

# Chapter 3

## Mobility of Skilled Workers in ASEAN

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# CHAPTER 3

## Mobility of Skilled Workers in ASEAN

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### Introduction

International workers mobility may be defined first in terms of political pressure to migrate and second in terms of economic shortage and need. The first type should be understood as caused by past conditions of imperialism, where colonial states would induce migration from conquered countries to the imperial centre. However, this pattern no longer exists. Nowadays, the second phenomenon is the main cause for international workers mobility. It is mainly induced by three conditions: the difference in economic prosperity, the differences in the level of technology, and migration in relation to foreign direct investment (FDI).

This paper will cover these three phenomena in relation to transnational corporations (TNCs) in the automotive industry that are active in ASEAN countries under the conditions of the forthcoming ASEAN Economic Community (AEC) 2015.

### 1. Human Resource Use of TNCs

ASEAN created AEC 2015 in order to continue attracting FDI from Japanese and Western TNCs. Furthermore, these targeted TNCs are regarded as having excellent human resource utilisation and management capabilities. However, there are huge differences in human resource management in TNCs. Here, the

differences between human resource utilisation and career between Japanese and Western firms must be compared.

First, in the case of a Japanese firm it can be described as a bi-national type. This means that the top senior management level consists mainly of Japanese expatriates and a small number of domestic nationals. Moreover, while domestic nationals can become managers, they hardly ever are able to assume leading management functions in the global headquarters of Japanese firms.

Next, in contrast to Japanese firms, Western companies use a multinational type or a mix of domestic nationals, TNC's country of origin nationals and third-country nationals – the latter two as expatriates – in their top and senior management, which increases international mobility (Figure 3.1). Moreover, the label describes that nationals who do not hold the passport of a TNC's country of origin are regularly promoted to perform management functions in the company's global headquarter.

On the other hand, there are unmistakable signs that even Japanese firms are moving slowly into the direction of the Western type. While many Japanese firms still practice the old style, it appears that third-country nationals will gradually appear in the top and senior management level as well as being seconded as expatriates in the global headquarter. At present, the label bi-national still appears appropriate, but as these firms are characterised by the transformation from the bi-national to the multinational type, the alternative label transitional type may also be fitting (Figure 3.2). Therefore, it can be expected that the competition for international human resources will intensify and that the time will come when Japanese firms will shift to the use of third-country nationals as expatriates.

Figure 3.1 Management composition and careers in bi-national and multinational TNCs

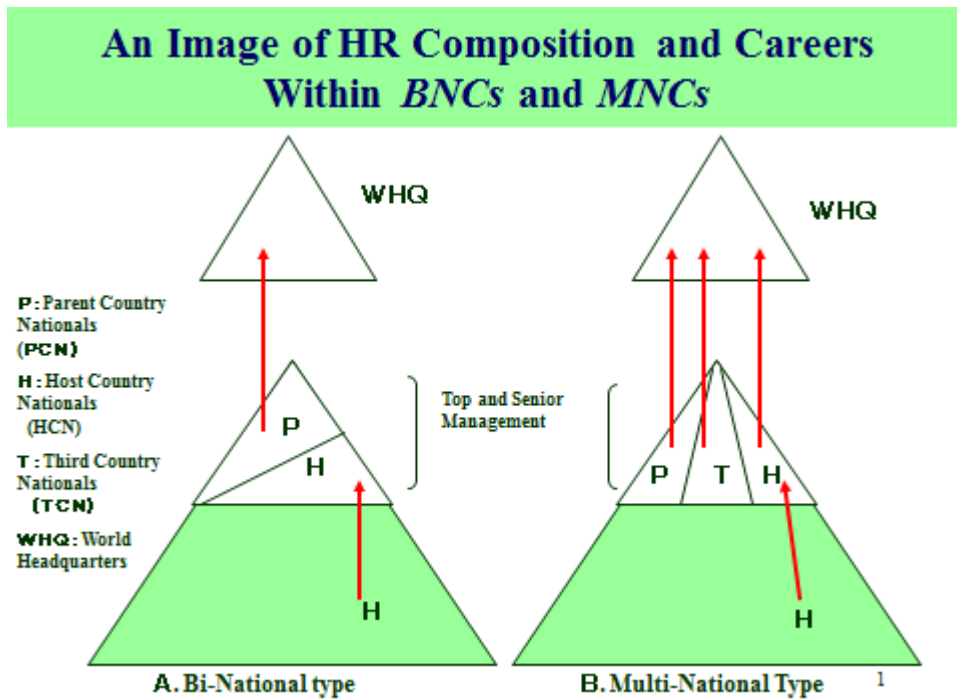
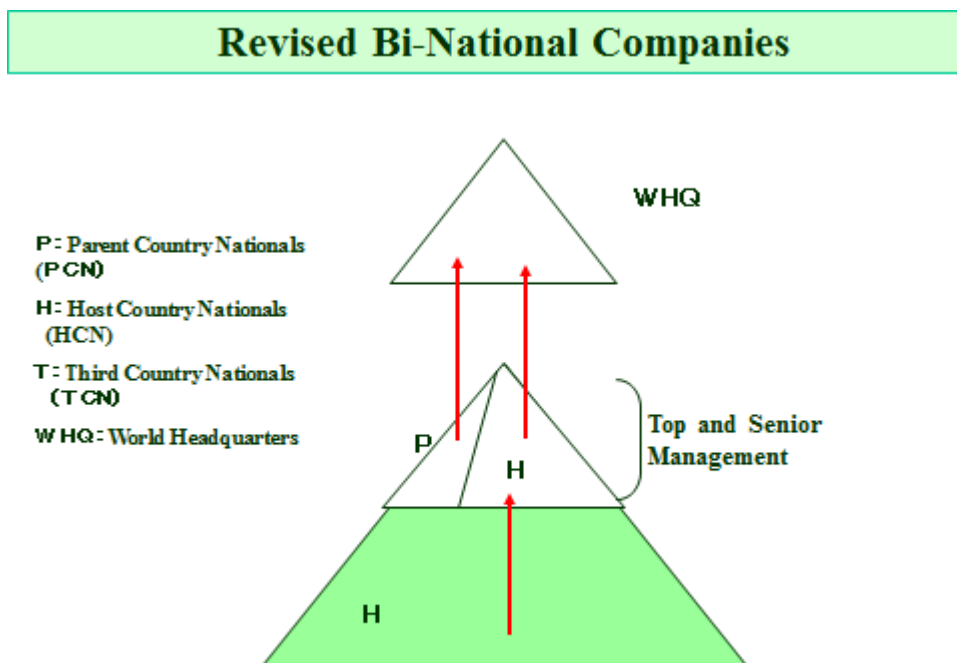


Figure 3.2 Management composition and careers in transitional TNCs



Concerning automotive industry TNCs operating in ASEAN, the multinational type can certainly be observed, such as in the case of Tan Chong from Malaysia. Tan Chong was founded by a Chinese Malaysian during the 1970s and went from assembling vehicles for Nissan to vehicles distribution and created an extensive network within the ASEAN region. When we conducted an interview with the company on 25 February 2014 in Da Nang, we met a multinational senior management. The top position (general director) was occupied by a Malaysian national, the manufacturing manager was a Chinese Malaysian, and the manager in charge of process engineering was a Filipino.

Therefore, a multinational management is not limited to North American and European firms, but can already be observed at companies originating from ASEAN countries. Regarding the utilisation of multinational senior management, it can therefore be concluded that companies whose country of origin lies in ASEAN are already one step ahead of Japanese TNCs.

## **2. Tasks for ASEAN Regarding AEC 2015**

ASEAN has explicitly mentioned “skilled workers movement liberalisation” in the AEC Blueprint. In 2005, member states reached an agreement on mutual qualification recognition for certain industries (e.g., Mutual Recognition Arrangement, or MRA, on Engineering Services or MRA on Accountancy Services). In 2012, it decided on the “Agreement on the free movement of individuals” that eases the conditions for company-internal transfer of expatriates. To implement the MRA on Engineering Services, ASEAN created a register for certified engineers with the aim of allowing certified staff to work easier within the region after certification is completed. Moreover, the implementation of the register and related national rules is monitored by an ASEAN coordinating committee that should help implementation from a professional point of view. However, it appears difficult to tell if ASEAN member states actually want to liberalise movement or not. The approval process for engineers appears quite lengthy so that the procedure may be too long to help companies that need to send engineering staff on unplanned business trips, such as troubleshooting or customer

support. Thus, while ASEAN made a step in the right direction with the MRA, the actual implementation, especially concerning time, and the unexplored linkage to working permit procedures seem to require improvement.

Related to this migration issue are the lack of migration data and the problem of defining a skilled worker and movement of individuals. Hence, describing and analysing the issue is complicated as comparable data are not available. Moreover, ASEAN members tend to be conservative on related subjects like liberalising service trade and investment rules.

Therefore, if ASEAN really wants to create single market, it must seriously address the issue on workers' mobility.

### **3. Current Condition and Future Perspective of Individuals' Mobility**

With the April 2013 decision to introduce a business travel card for business travels by 2015 and individual member states procedures that favour business travellers over non-business travelers has increased individual mobility. It also appears certain that ASEAN member states are going to establish a common tourist visa to attract tourism. Further, due to the formulation in AEC 2015 on the "free movement of individuals," ASEAN will have to improve the conditions for business travellers, especially concerning TNCs who are active in ASEAN, through policy measures.

Mobility of workers is reinforced by the argument in section 2 that not only Western TNCs but also Japanese companies are going to increase the use of human talent from third-countries in their operations. The possibility for third-country nationals to get a working permit would directly benefit TNCs and their superior system of human resource utilisation. On the other hand, liberalising mobility will create new issues that in turn will have to be addressed. This would also increase the number of highly-skilled expatriates in ASEAN and stop the brain-drain phenomenon in the region. This is also possible as the minimum wage in urban centers like Bangkok, Jakarta, or Manila is around US\$200 or roughly the same level. The related issue of

unskilled labor will have to be addressed in the future but presently it appears that liberalising skilled workers – or better expatriates – mobility is the more pressing task. Moreover, the brain-drain issue – especially towards the USA and Europe – is a real concern for developing countries. Therefore, ASEAN and each member country should make working conditions more attractive in order to give incentives not only for companies but also for employees to work in ASEAN.

## Conclusion

The main point that this paper wants to highlight is the lack of information on the movement of skilled and unskilled workers within the ASEAN region. The lack of data on the international movement of workers applies to the intra-ASEAN situation as well as for the movement between ASEAN and the rest of the world. This lack of data is also the reason why this paper adopted a case study approach. Therefore, the first condition to study the international movement of workers more systematically is that all member states support the collection of comparable statistical data on the subject. Besides data collection, it is crucial that all countries understand that such a database allows them to identify what sort of workers they need for the domestic economy so that they can attract this kind of worker. While the AEC 2015 Blueprint recognises the issue, it must be concluded that the necessary data are still not available.

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