

LABOUR MARKETS AND MIGRATION IN SOUTHEAST ASIA

Lecture to the Southeast Asian
Economies Class

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A. LABOUR MARKETS, WAGES AND EMPLOYMENT IN SOUTHEAST ASIA

- **Labour markets and economic analysis**
- **Labour Market Dynamics in Southeast Asia**
- **The Structure of Labour Markets: Pay differentials, contracts and inequality**
- **Responses to Economic Shocks**

I. LABOUR MARKETS AND ECONOMIC ANALYSIS

- *The determinants of wages and employment:* Labour supply, demand and the strength of markets and labour institutions
- *Macroeconomic relationships:* growth, aggregate demand and labour outcomes (employment, unemployment, wages and productivity): some key issues (see Fig. 1)
- *Microeconomic relationships:*
 - analysis of the firm, market structure, employment and wages
 - analysis of household and individual labour supply responses

II. LABOUR MARKET DYNAMICS IN SOUTHEAST ASIA

- Globalisation and labour market transformation in labour abundant economies: (Singapore), Malaysia and Thailand versus Philippines, Indonesia and Vietnam
- Determinants of labour demand (Figs 2 and 3)
- Determinants of labour supply
- Unemployment and wages (Table 1 and 2)
- Government policies and institutions (labour legislation and unions) (Fig 4)

III. THE STRUCTURE OF LABOUR MARKETS

- Dualism and labour market segmentation
- Skill differentials in wages and inequality
- Discrimination: gender and ethnicity

IV. RESPONSES TO ECONOMIC SHOCKS

- The flexibility of Southeast Asian labour markets
- Safety nets for vulnerable workers:
passive and active labour market policies
(Fig 4)

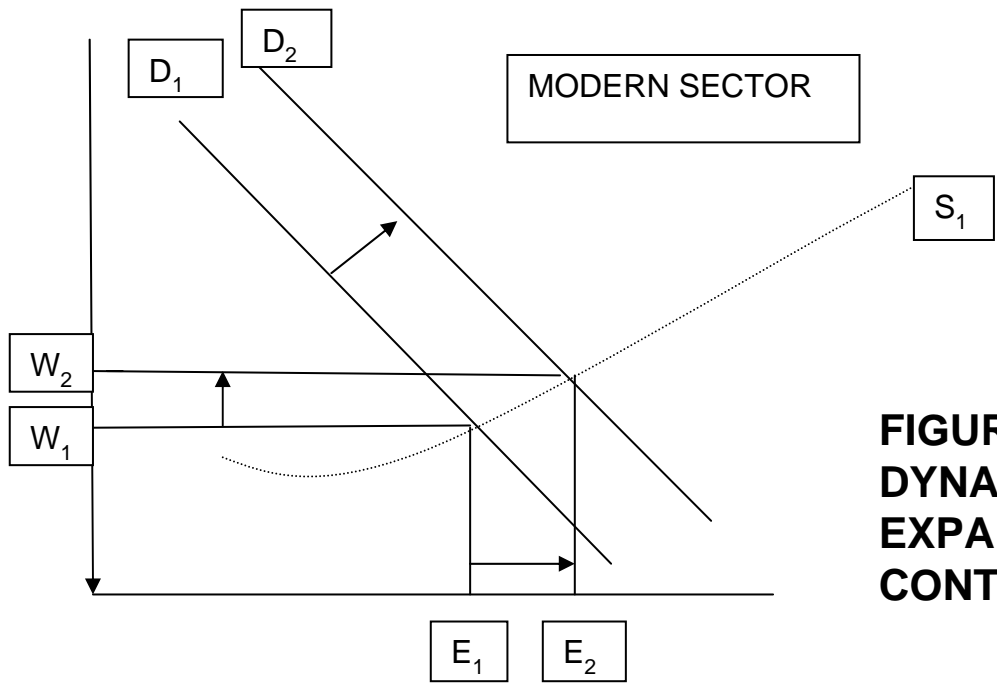


FIGURE 1: WAGE AND EMPLOYMENT DYNAMICS AS THE MODERN SECTOR EXPANDS AND TRADITIONAL SECTOR CONTRACTS

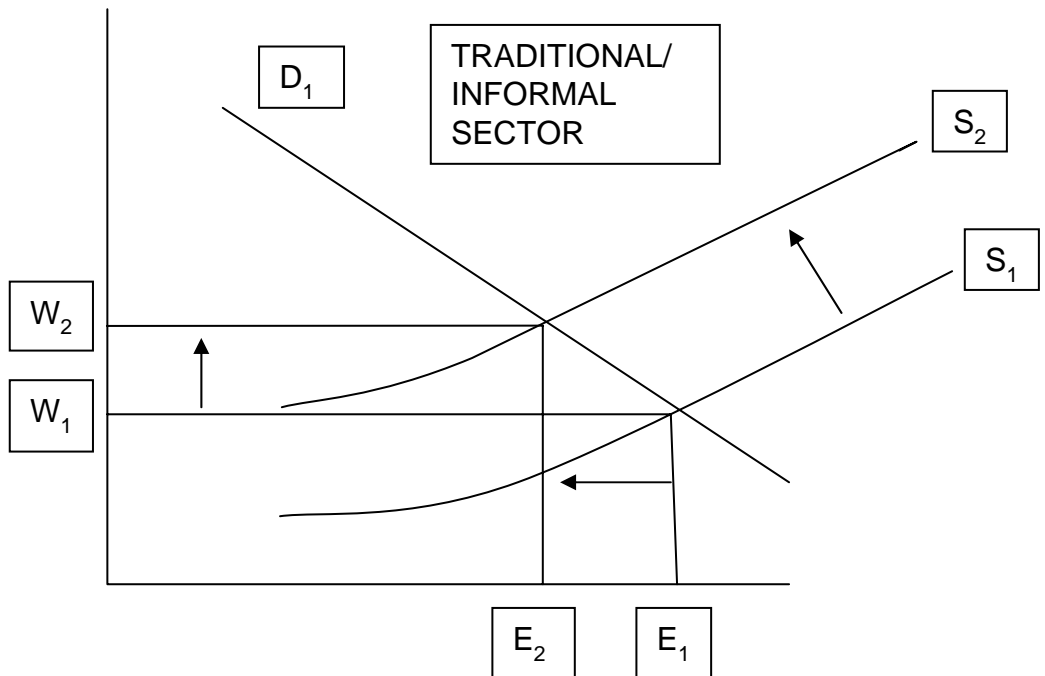
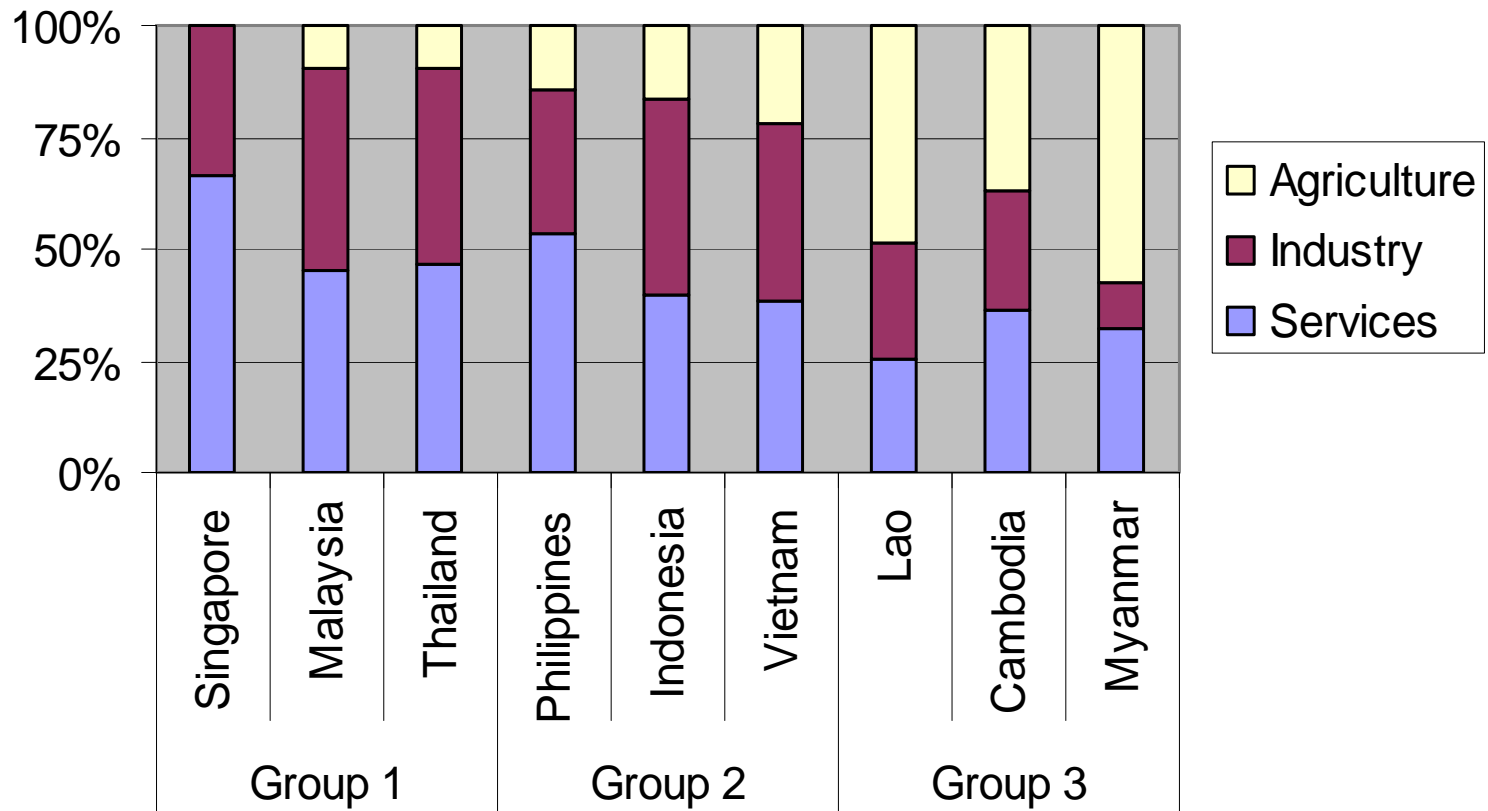


Figure 2. Share of GDP by major sector, ASEAN 2003



**FIGURE 3: NON-AGRICULTURAL JOBS GOING INTO
MANUFACTURING, SELECTED SOUTHEAST ASIAN COUNTRIES
1980-2000**

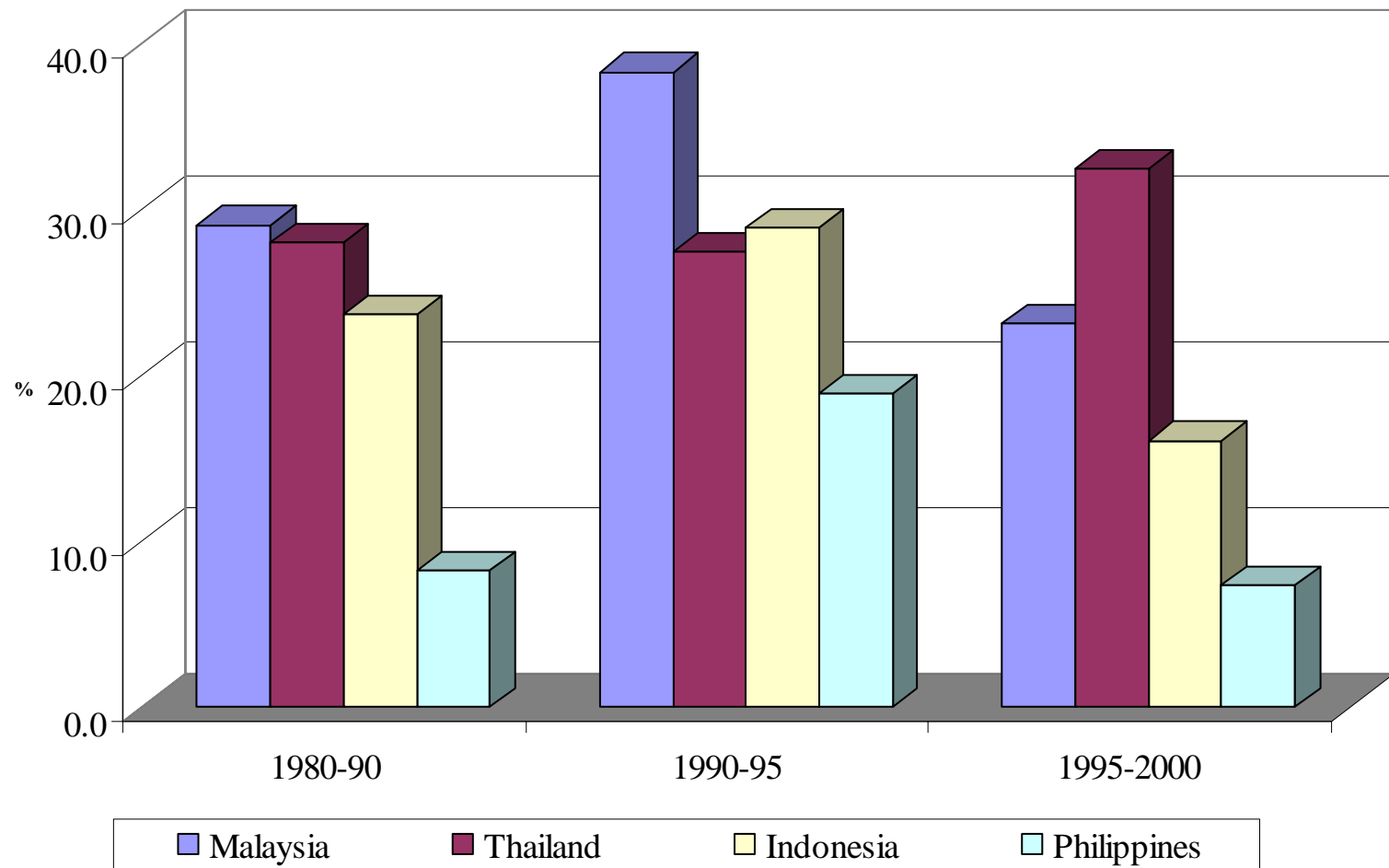


FIGURE 4
TRENDS IN REAL MINIMUM WAGES, MANUFACTURING WAGES AND WAGES IN THE INFORMAL SECTOR
(INDEX =100 IN 1996Q1)

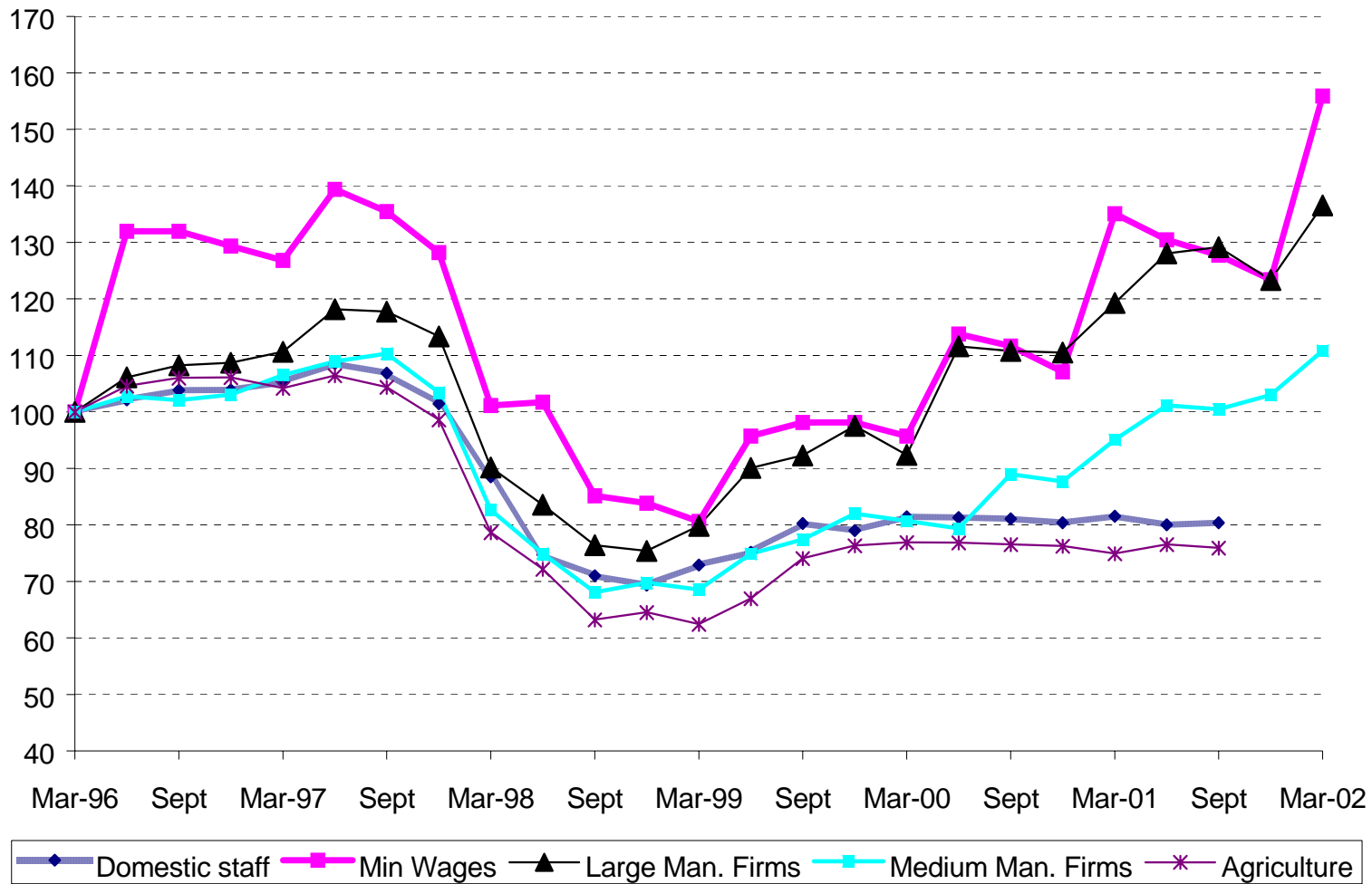


Table 1: Unemployment Rate, % of Urban IFS, and Value Added in Services and Industry, Selected S.E. Asian Countries Circa 2000-2003

Year(s)	Unemployment	Urban Informal	V.A. Per Wkr.	V.A. Per Wkr.
	Rate (%)	Sector* (%)	in Services (\$US '000)	in Industry (\$US '000)
	2003	1999-2001	2000/2001	2000/2001
Singapore	4.7	10	35.7	55
Malaysia	3.6	n.a.	7.9	15.3
Thailand	1.5	60	5.7	8.2
Philippines	11.4	32	2.9	5.3
Indonesia	9.5	50	1.7	4.6
Vietnam	1.7	n.a.	1.5***	1.9
Cambodia	1.8**	78	n.a.	n.a.

* Share of non-agricultural employment

** 2001

*** 1997

TABLE 2: LABOUR COSTS PER WORKER IN MANUFACTURING

	US\$ per year		Index of Wages	
			<i>Singapore=1.0</i>	
	<i>1980-84</i>	<i>1990-94</i>	<i>1980-84</i>	<i>1990-94</i>
Indonesia	898	1008	0.16	0.05
Philippines	1240	2459	0.22	0.11
Thailand	2305	2705	0.41	0.13
Malaysia	2519	3429	0.45	0.16
Singapore	5576	21534	1.00	1.00

B. LABOUR MIGRATION IN SOUTHEAST ASIA

- Introduction
- The international context
- Southeast Asia: determinants of migration
- Migration patterns in S.E.Asia
 - *unskilled workers*
 - *skilled workers*
- Migration policy

I. INTRODUCTION

- Why is migration important?
- Large potential gains for poor countries from increased migration especially of unskilled workers

II. THE INTERNATIONAL CONTEXT

- *International framework*: temporary labour migration (TLM) in developing countries versus more permanent migration elsewhere
- TLM increase modest
- North-South and South-North, but asymmetric
- Powerful forces for migration in both directions
- South-south flows on the increase?
- Southeast Asia?

III. SOUTHEAST ASIA: DETERMINANTS OF MIGRATION

- General:
 - GDP and wages (Table 2 above)
 - Geography
 - Political relationships: ASEAN
- Intra-regional: Economic ties not very strong
 - trade and investment mostly with other countries

IV. MIGRATION PATTERNS IN SE.ASIA

Tables 1-3

- Quite Recent
 - high proportion illegal/undocumented
 - major data problems: guestimates
- Unskilled dominate:
 - low to high income countries
 - skilled labour movements in the opposite direction

V. MIGRATION POLICY

- General Factors in the Region
- Special country-specific (main hosts)
- Regional and Multilateral Agreements: Limited
 - 'Mode 4' in service trade agreements

Main ASEAN Destination Countries, Migration Stocks (Circa 2000-2002)

<i>Destination Country</i>	<i>No. of legal Migs (000)</i>	<i>% of all Migs Legal (approx)</i>	<i>% of Labor Force (approx)</i>
Singapore	550	>90	20-25
Malaysia	1060	60-70	10-15
Thailand	410	60-70	3-5
Cambodia	10	5-10	10-20

Characteristics of Main Migration Flows

<i>Destination Country</i>	<u>Source Country</u>		<u>Industry/Occup.</u>	
	<i>Main</i>	<i>Other</i>	<i>Main</i>	<i>Other</i>
Singapore	Malaysia	Phil, Thai	Const	Maid,
Malaysia	Indonesia	Bdesh, Nepal	Manuf	Agric, Maid,
Thailand	Myanmar	Vietnam, Cambodia, Lao	Fish/Ag	Const
Cambodia	Vietnam	China	Agric	Manuf, Const, Maid Trade

Main Countries of Origin and Destination for Temporary Migrants Within Southeast Asia and Abroad (estimated stocks, circa 2000-2001, thousands)¹

COUNTRY OF ORIGIN	MAIN DESTINATION COUNTRIES WITHIN SOUTHEAST ASIA				OUTSIDE SE ASIA
	Malaysia	Thailand	Singapore	Sub-total ²	
Indonesia	<i>1,500</i>	n.a.	200	1,700	1,000
Burma/Myanmar	5	<i>500</i>	5	505	100?
Philippines	<i>300</i>	10	<i>150</i>	460	2,000-2,500
Thailand	30	xx	30?	60	200
Malaysia	xx	5	<i>300</i>	305	200
Indochina states	25	<i>75</i>	5	105	50
Total	1,860	590	660	3,135	3,550-4,000