

THE ASEAN ECONOMIC COMMUNITY AND THE FREE FLOW OF SKILLED LABOR: A GAME- CHANGER FOR HIGHER EDUCATION INSTITUTIONS

Is Philippine Higher Education ready for AES?

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25 September 2014

THE ASEAN ECONOMIC COMMUNITY AND THE FREE FLOW OF SKILLED LABOR

As of 2013	Population	GDP (Current US\$)	GDP Per Capita (Current US\$)	Land Area
Brunei Darussalam	417,784	16.1 billion	\$38,563.31	5,770 km ²
Cambodia	15.2 million	15.3 billion	\$1,007.57	181,035 km ²
Indonesia	249.9 million	868.3 billion	\$3,475.25	1.919 million km ²
Lao PDR	6.8 million	11.1 billion	\$1,645.74	236,800 km ²
Malaysia	29.7 million	312.4 billion	\$10,513.71	329,847 km ²
Myanmar (Burma)	53.3 million	59.4 billion	\$1,739.84	676,578 km ²
Philippines	98.4 million	272.0 billion	\$2,764.58	300,000 km ²
Singapore	5.4 million	297.9 billion	\$55,182.48	716.1 km ²
Thailand	67.0 million	387.3 billion	\$5,778.98	513,120 km ²
Vietnam	89.7 million	171.4 billion	\$1,910.53	331,210 km ²
Timor-Leste (Observer status)	1.2 million	1.6 billion	\$1,370.67	15,007 km ²

Sources: The World Bank, CIA World Factbook

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ABOUT ASEAN

Reality: Different income levels, different technology levels.

Income Clusters		Lower Income	Middle Income	Upper Income
Top Tech. Cluster				<i>Japan</i> <i>Korea</i> <i>Taiwan</i> <i>Singapore</i> <i>Hong Kong</i>
Middle Tech. Cluster	Upper		<i>China</i>	
	Middle		<i>Malaysia</i> <i>Thailand</i>	
	Lower		<i>Philippines</i> <i>Indonesia</i>	
Lower Tech. Cluster		<i>Vietnam</i> <i>Cambodia</i> <i>Laos</i>	<i>Mongolia</i>	

Income level is given by GDP per capita in 2009. Note: Countries' position in the table reflects their ranking by income and technology.

Source: Di Gropello and Tandon (authors' elaboration.)

THE BASIC AGREEMENT

- ASEAN commits to form an ASEAN Economic Community (AEC) by 2015.
- Concept: To create a single market of 604 million people.
- To be operationalized through three existing agreements:
 1. ASEAN Free Trade Agreement (AFTA) – Provides for the free flow of goods;
 1. ASEAN Framework Agreement on Services (AFAS) – Focuses on the free flow of services, including skilled labor; and,
 1. ASEAN Comprehensive Investment Agreement (ACIA) – Covers the flow of investment and capital within and around the region.

THE BASIC AGREEMENT

- The ASEAN-6 (Brunei Darussalam, Indonesia, Malaysia, Philippines, Singapore and Thailand) are to achieve AES by December 2015.
- The CLMV countries in the Greater Mekong Sub-Region (Cambodia, Lao PDR, Myanmar and Vietnam) are to comply by 2018.
- GOAL: To achieve liberalization in product and services market in an area with a combines population of over 604 million people.

ASEAN FRAMEWORK ON SERVICES (AFAS)

- Signed December 15, 1995 in Bangkok, Thailand
- Three objectives:
 1. Enhance cooperation in services among member-states
 - Improve efficiency and competitiveness of services industries
 - Diversify production capacity and supply
 - Expand distribution of services
 2. Eliminate substantial barriers to trade in services
 3. Liberalization of trade in services by expanding the depth and scope of liberalization

ASEAN FRAMEWORK ON SERVICES (AFAS)

- The eventual free flow of skilled labor requires agreement on standards and guidelines
- Mechanism: Through mutual recognition agreements (MRA)
- MRAs establish the scope of coverage of the sector focused on
- To become an MRA requires the signature of all 10 members states

ASEAN FRAMEWORK ON SERVICES (AFAS)

- The free flow of skilled labor in the region = Talent mobility
- BIG IDEA: Talent mobility would build a strong pool of middle managers across the region to oversee economic growth potential

MUTUAL RECOGNITION AGREEMENTS (MRA)

- Member-states may recognize the following for the purpose of licensing or certification of service suppliers:
 - Education or experience obtained
 - Requirements met
 - Licenses or certification granted in another member-state
- May be based upon an existing agreement or arrangement with the member-state concerned or may be accorded autonomously (ASEAN, 2011)

SEVEN MRAs SIGNED

- Engineering (December 2005)
- Nursing (December 2006)
- Architecture (November 2007)
- Land Surveying (November 2007)
- Medical practice (February 2009)
- Dental practice (February 2009)
- Accountancy (February 2009)

ASEAN FRAMEWORK ON SERVICES (AFAS)

- Key question for human resource professionals managing skilled (and semi-skilled, unskilled labor) (Sim, 2012)
 - ✓ How to manage the flow of people in and out of the organization across borders?
 - ✓ How to adapt people management practices to cope with the changing nature of the workplace?

ASEAN FRAMEWORK ON SERVICES (AFAS)

- To be positive to a country
 - ✓ Prepare to manage internal supply and demand for labor
 - ✓ Challenges: Not to cause displacement of local talent and reduce local earnings

ASEAN FRAMEWORK ON SERVICES (AFAS)

- To be effective as a goal
 - ✓ Competition laws or policies should provide full information for buyers and sellers
 - ✓ Remove all border restrictions
 - ✓ Provide national treatment to ASEAN professionals with respect to taxes and other forms of levies and regulations
 - ✓ Treating foreigners and locals equally in terms of imported and locally-produced goods and services

ASEAN FRAMEWORK ON SERVICES (AFAS)

- “Successful ASEAN integration will require education systems in the region (which will) provide individuals with requisite skills for a changing labor market.” (McCarthy, 2012)
 - Changing production processes across the region
 - Leading to different demands for skills in industries and services
 - How prepared is domestic labor for such change?

ASEAN FRAMEWORK ON SERVICES (AFAS)

- “Qualification recognition arrangements will have to be established as skilled labor demand becomes regional.” (McCarthy, 2012)
 - Force a change in the national vision for education
 - New content to be covered in education systems
 - Different methodologies of instruction and delivery at both higher education and technical-vocational education

ASEAN FRAMEWORK ON SERVICES (AFAS)

- AFAS covers liberalization of services and the trade of business services with impact on the following (Tullao, 2013):
 - Professional services
 - Construction
 - Distribution and logistics
 - Education
 - Environmental services
 - Maritime transportation
 - Health care
 - Telecommunication
 - Tourism

ASEAN FRAMEWORK ON SERVICES (AFAS)

- By the end of 2015, it is intended that services liberalization will mean no restriction in ASEAN service suppliers in providing services and in establishing services companies across national borders within the region, subject to domestic regulations. (DEE, 2009)
- Four priority sectors will move faster than others:
 - Healthcare
 - Air transport
 - e-Commerce
 - Tourism

FREE MOVEMENT OF SKILLED LABOR: IMPLICATIONS FOR EDUCATION

- Free flow of labor means “allowing for managed mobility or facilitated entry for the movement of natural persons engaged in trade in goods, services and investments, according to the prevailing regulations of the receiving country.” (ASEAN, 2011)
- On one level, this is political-administrative:
 - Issuance of visas and employment passes for ASEAN professionals and skilled labor engaged in cross-border trade and investment-related activities

FREE MOVEMENT OF SKILLED LABOR: IMPLICATIONS FOR EDUCATION

- More critical is the provision “working towards harmonization and standardization, with a view to facilitate their (i.e. skilled labor) movement within the region.” (ASEAN, 2011)

FREE MOVEMENT OF SKILLED LABOR: IMPLICATIONS FOR EDUCATION

- Three main action steps:
 1. Enhance cooperation among ASEAN University Network (AUN) members to increase mobility for both students and staff within the region;
 2. Develop core competencies and qualifications for job/occupational and trainers skills required in the agreed priority sectors; and,
 3. Strengthen the research capabilities of each ASEAN Member-Country in terms of promoting skills, job placements, and developing labor market information networks among ASEAN Member-Countries.

FREE MOVEMENT OF SKILLED LABOR: IMPLICATIONS FOR EDUCATION

- Skilled workforce mobility and engagement will require new skill sets and work habit foundations. Other than technical/trade skills, HR managers will look for a wider range of “soft” skills that are developed using different methods of learning. (Sim, 2012)
 - Personal skills (P) – Skills learned by individuals for professional growth
 - Character-building skills (C) – Work habits and character developed within an individual that are salient to the work environment
 - Organizational skills (O) – Skill sets that will develop and sustain the workplace

FREE MOVEMENT OF SKILLED LABOR: IMPLICATIONS FOR EDUCATION

- Personal skills
 - Communication skills
 - Conflict management skills
 - Managerial and leadership skills for women
 - Change management
 - Reading, writing, listening
 - Presentation skills
 - Information technology (computer literacy and facility)
 - Marketing
 - Languages

FREE MOVEMENT OF SKILLED LABOR: IMPLICATIONS FOR EDUCATION

- Character-building skills
 - Interpersonal skills
 - Emotional quotient
 - Resilience
 - Career management (e.g. drive, ambition)
 - Mindful leadership
 - Networking and relationship-building
 - Execution (e.g. ability to deliver)
 - Entrepreneurship
 - Innovation
 - Creativity
 - Social literacy (related to EQ)

FREE MOVEMENT OF SKILLED LABOR: IMPLICATIONS FOR EDUCATION

- Organizational skills
 - Cross-cultural skills (e.g. ability to work with diversity)
 - Diversity (appreciation, understanding, ease with)
 - Coaching/mentoring
 - Accelerated learning techniques (e.g. self-learning)
 - Networking and relationship-building
 - Ability to think big picture, local execution

FREE MOVEMENT OF SKILLED LABOR: IMPLICATIONS FOR EDUCATION

- The importance of language in communication:

“For effective people management, a strong set of communication skills (reading, writing, listening, speaking) in a common language is needed. If English is to be the common universal working language across ASEAN, this means re-wiring the respective ASEAN countries to adopt English as a main language **WITH THE MOTHER TONGUE** (e.g. Bahasa, Vietnamese, Tagalog, Thai) as another official language as it will be the norm for communicating within ASEAN.” (SIM, 2012. Emphasis added)

DECLARATION OF EDUCATION (Cha'am Hua Hin Declaration)

- Addresses the three main blueprints of AEC:
 1. Political-Security Blueprint
 - Understanding and appreciation of the ASEAN Charter in the school curriculum
 - Understanding and appreciation of different cultures, customs and faiths in the region
 2. Socio-Cultural Blueprint
 - Content, language training, access, outreach, lifelong learning, environmental concerns and resource-sharing

DECLARATION OF EDUCATION (Cha'am Hua Hin Declaration)

- Addresses the three main blueprints of AEC:
 3. Economic Integration
 - Development of a national skills framework → ASEAN skills recognition framework
 - Regional cooperation mechanisms for skilled labor mobility + safeguards to improve educational and professional standards
 - Development of an ASEAN competency-based occupational standard to support ASEAN resources that are globally competitive.
 - Development of a common standard of competencies for vocational and secondary education as basis for benchmarking towards mutual recognition.

ASEAN WORKPLAN ON EDUCATION (WPO)

- a) Promote ASEAN awareness among all member-states;
- b) Increase access to quality primary and secondary education (within each member-state);
- c) Increase the quality of education performance standards, lifelong learning (systems) and professional development;
- d) Encourage and promote cross-border mobility and the internationalization of education; and,
- e) Support sectoral bodies working directly in education (Southeast Asia Ministers of Education Organization, ASEAN University Network)

IS THE PHILIPPINES READY FOR AEC?

- In general, the Philippines' progress in the three agreements and the specific MRAs is slow due mainly to Constitutional restrictions and political inertia. (Tullao, 2013)
- Constitutional restrictions:
 - Limits on market access
 - National treatment imposed in many industries
 - Foreign service providers subject to limits on equity participation (e.g. Board of Directors, acquisition of land, and professional practice)

IS THE PHILIPPINES READY FOR AEC?

- Philippines study on progress in MRAs (mid-term review) (Aldaba et al, PIDS, 2012)
 - Philippine Regulatory Commission and DOLE – Putting policy measures in place to facilitate MRA implementation.
 - Seven professions: Collected and reviewed rules and regulations, done some public information.
 - Using the MRA Scoring System and MRA Survey Questionnaire (ASEAN MRA Scorecard): The overall level of preparedness is low (0.25 on a scale of 1.00)

THE CASE OF THAILAND

- Thai Standing Committee on Education created a Sub-Committee on Consideration and Readiness of the Education Sector towards AEC:

“Thailand...has played a significant role (in ASEAN integration)...but the extent of benefits to be derived will depend upon the preparedness of the country especially...people awareness and the development of skills.” (Thai Senate, 2012)



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THE CASE OF THAILAND

- Main findings of the Sub-Committee:
 - Development of ASEAN awareness but not all efforts are in the same direction.
 - More awareness in AEC but not in APC (ASEAN Political Community) and ASCC (ASEAN Socio-Cultural Community).
 - General lack of knowledge and comprehension of the harmonization or rules and regulations.
 - Citizens' knowledge of ASEAN is limited: Many do not know the effects of ASEAN community on Thailand.
 - Lack of vocational workers
 - Lack of coordination, integration, collaboration between public and private sectors in working on ASEAN-related matters.

THE CASE OF THAILAND

- Ministry of Education has the following initiatives to address the Sub-Committee's concerns:
 - Promotion of sister school programs to promote ASEAN awareness (basic education)
 - Promotion of English language training among teachers
 - More television programming in English
 - Reconsider the possible change in the academic calendar to better align with other ASEAN countries in order to facilitate more student exchange (higher education)
 - Scholarships for Thai students to study abroad
 - Develop more focus on improving the technical-vocational qualification system

THE CASE OF THE ASEAN UNIVERSITY NETWORK – Member Universities

- Brunei Darussalam Universiti Brunei Darussalam
- Cambodia Royal University of Law and Economics
 Royal University of Phnom Penh
- Indonesia Institut Teknologi Bandung
 Universitas Airlangga
 Universitas Gadjah Mada
 Universitas Indonesia
- Lao PDR National University of Laos

THE CASE OF THE ASEAN UNIVERSITY NETWORK – Member Universities

- Malaysia
 - Universiti Kebaangsan Malaysia
 - Universiti Malaya
 - Universiti Putra Malaysia
 - Universiti Sains Malaysia
- Myanmar
 - Institute of Economics
 - University of Yangon
- Philippines
 - Ateneo de Manila University
 - De La Salle University
 - University of the Philippines

THE CASE OF THE ASEAN UNIVERSITY NETWORK – Member Universities

- Singapore
 - Nanyang Technological University
 - National University of Singapore
 - Singapore Management University
- Thailand
 - Burapha University
 - Chiangmai University
 - Chulalongkorn University
 - Mahidol University
- Vietnam
 - Vietnam National University (Hanoi)
 - Vietnam National University (HCMC)

THE CASE OF THE ASEAN UNIVERSITY NETWORK

- ASEAN Credit Transfer Scheme (ATS)
 1. To enhance and facilitate student mobility among AUN Member Universities.
 2. To prepare students in AUN Member Universities for AEC 2015.
 3. To prepare students for a future career that will likely involve moving around the region.
 4. To help promote harmony, understanding and the ASEAN spirit in the region.
 5. Complement the programs of individual universities by expanding the choice of courses and programs available to students.
 6. To strengthen higher education cooperation among AUN Member Universities.

THE CASE OF THE ASEAN UNIVERSITY NETWORK

- ASEAN Credit Transfer Scheme (ATS) – Key Features
 1. Student-centered system based on students' workload and in terms of learning outcomes.
 2. Applicable to student mobility and exchanges in the general duration of up to two maximum academic semesters.
 3. Takes into account existing institutional and national credit systems for the expression and conversion of credits, study periods and learning outcome achievements.
 4. Does not require a modification of the existing institutional or national credit systems.

THE CASE OF THE ASEAN UNIVERSITY NETWORK

- Participating universities offer bilateral courtesies to AUN Member Universities under the Student Exchange Program (AUN, 2013):
 - Tuition fee waivers
 - Arrangement for accommodation
 - Assistance in obtaining student entry visas and student permits
 - Assistance in airport transfers
 - Assistance in safety and general welfare of incoming exchange students

CONCLUSION

- AEC is an attempt to organize ASEAN into a major trade and investment bloc given the presence of large players in the region (i.e. China, Japan, Korea).
- Higher education in the region will derive its signals from industry. To the extent that industry is ready, signals on skilled and unskilled labor requirements and demand will lead to appropriate investment in university programs. (But better to anticipate demand rather than be caught behind the curve.)

CONCLUSION

- Service has traditionally been a non-tradable commodity in the past. With developments in ICT, production and consumption of a service can be done in real time across national borders.
- Extensive domestic regulations has been the major constraint because of information asymmetry between service providers and consumers.
- Political considerations still largely drive national decisions in education, health, public interest areas.



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