services, to compensate for the loss of increasingly old functions, such as manufacturing based on low-cost labour (Webster, 2005).

4.4 Overseas Labour Migration

The Philippines has a rich emigration experience. A confluence of factors, including its colonial history and labour market flexibility, have made a large proportion of

Filipinos willing and able to take advantage of foreign market opportunities (Tan, 2001). The annual outflow of overseas Filipino workers (OFWs) began in the 1970s with the modest deployment of 14,366 in 1972. Since then, annual deployment figures have grown by leaps and bounds, breaching the one million mark in 2006 (1.063 million). The total number of OFWs in 2011 was estimated at 2.2 million (DoLE, 2011). Every day around 4,500 OFWs leave the country to work in over 120 countries. This long experience of deploying large numbers of workers has earned accolades for the country as a global model for managing the deployment of workers.



Sources: Compiled by author from Philippine Overseas Employment Administration, the Central Bank of the Philippines.

Figure 1 Number of Overseas Workers and Remittances of the Philippines, 1986–2011

In the face of high unemployment rates, partly as a result of the lack of a clear population policy and partly due to the fact that domestic growth has proved insufficient to absorb the rapid population growth, the Philippine government made labour migration or the diaspora of Filipino workers an important policy in its development strategy. Foreign remittances from Filipinos working abroad have become an important source of household income and have helped lift consumer spending in the domestic economy, particularly on housing, vehicles and shopping trips. It has also helped the macro-economy in terms of keeping the current account in surplus, thus enabling the government to run a fiscal deficit (Alburo, 1993; Pernia, 2008). Dubbed modern-day heroes, OFWs contributed US$21.39 billion in remittances for the whole of 2012,[4] amounting to more than 10 percent of GDP. The proportion of remittances coming from North America, traditionally the destination not of contract workers but of migrants, accounted for 56 percent of the total remittances.

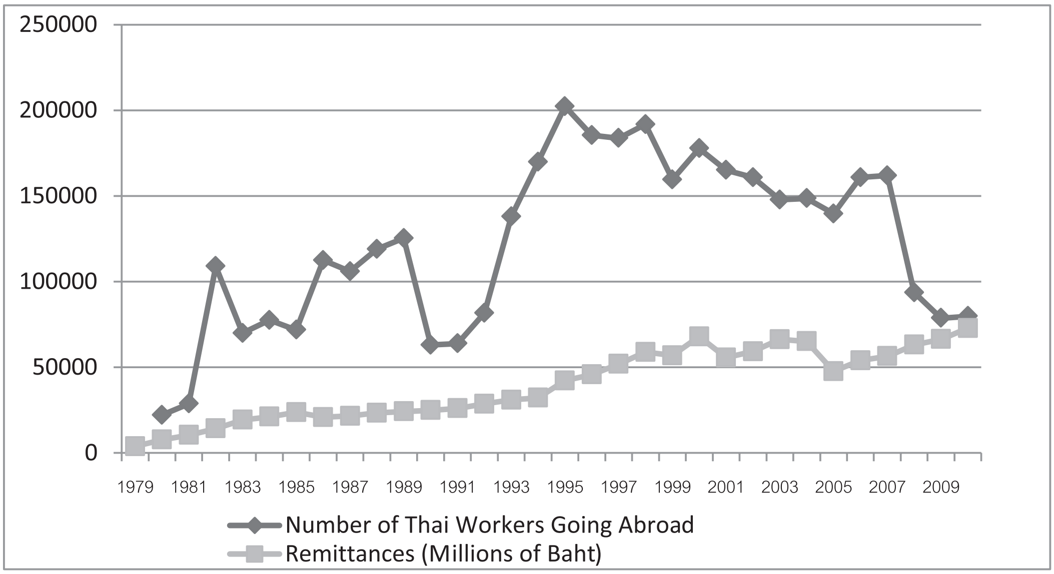
However, the record remittances, which make the economic figures so healthy, take a heavy toll socially, especially in the matter of "brain drain", because some of those who seek employment abroad are professionals whose skills and talents could contribute greatly to the country's progress. This is also the case with "brain waste" for countries absorbing these workers, because Filipino OFWs are employed in jobs that are below their levels of academic preparation and skills. Some examples of these are doctors employed abroad as nurses and teachers who are caregivers and domestic helpers (Wailerdsak, 2008; World Bank, 2006).

Indeed the high unemployment and underemployment rates and the declining real wage levels have induced overseas employment as a realistic option for even relatively educated workers (Alburo, 1993). The Philippines provides an example of huge migration waves and for which the pattern for a critical turning point in labour migration is not yet discernable. Although

[4] The Philippines was positioned fourth in the list of recipients of migrant remittances among developing countries in 2009, behind India (US$52 billion), China (US$40.6 billion) and Mexico (US$26.3 billion). The DoLE reported that the Philippine government has been entering into bilateral agreements and hiring agreements (with South Korea, Qatar, Canada, Saudi Arabia, Australia, and Japan) in order to secure future employment for Filipinos (Wailerdsak, 2009).

on a gross basis, overseas deployment relieves the unemployment problem in the country, the policy supporting overseas migration and relying on the remittances is not sustainable. Because the Philippines has no control over labour absorption abroad and thus lack the certainty of assured remittance flows. The government has also focused less on improving the domestic economy (World Bank, 2006).

There are countries that encouraged labour migration during the early years of their development, such as South Korea and Thailand in the 1970s and 1980s. However, the labour migration phenomenon was a temporary policy in these countries (Pernia, 2008). Thailand succeeded in developing its economy through the implementation of economic liberalization and export-led industrialization policies have dramatically propelled growth in employment, wages and the income of workers and have contributed to narrowing the income gap between Thailand and major labour-receiving countries (Huguet, 2005; International Organization for Migration, 2011).



Source: Compiled by author from Department of Employment, Ministry of Labour and Social Welfare, Thailand Overseas Employment Administration, and the Bank of Thailand.

Figure 2 Number of Overseas Workers and Remittances of Thailand, 1979–2010

The number of overseas workers from Thailand dropped gradually in the early 2000s from its peak in 1999 of 202,416 workers. Rapid economic growth has also helped attract highly-qualified Thai (young) professionals, particularly in the fields of science and technology to work in the country. However, it is also currently attracting huge numbers of illegal workers from neighbouring countries such as Myanmar, Laos, and Cambodia for low-paid and unskilled jobs in sectors such as agriculture, fishery, construction and the so-called 3-D (dirty, difficult, and dangerous) jobs (Soonthorndhada, 2001; Wailerdsak, 2013).

Thailand can make a transition from being a labour exporter to becoming a labour importer. The country experienced the two stages of structural transformation specified above and moved from the extensive margin of labour absorption to the intensive margin of labour use. It approximated full employment conditions in the domestic labour market. Currently, Thailand has dual status as a country of origin and destination of migrant workers (Chalamwong and Prugsamatz, 2009). It is expected that the integration of the ASEAN region would afford Thai firms the opportunity to access a larger pool of low-skilled immigrant workers as well as an increased ability to shift production facilities to low-skilled labour-abundant countries, thus helping to relax the pressure of labour shortage problems.

5. Education and Imbalance of Labour Supply and Demand

In the educational landscape, both countries have shown some signs of accomplishment in expanding education to the masses and improving the accumulation of human capital. The enrolment rates of all educational levels have improved remarkably, particularly for Thailand. During the period 1980–1990, the Thai government focused mainly on expanding access to primary education. Thailand was able to provide nearly universal compulsory education (see Table 3). However, during the same period, enrolment in secondary education lagged. Only approximately 30 percent of Thai children were enrolled in secondary schools, compared to around 60–70 percent in the Philippines and 80–90 percent in South Korea (UNDP, 2007).

However, from the 1990s, the Thai government made strong efforts to expand access to secondary education. During the period 1990–2000, the rate of enrolment in secondary school dramatically increased to approximately 80 percent. As a result, Thailand was able to catch up and even move ahead of the Philippines in terms of enrolment in secondary education in 2000.

Table 3 School Enrolment Rates of Students by Educational Level (% gross)

Year	Thailand			Philippines		
	Primary	Secondary	Tertiary	Primary	Secondary	Tertiary
1970	81.4	17.4	3.1	108.3	45.8	16.8
1980	98.9	28.8	14.7	111.9	64.2	24.4
1990	99.1	30.1	16.7	111.3	73.2	28.2
2000	93.5	79.0	31.9	113.2	75.9	29.5
2008	103.4	96.6	46.0	102.5	82.9	29.0

Notes: The education system in Thailand is a 6-3-3-4 system, meaning that secondary school education has two levels – lower and upper – each of which is three years. The next step is college and university education, which is an additional four years. In contrast, the education system in the Philippines is shorter, a 6-4-4 system. High school education, directly after primary school, is only four years; this is followed by an additional four years of college and university education. Therefore, Thai students complete university at the age of 22, while Filipino students can do so at the age of 20 (Yamauchi, 2005). The Philippines is one of the countries with the shortest period of education in the world.

Sources: Compiled by author from *World Development Indicators,* World Bank; *ADB Key Indicators,* ADB; National Statistical Office, Thailand; Department of Education and Commission of Higher Education, the Philippines.

For the Philippines, from the onset of colonial rule by the United States with its heavy emphasis on mass public education, Filipinos internalized the American ideal of a democratic society in which individuals could get ahead through the attainment of a good education. The Philippines has achieved an enrolment rate of virtually 100 percent at the primary school level since 1970, more advanced than some other countries in Asia (Esguerra and Canlas, 2001; Tan, 2001).

At the tertiary education level, the Philippines was also far ahead of Thailand in the early post-war years. Approximately 16.8 percent of college-age youth were enrolled in tertiary schools in the Philippines in 1970 compared with 3.1 percent in Thailand. However, Thailand made substantial progress in the subsequent four decades. While the Philippines' tertiary enrolment rate has stayed at approximately 30 percent since 1980, Thailand's tertiary enrolment rate increased remarkably to 46 percent in 2008, owing to increases in the number of universities, family income and the government's education loan programme.

It is said that for both countries, while the literacy and enrolment rates have improved, little progress has been made in science and technology. A mismatch between the skills of graduate students and the demands of the private sector is a constant issue. While students in non-science fields are in excess, there is still a shortage of students in the science and technology fields, and of high-skilled professionals and managers and creative thinkers. There are too many highly-educated people chasing too few jobs. Owning to the excess supply of students in non-science fields, those with higher education have crowded out the less educated in terms of job opportunities (UNDP, 2007; 2009).

In sum, Thailand has been confronted with the issue of labour market imbalances for both lower and upper levels of labourers. The country has lacked workers with primary and secondary education to work in the lower-level jobs owing to the declining population. Therefore, it needs to rely on (mostly illegal) foreign workers from neighbouring countries. On the other hand, there is surplus labour in social and humanity-related undergraduate degrees. An ASEAN labour market under the AEC framework might help absorb the surplus labour of this group.

The Philippines has implemented a labour-exporting strategy for a long time. Every year, hundreds of thousands of nurses are trained in the Philippines to work overseas, serving the aging societies of developed countries where they can earn higher salaries, for example in the United States (13 times higher). Also, Filipino English teachers are in great demand. For example, in Thailand, Filipino teachers represent 25 percent of all foreign teachers in second language education. Their accent is similar to that of Americans and wage rates are much cheaper than for western teachers. There is also more demand for housekeepers, maids and babysitters in countries with high incomes, such as the United Arab Emirates, Hong Kong and Singapore. The Philippine government has determined that the employer must pay a minimum salary to a maid of US$400 per month. Therefore, it is expected that the ASEAN integration will provide employment opportunities for Filipino workers to work in ASEAN countries, particularly Singapore, Malaysia and Thailand, as these countries offer higher wages than are available in the Philippines (Mehta et. al., 2013).

6. Labour Mobility under the AEC Framework

The ASEAN leaders have targeted the end of 2015 as the time for the full regional integration of Southeast Asia through the Declaration of Bali Concord II (ASEAN Concord II). The region will become one ASEAN economic community (the AEC), a single market and a single production base characterized by the free flow of goods, services, capital and skilled labour.

The movement of labour among member nations may not be as unrestricted under the AEC as some believe. While some labour groups may gain, some may not, so the job opportunities under the AEC could vary from one industry to another. ASEAN countries should seek employment opportunities under the AEC framework by planning the labour markets to balance supply and demand of labour in their countries and reduce the pressure from surplus labour and unemployment.

First of all, we must acknowledge that the free movement of skilled labour under the AEC framework will consist of only two types: (1) the movement of professionals and skilled labour engaged in cross-border trade and investment-related activities under the ASEAN Framework Agreement on Services (AFAS); (2) the movement of professionals and skilled labours in accordance with the Mutual Recognition Arrangements (MRAs). The labour movements of these two types are different. This means the movement of unskilled labour will remain subject to the strict visa policy and selective work requirements of each ASEAN member country.

6.1 Labour Mobility under ASEAN Framework Agreement on Services (AFAS)

AFAS, the reduction or lifting of restrictive regulations that impede trade and services, was signed in 1995. A key action is to facilitate the issuing of visas and employment passes for ASEAN professionals and skilled labourers who are engaged in cross-border trade and investment-related activities. There are four types of trade or services: (1) the sale of services across the border, (2) a citizen from one country travelling abroad to utilize services in another country, (3) foreign providers entering to set up a business to provide services, and (4) foreign workers travelling to provide services in another country (Chalamwong, 2011).

The vital restriction is that AFAS is not applicable to a foreigner entering a country to look for a job or apply for permanent residence or citizenship. Under the AEC, businesses still have to comply with the labour and immigration rules and regulations of the country of designation and can utilize only the agreed services. The labour movement under AFAS is similar to the temporary movement of natural persons, which is categorized as mode 4 Article I.2 (d) of the General Agreement on Trade in Services (GATS) of the World Trade Organization, which has members worldwide. The only difference is that AFAS has more than 65 pacts while GATS has yet to show progress (International Labour Organization, 2010).

In other words, ASEAN allows managed mobility and the movement of labour under AFAS depends on trade and investment expansion in ASEAN countries. AFAS can serve as a vehicle to transport skilled workers abroad to ASEAN countries. Middle-level workers (or skilled and semi-skilled workers), such as supervisors and managers (in the low, medium and high levels), who are not freely-moving specialist workers, are likely to be sent to work temporarily in ASEAN countries when their companies establish new branches or expand investment to other countries. While unskilled labour has tended to move from the less-developed to more developed countries, skilled labour movements have tended to be in the opposite direction, especially as FDI has spread to capital-scarce, export-oriented countries in the region. FDI has encouraged the movement of professionals and business people abroad.

In addition, even while working in Thailand or the Philippines, workers in this group have an opportunity to work with foreign firms investing in these countries. For them, not only English-language proficiency, but also communication skills in an ASEAN language would become important. They need to develop a variety of skills and the adaptability to work in foreign countries and in different cultures. The ability to work with foreigners in the workplace and work diversity are also important.

The AEC will help solve Thailand's labour problems in many ways. Thailand may support undergraduate degree labourers to work abroad, particularly in neighbouring countries having demand for middle management due to the increase in investments from Thailand and foreign countries. They must develop communication skills to work with people from different cultural backgrounds, overcome the language barrier, and demonstrate flexibility when adapting to new and unfamiliar living environments and work cultures. However, the major problem is that many Thai workers still do not have a mind-set of working aboard, or see working abroad as an attractive experience that is relevant to their chosen career (Wailerdsak, 2013).

For the Philippines, the AEC may be an opportunity for inclusive growth, or massive employment generation and massive poverty reduction. High-level workers can work more easily in other ASEAN countries, particularly those offering higher wages such as Singapore and Malaysia (Mehta, et al., 2013). Meanwhile, investments in the Philippines are likely to be increased by the growth of trade among ASEAN countries.

6.2 Labour Movement under Mutual Recognition Arrangements (MRAs)

At the end of 2015, ASEAN member states will be committed under the Mutual Recognition Arrangements (MRAs) to allow the free flow of workers in seven key professions:[5] medicine, dentistry, nursing, engineering, architecture, accountancy and surveying. ASEAN professionals in these areas of expertise will be able to work in another ASEAN country, providing they meet the qualification and work permit requirements in each market.

It is important to note that signing MRAs does not automatically ensure market access. In fact, there are several limitations, including technical limitations and natural limitations. With regard to technical limitations, qualified professionals under the MRAs must register their profession, or obtain job certification, or pass specific job tests of the host nation as required by the country in which they are employed. They must obtain a work permit from and comply with the rules and regulations of the host country. In the case of Thailand, the requirement would be previous work experience, such as a minimum of three years for nurses and five years for physicians. This would exclude new graduates (Wongboonsin, 2011).

Natural limitations include the ability to communicate in the language of the host country. Even after passing the professional licence exam, expertise in communicating in the language of the country for work is a major obstacle. Flexibility and adaptability in working in new environments cannot be overlooked. Also, they must compete with professionals from other ASEAN countries.

[5] To date (2013), seven MRAs have been signed, namely the MRA on Engineering Services (9 December 2005), MRA on Nursing Services (8 December 2006), MRA on Architectural Services (19 November 2007), MRA on Surveying Qualifications (19 November 2007), MRA on Medical Practitioners (26 February 2009), MRA on Dental Practitioners (26 February 2009), and MRA on Accountancy Services (26 February 2009).

The English-language proficiency of Thai workers is a weakness that needs to be addressed quickly, as do skills in information technology and international management. Other essential qualities that workers should possess are discipline, human relations, teamwork and diligence (Chalamwong, 2011). Thai professionals are unlikely to benefit directly from the liberalization of labour as they lack an interest in working abroad and possess fewer language skills than their counterparts in other ASEAN countries.

The AEC could be a challenge for Thailand's domestic workforce, as workers from other ASEAN countries with good qualifications and better language skills will be competing with Thai workers for the same jobs in the liberalized sectors. For example, Filipino nurses will be able to compete effectively with Thai nurses as their qualifications are on a par with those of their Thai counterparts; at the same time, their superior language skill will give them an advantage over Thai nurses. There is a similar situation in the tourism sector.

The development of language skills, not only in English but also in other ASEAN languages, is important for Thai workers, so that they can operate successfully at home as well as increase their opportunities to work in other ASEAN countries. Thailand could benefit from the free flow of labour as there has been a shortage of workers in a number of areas, and once English language skills have improved, it will not be difficult to export Thai workers in some professions to work elsewhere in ASEAN countries.

For the Philippines, the AEC will provide more employment opportunities for Filipino workers to work in Thailand and other ASEAN countries. With strong English-speaking skills and relative low costs, there will be an increasing demand for Filipino workers in healthcare, schools, childcare and the hotel sector. The outward migration of Filipino workers to other ASEAN member states is expected to rise.

7. Conclusion and Future Strategies

This paper has focused on the migration transition and the labour mismatch problems in Thailand and the Philippines, drawing attention to the benefits of the AEC in the context of adjusting labour market imbalances and maintaining competitiveness. Although there is disagreement over whether Thailand's family planning policy or the Philippines' growing population is a boon or bane for the economy, there is a consensus that good-quality education and training are badly needed to have the human resources required to attract more job-generating investments, which in turn are necessary to sustain robust growth (World Bank, 2006; 2013).

What the economic model stresses is that the surplus of persons wishing to migrate serves as the major push factor for international migration, while the needs of and opportunities in the receiving state serve as pull factors. The outflow of migration depends on the migration policies and measures in both host and origin countries (Fields, 1994; Soonthorndhada, 2001). The AEC is expected to have important implications for international labour migration among ASEAN member countries, acting as a push and pull factor. Skilled and professional migration will be an important part of the internationalization of labour markets in ASEAN countries after the AEC. Skilled movement will be tied more closely to FDI and associated trade flows. In addition, the AEC offers opportunities for both Thailand and the Philippines to send its surplus skilled labour, particularly in seven occupations in accordance with the MRAs, to other ASEAN countries and generate income for the countries, as well as job opportunities for their workers.

However, despite its highly-qualified workforce, Thailand's lack of foreign language skills, coupled with a poor understanding of regional integration and an incoherent plan to promote expertise in certain fields, will potentially hold the country back from reaping the benefits of the AEC. The Thai government needs to do more than just educate people about the basic principles of ASEAN integration. It should draw on a concrete agenda to promote the development of careers in these professions. There should be a clear licensing system for each profession on the criteria for accepting foreign workers and for encouraging Thai professionals to work in other ASEAN countries.

To promote more opportunities for Thai and Filipino workers, they also need to bring educational curricula into line with international standards, as well as promote the study and awareness of different cultures. In addition, greater education and training are required for grooming the next generation to serve the demands of ASEAN countries, rather than purely focusing on domestic market needs. The governments should strive for policy coherence by conducting a careful analysis of the future demand for and impacts of international migration and by framing their migration policies in the context of their development goals.

This paper has stressed the importance of economic factors in the migration decision. This is not to say that monetary gains are the only factors that enter into the migration decision, for indeed non-monetary factors (cultural, ethnic, politics, etc.) also affect directly the migration decision. The next challenge is how to manage migration in such a way that the positive effects are maximized, making it a win-win phenomenon for all concerned. Accelerating the process of development and productive job creation in the ASEAN economy still remains essentially unchanged. Finally, how regional integration affects domestic wages, employment levels and investments in human capital are topics for future research.

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