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Singapore Management University

# CAN THE AEC ADDRESS ASEAN'S SKILLED LABOUR SHORTAGE?

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*The answer is "yes" if training and immigration issues are tackled head on*

If the Association of Southeast Asian Nations (ASEAN) were a single country, it would be the world's seventh largest economy at a combined US$2.4 trillion in GDP. The bloc, with 625 million people, would be punching in the same economic weight class as France (US$2.7 trillion) and the U.K. (US$2.5 trillion), and ahead of India (US$1.9 trillion) and Canada (US$1.8 trillion). According to the U.K.-ASEAN Business Council, ASEAN will become the fourth largest single market by 2030, trailing only the U.S., China, and the European Union.

Rising education levels across the region have contributed greatly to ASEAN's fortunes, but as economies develop and move up the value chain industries will demand more workers with skills that meet their needs. At the moment, there is a shortage.

"One of the challenges we have as Asian economies grow is that the traditional education model managed by governments cannot move fast enough to address what the private sector needs to do," laments **Chanin Donavanik**, CEO of Thai hotel chain Dusit International. "In Thailand, in my area of hospitality, there is a need for 200,000 new workers every year. As of now, the education industry produces 20,000 graduates for the industry – it's only 10 percent of what we need.

"The sad part is, we have 300,000 graduating annually with a bachelor's degree in Thailand. One-third of them cannot find a job. There are another 500,000 young people who graduate from high school who cannot afford to continue with higher education, either because they need to support the family or do not have the money. When we look at Indonesia and the Philippines we see the same situation."

# Mind the (skills) gap

Chanin made those observations at the recent *One Step Ahead Series* symposium organised by the Asia Society titled "Workforce Readiness in ASEAN Member States: Implications, Opportunities and Challenges of an ASEAN Economic Community". Agreeing with Chanin on the importance of industry input, the CEO of Ayala Education in the Philippines, **Alfredo Ayala**,

pointed out how the sailor schools set up in his country by Europeans led to Filipinos "making up 30 percent of the global seaforce" – more than any other nationality.

The Philippines are also known for dominating another industry: Call centres, or business process outsourcing (BPO).

"In 2000, there were no call centres in the Philippines," recalls Ayala. "By 2014, there were over a million workers in this industry. However, there should have been two million workers doing this by now. The demand is there but our education system, like everyone else, is not integrated with industry.

"What we have done at Ayala Education is say, 'We are going to work hand-in-hand with industry, and this is no longer just BPO. Ayala Group is involved in banking, telcos, retail, property etc. We are working with the HR department at these arms of the group as well as companies such as Accenture and JP Morgan. We say to them, 'Tell us who you need to hire, let's partner on the curriculum.'"

"Traditional education model managed by governments cannot move fast enough to address what the private sector needs to do."

- Chanin Donavanik, Managing Director & CEO, Dusit International

Beyond working with the industry, how else can schools and universities address this apparent skills gap? According to Singapore Management University President **Arnoud De Meyer**, the lightning speed of change of the modern economy makes it difficult to forecast what skills will be in demand.

"Frankly speaking, I don't know what the jobs of the future are," De Meyer confesses at a panel discussion at the symposium. "If you go 10 years back, who would have thought we would have Uber drivers? App developers? We can prepare our students not for skills and jobs but instead for a life of different careers.

"It's about giving the students an environment where they learn to learn from problems. If they do that well, they will do well in their careers."

**Curtis Chin**, Asia Fellow at the Milken Institute, asserts that what ASEAN needs is not so much learning new skills but a different mindset. Specifically, an entrepreneurial one.

"The biggest skills gap in ASEAN right now is the entrepreneurial gap," says Chin, who was the former U.S. Ambassador to the Asian Development Bank. "Being an entrepreneur isn't about starting a business and creating jobs, but a way of thinking. Have we really prepared students to think differently? I would say it's 'No' for most of ASEAN.

"China's success came from its people – China freed up its people to go about and do business. For me, that is the lesson for ASEAN: Free up your people, don't constrain them with bureaucracy and burdensome regulations. That's the key going forward."

# Freedom of movement

But with ASEAN being a grouping on 10 different countries at various stages of economic development, one-size-fit-all nostrums are not the remedy.

"ASEAN is diverse," states Chua Soon Ghee, Partner & Head of Southeast Asia at consultancy A.T. Kearney. "You have Malaysia and Philippines that have a brain drain issue. Indonesia and Thailand have challenges with spoken English. Singapore's problems are about lifelong learning for the adult workforce. We need to frame the manpower issue in that context."

The ASEAN Economic Community (AEC) was created to lift the region as a whole, transforming "ASEAN into a region with free movement of goods, services, investment, skilled labour, and freer flow of capital" according to the ASEAN website.  However, protectionist behaviour has so far prevented its full implementation.

"I argue that our governments have acted too cautiously in integrating our labour markets, fearing that cross-border labour flow is a zero-sum game and that one foreign worker replaces one local worker," says **Jusuf Wanandi** of the Centre for Strategic and International Studies. "We run the risk of being pushed to the back corner of Asia Pacific, regional integration and cooperation. We need sufficient ASEAN integration to ensure its continued success."

"There are concerns, especially about the part on receiving countries," argues **Rastam Mohd Isa**, Chairman and Chief Executive at the Institute of Strategic and International Studies, Malaysia. "If you look at Malaysia for example, nobody really knows the figures (of foreign worker). There are workers who come in illegally – it could be anything from 4.5m to 8m. They come from all over, and they also come from outside ASEAN."

Meanwhile, mutual recognition agreements (MRAs) that have been agreed by governments to facilitate cross-border movement of skilled labour have been poorly implemented, and in some cases non-existent.

"Even if the governments can agree on the MRAs, impediments can occur when it comes to the professional bodies within the countries concerned," says Mohd Isa. "Malaysia's bar would want to protect Malaysian lawyers from competition posed by lawyers from other countries. Eventually, it's not just governments but the business sector who will have to come in to resolve such issues."