

Foreword

Over the last four decades, the Association of Southeast Asian Nations (ASEAN) has maintained economic growth well above the global average, with gross domestic product expanding more than 5% annually. The exceptions were the 1997/98 Asian Financial Crisis and the 2008/09 Global Financial Crisis. If current growth rates continue, ASEAN will become the world's fourth-largest economy by 2030—behind the United States (US), the People's Republic of China, and the European Union.

This rapid economic growth has expanded an increasingly wealthy middle class, more willing to pay for better, higher-quality goods and services. It has fueled mass urbanization through both intra- and cross-country migration—as rural workers move to the cities and workers from less-developed areas and countries look for better opportunities in more advanced ones. Southeast Asia's urban population is expected to grow by nearly 100 million people—to some 373 million—by 2030. For example, Malaysia's urban population should reach 80% of its total population, similar to the current shares in advanced economies like the US, France, and the United Kingdom. Bangkok and Ho Chi Minh City are projected to become megacities—with 10 million people or more—joining Jakarta and Manila.

Improved living standards are closely associated with demographic change: Singapore, Thailand, Viet Nam, and Malaysia are rapidly aging. Estimates suggest Singapore's share of the population that is 65 years and older will be more than double the number of those younger than 15 by 2030, with old and young populations comparable in Malaysia by 2040. Thailand and Viet Nam will likely complete the transition from aging to aged societies—with between 14% and 20% of the population 60 years or older—in 2024 and 2039, respectively. Yet countries like the Philippines and Indonesia remain at an early stage of demographic transition, potentially benefiting from a demographic dividend over the next several decades.

Finally, rapid technological advances have the potential to disrupt labor markets. While industrial robots have been confined to routine and manual tasks for a long time, they are increasingly capable of undertaking nonroutine and cognitive tasks. We observe markets for these sophisticated robots in Indonesia, Malaysia, Thailand, and Viet Nam.

All these developments—structural transformation, urbanization, demographic change, and rapid technological advances—could disrupt labor markets and displace workers, simultaneously spurring demand for new, more highly specialized skills currently in short supply. Indeed, almost all ASEAN members report shortages in skilled labor. The ongoing transformation will likely make things worse.

Skilled worker mobility across ASEAN is a powerful way of alleviating skill shortages and transferring knowledge across borders. It is also crucial to boost productivity. When employers can choose from a broader talent pool, they can make better matches and make the best possible use of a scarce resource.

This timely book looks closely at the issue of skills mobility across the ASEAN Economic Community. It begins by taking stock of the nature and magnitude of skill flows within the region and debunking deeply held misconceptions about skilled migrants. It then assesses the economic impact of free skilled-labor flows for specific sectors and for the broader economy. Finally, it provides a wealth of policy insights into how to advance skills mobility in the region. I hope this book will enhance readers' understanding of the importance skills mobility has in fostering a more competitive, inclusive, and resilient ASEAN, as it further unlocks the opportunities and mitigates the risks brought about by the so-called "Fourth Industrial Revolution."

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