

## Policy Brief

# Preparing ASEAN Talent for the Future of Work

**Haris Zuan, Faliq Razak, Intan Murnira Ramli**

### Key Messages:

- ASEAN's economic transformation – driven by digitalisation, supply-chain restructuring, and the shift to a green economy – requires urgent reforms in education, skills development, and workforce governance.
- Public investment in education remains below international benchmarks in many ASEAN Member States (AMS), creating persistent disparities in learning outcomes and limiting workforce readiness.
- Limited intra-ASEAN mobility and unaligned immigration and qualification-recognition systems constrain the region's ability to match skills supply with emerging economic demands.
- Youth preferences are shifting rapidly toward continuous learning, entrepreneurial paths, and multinational work environments, with SMEs struggling to attract and retain talent.
- ASEAN's existing frameworks must be strengthened through coordinated reforms, public-private partnerships, and region-wide workforce strategies to ensure inclusive, future-ready labour markets.

*ASEAN is entering a decisive decade as global production networks, technological systems, and energy transitions reshape the landscape of work. The region is attracting unprecedented investment in digital infrastructure, artificial intelligence, semiconductor design, renewable energy systems, and advanced manufacturing. These trends position ASEAN as a critical node in global value chains and a fast-growing digital market.*

*Yet ASEAN's capacity to capture long-term benefits is constrained by structural gaps in human capital development, uneven investment in education, and limited mobility of high-skilled professionals. Learning outcomes diverge sharply across Member States, reflecting differences in fiscal commitment, institutional capability, and training quality. At the same time, emerging labour-market expectations – especially amongst youth – are outpacing the readiness of employers and public training systems.*

*ASEAN already recognises these challenges. Frameworks such as the Declaration on the Future of Work for ASEAN (DEFA), the ASEAN HRD Roadmap, the ASEAN Work Plan on Education, and the ASEAN Digital Masterplan provide strong foundations. However, implementation is uneven and often fragmented.*

*To remain competitive, ASEAN needs a coordinated strategy for workforce transformation that expands human capital investments, supports lifelong learning, strengthens talent mobility, and deepens co-operation between governments, industries, and training institutions. This Policy Brief outlines the core challenges and proposes five strategic policy actions to support ASEAN's transition toward more agile, innovative, and inclusive labour markets.*

## Introduction

ASEAN's labour landscape is undergoing rapid transformation. Digitalisation is redefining business models and job profiles, while supply-chain realignment is creating new production hubs across the region. The green transition is reshaping energy systems, industrial processes, and skills requirements.

Major technology firms are expanding their presence across Southeast Asia – through cloud infrastructure investments, semiconductor initiatives, data-centre development, and AI-skills programmes. These shifts strengthen ASEAN's strategic role in global production networks but also expose internal disparities. Some Member States are moving into higher-value segments such as AI, advanced manufacturing, or clean-energy services, while others risk being locked into lower-value roles unless they accelerate skills upgrading and regulatory reform.

To sustain growth, ASEAN must convert external investments into domestic capability development. This requires integrated education

### Haris Zuan

Institute of Malaysian and International Studies, Universiti Kebangsaan Malaysia (IKMAS UKM)

### Faliq Razak

IKMAS UKM

### Intan Murnira Ramli

Senior Policy Fellow, ERIA

reforms, competency-based training, mobility schemes that enable skills circulation, and labour policies aligned with future-oriented economic strategies.

## Challenges in Preparing ASEAN for the Future of Work

### 1. Uneven Investment in Education and Skills

Across ASEAN, investment in education varies widely. Only a few member states meet global benchmarks that recommend allocating at least 4% of GDP to education. Lower investment often correlates with weaker learning outcomes and limited readiness for emerging digital and green jobs.

High-performing systems – such as Singapore and Viet Nam – demonstrate strong foundational skills and sustained policy prioritisation. Meanwhile, several Member States struggle to raise education quality, expand digital literacy, or build robust pathways into technical and vocational employment.

#### Why Education Investment Matters

Higher public investment in education is associated with stronger learning outcomes, enhanced employability, and greater resilience during economic transitions.

Persistent underinvestment widens regional inequality. It also undermines ASEAN's ability to build a regionally coherent workforce capable of meeting the talent demands of new industries such as AI engineering, data governance, advanced manufacturing, and renewable energy systems.

### 2. Rapidly Evolving Talent Expectations

The region's workforce – particularly its youth – is changing faster than many education and labour-market institutions. Young workers in ASEAN increasingly prioritise:

- continuous upskilling and digital fluency;
- flexible, purposeful work environments;
- entrepreneurial paths and innovation-driven firms; and
- employment with multinationals offering structured career development.

SMEs, which account for more than 97% of ASEAN enterprises, face difficulty attracting and retaining such talent. Many lack formal training systems, modern HR practices, or clear career pathways, resulting in skills mismatches and higher turnover.

Workers across ASEAN also increasingly expect employers to invest in reskilling. However, access to structured training remains uneven: larger firms and multinationals offer more opportunities, while smaller enterprises struggle to provide them.

This evolution in worker expectations exposes a growing mismatch between talent aspirations and institutional capacity.

### 3. Limited Talent Mobility Across the Region

Despite ASEAN's ambition to strengthen regional labour-market integration, the movement of skilled workers remains limited. Existing instruments – such as Mutual Recognition Arrangements (MRAs), the ASEAN Qualifications Reference Framework (AQRF), and the ASEAN Agreement on the Movement of Natural Persons – provide important foundations but stop short of enabling seamless mobility.

Key barriers include:

- restrictive immigration and employment regulations;
- limited alignment of qualification and licensing systems;
- uneven implementation of MRAs;
- institutional capacity constraints; and
- low awareness amongst employers and regulators.

As a result, most intra-ASEAN migration involves low- to semi-skilled workers. High-skilled mobility tends to flow outward – to East Asia, North America, the Middle East, and Europe – rather than within the region.

#### Why Mobility Matters

Skills circulate, innovation diffuses, and productivity increases when talent can move across borders. Mobility is essential for supply-chain resilience, digital transformation, and inclusive growth.

A more agile mobility system would allow ASEAN to address skills shortages, foster knowledge exchange, and strengthen regional economic integration.

## Policy Recommendations

To support ASEAN's transition toward future-ready labour markets, this Policy Brief proposes five strategic actions.

### 1. Deepen Regional Integration through Harmonised Workforce and Mobility Frameworks

ASEAN should progress from coordination to integration by:

- operationalising MRAs and expanding them to emerging sectors such as digital, semiconductor, and green energy services;
- aligning immigration and employment regulations to enable the practical movement of professionals;
- institutionalising the AQRF as a platform for regional skills transparency; and
- enhancing data-sharing, regulatory co-operation, and employer awareness across Member States.

A regionally interconnected labour market would allow ASEAN to deploy talent where it is most needed and maximise the return on domestic and foreign investment.

### 2. Scale Up Public and Private Investment in Human Capital

Member States should commit to sustained increases in education and training expenditure, with a focus on:

- basic digital literacy and STEM competencies;
- green skills aligned with energy and industrial transitions;
- modernised technical and vocational systems; and
- teacher and trainer capability development.

Embedding lifelong learning within national systems is essential. This requires micro-credentials, flexible modular pathways, and recognition of prior learning across the region.

### 3. Bridge Skills Gaps Through Demand-Driven and Inclusive Training Models

ASEAN should strengthen labour-market intelligence systems to identify emerging skills needs and integrate them into national curricula and training programmes.

Priority actions include:

- scaling up modular, competency-based training aligned with industry demand;

- supporting women, rural communities, and vulnerable youth with targeted programmes;
- expanding community-based learning hubs, SME clusters, and local innovation networks.

These reforms will support equitable access to learning opportunities and ensure that the benefits of digital and green transitions are broadly shared.

### 4. Promote Talent Mobility as a Driver of Innovation and Resilience

ASEAN should adopt a strategic approach to mobility that links skills development, innovation, and inclusive growth. This may include:

- cross-border internship and apprenticeship schemes;
- professional exchange programmes linked to priority sectors;
- an ASEAN Talent Mobility Scheme enabling reciprocal skills circulation;
- pilot initiatives in healthcare, digital services, manufacturing, and green energy.

When combined with strengthened education and training systems, mobility can enhance workforce agility and accelerate technology diffusion.

### 5. Strengthen Public–Private Collaboration for Future-Ready Workforce Ecosystems

Governments and industry should work together to expand training access, modernise HR practices, and enable SMEs to integrate into higher-value value chains.

Recommended measures include:

- financial and non-financial incentives for SME workforce development;
- public–private training partnerships and consortia;
- industry-led certification systems and portable credentials;
- digitalisation support programmes aligned with labour-market needs.

Stronger collaboration will enable firms to adapt more quickly to technological change and ensure that skills development is closely aligned with market realities.

## Conclusion

ASEAN's future competitiveness will depend on its ability to prepare a workforce capable of thriving in a rapidly changing global economy. The region has already demonstrated significant progress in digital transformation and economic integration, yet persistent structural gaps threaten to limit its potential.

A coordinated regional strategy – built on sustained investment in human capital, integrated mobility frameworks, industry–government partnerships, and inclusive, demand-driven training – can help ASEAN build a resilient, innovative, and future-ready labour force.

Effective implementation of these policy actions will ensure that ASEAN not only adapts to change but leads in shaping the future of work across the Asia-Pacific.

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Sentral Senayan II, 5th, 6th, 15th floors  
Jalan Asia Afrika No. 8  
Senayan, Central Jakarta 10270, Indonesia  
Tel: (62-21) 57974460  
E-mail: [contactus@eria.org](mailto:contactus@eria.org)

