

The Impact of ASEAN Regional Integration on the Cross-Border Movement of Local Labor in the Philippines

E. Soriano¹ & M. Reyes¹

¹ West Visayas State University, Philippines

Correspondence: M. Reyes, West Visayas State University, Philippines.

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Abstract

The Association of Southeast Asian Nations (ASEAN) regional integration has significantly influenced the cross-border movement of labor, particularly affecting the Philippines. This paper investigates the impact of ASEAN regional integration on the cross-border movement of local labor in the Philippines, examining the trends, drivers, and socio-economic impacts of labor mobility. Utilizing a mixed-methods approach, the study combines quantitative data from government reports and international organizations with qualitative insights from interviews and focus group discussions. The findings reveal that ASEAN integration has facilitated increased labor mobility, resulting in substantial benefits such as remittances and skill development. However, challenges such as brain drain and labor rights issues persist. Government initiatives, including bilateral agreements and regulatory frameworks, have been implemented to address these challenges, but enforcement and data collection remain areas needing improvement. This research provides policy recommendations to enhance the benefits of labor mobility and mitigate its negative impacts, emphasizing the importance of skill development and robust enforcement mechanisms.

Keywords: ASEAN regional integration, labor mobility, remittances, skill development

1. Introduction

The Association of Southeast Asian Nations (ASEAN) has been a pivotal force in regional integration since its establishment in 1967. Comprising ten member states, including the Philippines, ASEAN aims to promote economic growth, social progress, and cultural development in the region through collective efforts. Over the decades, ASEAN has implemented various initiatives to enhance regional integration, most notably the ASEAN Economic Community (AEC) launched in 2015. The AEC aims to create a single market and production base, characterized by the free flow of goods, services, investment, capital, and labor. This paper focuses on the impact of ASEAN regional integration on the cross-border movement of local labor in the Philippines, a critical yet often underexplored aspect of economic integration.

The importance of studying labor mobility within ASEAN cannot be overstated. Labor mobility is a key component of economic integration that can significantly influence economic development, labor market dynamics, and social welfare. The movement of workers across borders within ASEAN can lead to a more efficient allocation of human resources, fostering economic growth and reducing unemployment in the region. For the Philippines, labor mobility within ASEAN holds particular significance due to its substantial workforce and the pivotal role of remittances in its economy. Understanding the patterns, drivers, and impacts of labor mobility can provide valuable insights for policymakers and stakeholders to formulate strategies that maximize the benefits and mitigate the challenges associated with regional integration.

This research aims to investigate the impact of ASEAN regional integration on the cross-border movement of local labor in the Philippines. Specifically, it seeks to understand the trends and patterns of labor mobility from

the Philippines to other ASEAN countries since the implementation of the AEC, the factors driving this movement, and the socio-economic impacts on the Philippines, including remittances, skill development, and labor market dynamics. Additionally, the research will evaluate the effectiveness of current government policies and initiatives in managing labor mobility and addressing related challenges, ultimately providing policy recommendations to enhance the benefits and mitigate the negative impacts of labor mobility.

This paper aims to contribute to the existing literature on regional integration and labor mobility, offering a comprehensive analysis of the Philippine context. The findings are expected to provide practical insights for policymakers, helping them to navigate the complexities of labor mobility within ASEAN and to harness its potential for national development.

2. Literature Review and Methodology

The phenomenon of regional integration and its impact on labor mobility has been extensively studied, particularly in the context of economic unions and free trade areas. Theoretical frameworks such as neoclassical economics emphasize the role of factor mobility, including labor, in achieving economic equilibrium and optimizing resource allocation across integrated regions (Borjas, 2014). Within this framework, the movement of labor is driven by wage differentials and employment opportunities, leading to an efficient allocation of human resources that can enhance productivity and economic growth (Todaro & Smith, 2015). Another significant theoretical approach is the new economic geography, which examines how economic integration affects the spatial distribution of economic activities and labor (Krugman, 1991). This theory highlights the role of agglomeration economies, suggesting that integration can lead to the concentration of industries and labor in specific regions, thereby influencing migration patterns and labor distribution.

Previous studies on ASEAN integration and labor movement provide a critical backdrop for understanding the specific context of the Philippines. For instance, Athukorala and Manning (1999) explored the early impacts of ASEAN economic integration on labor markets, noting that while there were initial barriers to labor mobility, subsequent policies facilitated greater movement of workers. More recent research by Abella and Ducanes (2009) focused on the implications of the ASEAN Economic Community (AEC) for labor migration, highlighting both opportunities and challenges. Their findings suggest that while ASEAN integration has opened up new labor markets for Filipino workers, it has also necessitated improved regulatory frameworks to protect migrant workers' rights. Additionally, Orbeta (2013) examined the impact of regional integration on labor demand in the Philippines, finding that certain sectors, particularly services and manufacturing, experienced increased demand for skilled labor as a result of integration.

The research design for this study is a mixed-methods approach, combining quantitative and qualitative data to provide a comprehensive analysis of labor mobility within ASEAN. Quantitative data will be sourced from government reports, such as those from the Philippine Statistics Authority (PSA) and the Department of Labor and Employment (DOLE), as well as from international organizations like the International Labour Organization (ILO) and the ASEAN Secretariat. These sources will provide statistical insights into labor migration patterns, demographic characteristics of migrant workers, and economic indicators related to labor mobility. Additionally, household and labor force surveys will be utilized to gather detailed information on employment trends and remittances.

Qualitative data will be collected through interviews and focus group discussions with key stakeholders, including migrant workers, government officials, labor union representatives, and employers. These interviews will provide in-depth insights into the lived experiences of Filipino migrant workers, the challenges they face, and their motivations for seeking employment abroad. The qualitative component will also explore the perspectives of policymakers and employers on the impact of ASEAN integration on the labor market and the effectiveness of existing policies.

Analytical tools for this research will include econometric models to analyze the quantitative data, identifying trends and correlations between ASEAN integration and labor mobility. Regression analysis will be used to examine the factors influencing labor migration, such as wage differentials, employment opportunities, and policy measures. Qualitative data will be analyzed using thematic analysis, allowing for the identification of common themes and patterns in the interview responses. This dual approach will enable a robust analysis that captures both the macroeconomic trends and the micro-level experiences of individual workers.

The limitations of this study should be acknowledged. Data availability and reliability may pose challenges, particularly for comprehensive cross-country comparisons within ASEAN. Additionally, the qualitative data may be subject to biases based on the subjective experiences and perspectives of the interviewees. Despite these limitations, the mixed-methods approach adopted in this research is expected to provide a well-rounded understanding of the impact of ASEAN regional integration on the cross-border movement of local labor in the Philippines, offering valuable insights for policymakers and stakeholders.

3. ASEAN Integration and Labor Market Dynamics

3.1 Overview of ASEAN Regional Integration and Key Policies

ASEAN's regional integration is rooted in the vision of creating a cohesive and economically robust region. The establishment of the ASEAN Economic Community (AEC) in 2015 marked a significant milestone, aiming to transform ASEAN into a single market and production base with free movement of goods, services, investment, capital, and labor. Key policies facilitating this integration include the ASEAN Trade in Goods Agreement (ATIGA), the ASEAN Framework Agreement on Services (AFAS), and the ASEAN Comprehensive Investment Agreement (ACIA). These agreements collectively aim to reduce barriers to trade and investment, harmonize regulations, and create a more conducive environment for economic activities across member states (ASEAN Secretariat, 2015).

Labor mobility, a critical aspect of the AEC, is supported by the Mutual Recognition Arrangements (MRAs) for professional qualifications. These MRAs enable the recognition of qualifications across member states, facilitating the movement of skilled professionals such as engineers, nurses, and architects. However, despite these initiatives, significant challenges remain in fully realizing labor mobility due to varying national regulations, protectionist tendencies, and differences in labor market conditions across member states (Chia, 2011).

3.2 Current State of the Philippine Labor Market

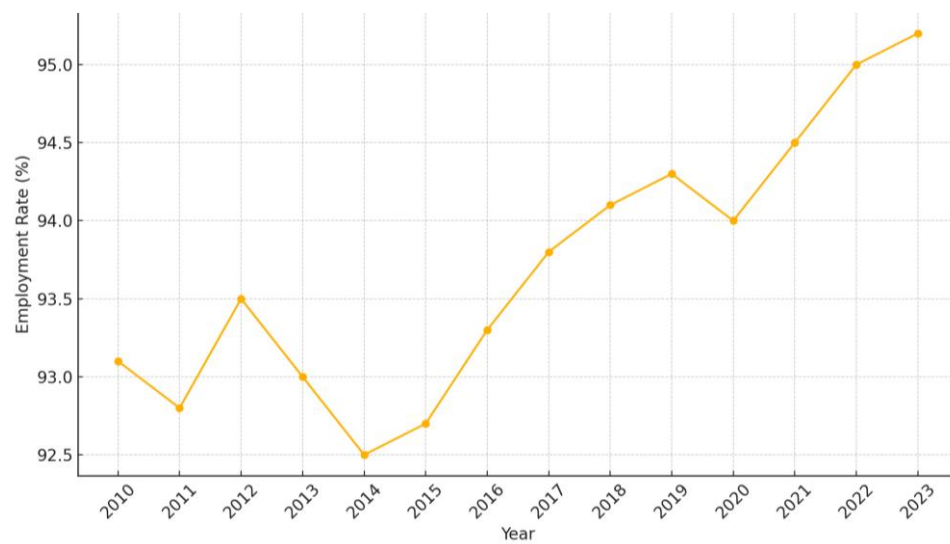


Figure 1. Employment Rate Trends in the Philippines (2010-2023)

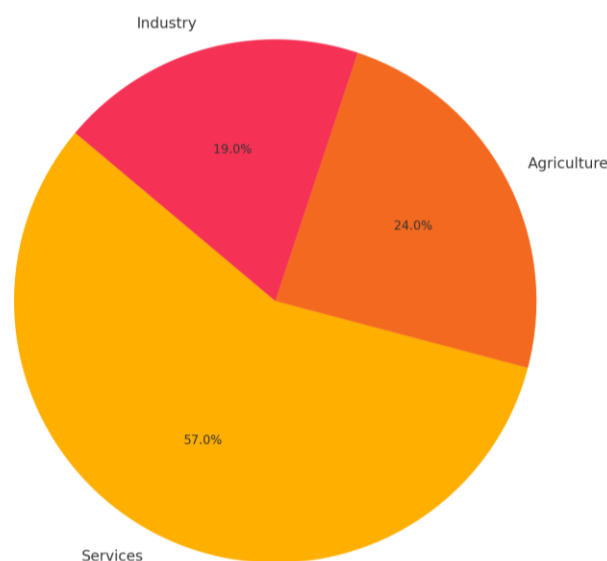


Figure 2. Sectoral Employment Distribution in the Philippines (2023)

The Philippine labor market is characterized by a diverse and dynamic workforce. According to the Philippine Statistics Authority (PSA), as of 2023, the labor force participation rate stands at approximately 63%, with significant contributions from sectors such as services, agriculture, and manufacturing. The services sector is the largest employer, accounting for around 57% of total employment, followed by agriculture at 24%, and industry at 19% (PSA, 2023). The unemployment rate has been relatively stable, hovering around 5%, but underemployment remains a persistent issue, affecting approximately 14% of the employed population.

The demographic profile of the Philippine workforce shows a young and growing labor force, with a median age of 24.5 years. This demographic advantage, often referred to as the “demographic dividend,” presents both opportunities and challenges. While the young workforce can drive economic growth and innovation, it also necessitates the creation of sufficient and quality jobs to absorb new labor market entrants (Orbeta & Lanzona, 2018).

3.3 Trends and Factors Driving Labor Mobility

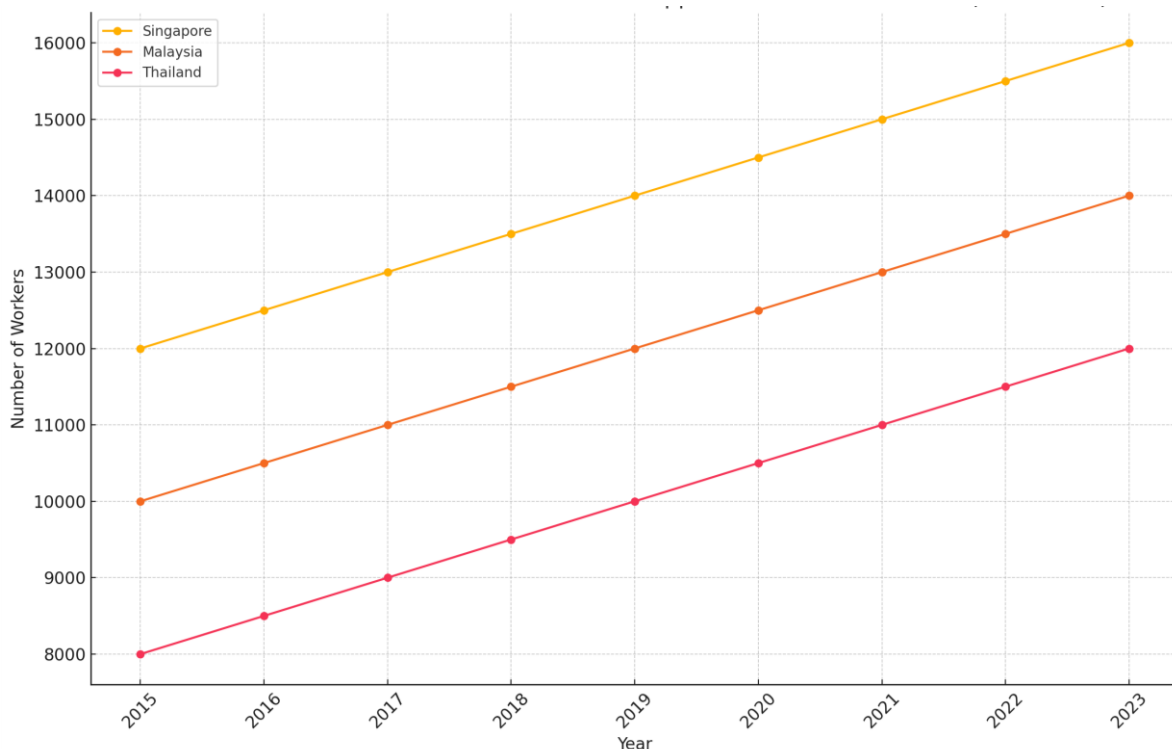


Figure 3. Cross-border Labor Movements from the Philippines to ASEAN Countries (2015-2023)

ASEAN integration has had a noticeable impact on labor mobility patterns in the Philippines. The movement of Filipino workers to other ASEAN countries has been influenced by several factors, including economic opportunities, wage differentials, and policy frameworks. Since the implementation of the AEC, there has been an increase in the number of Filipino professionals and skilled workers migrating to ASEAN countries such as Singapore, Malaysia, and Thailand. These countries offer attractive employment opportunities, higher wages, and better working conditions compared to the domestic labor market (Sugiyarto & Agunias, 2014).

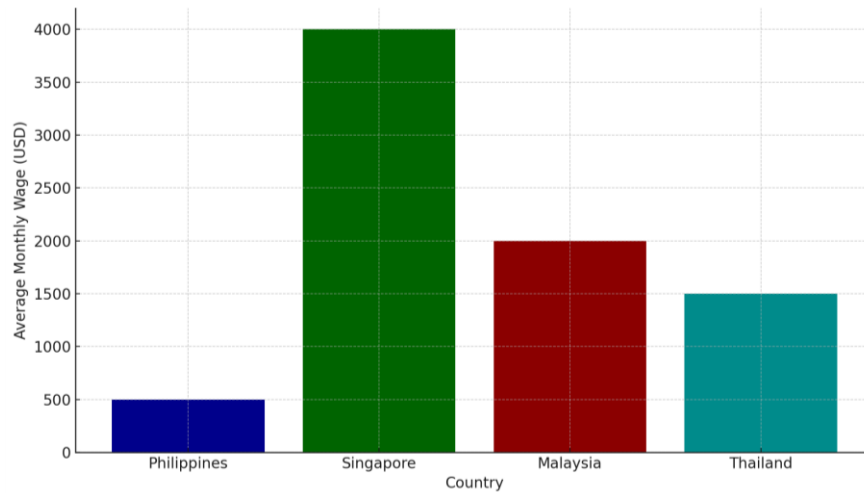


Figure 4. Wage Differentials Between the Philippines and Key ASEAN Countries (2023)

Economic factors play a significant role in driving labor mobility. Wage disparities between the Philippines and other ASEAN countries are a primary motivator for workers seeking employment abroad. For instance, the average monthly wage in Singapore is significantly higher than in the Philippines, making it a lucrative destination for Filipino workers. Additionally, the demand for skilled labor in industries such as healthcare, information technology, and engineering in other ASEAN countries has created pull factors for Filipino professionals.

Policy frameworks within ASEAN also facilitate labor mobility. The MRAs, as mentioned earlier, are crucial in recognizing professional qualifications, thus easing the movement of skilled labor. However, the implementation of these arrangements varies across countries, with some member states being more proactive than others. Furthermore, national labor market policies and protectionist measures can either promote or hinder labor mobility. Countries with more open and flexible labor policies tend to attract more foreign workers, while those with restrictive regulations may pose challenges for labor movement (Tullao & Cortez, 2006).

In conclusion, ASEAN regional integration has significantly influenced labor market dynamics in the Philippines, fostering increased labor mobility within the region. The current state of the Philippine labor market, characterized by a young workforce and sectoral diversity, interacts with regional integration policies and economic factors to shape labor movement trends. Understanding these dynamics is essential for policymakers to harness the benefits of labor mobility while addressing its challenges.

4. Socio-economic Impacts

4.1 Benefits of Labor Mobility

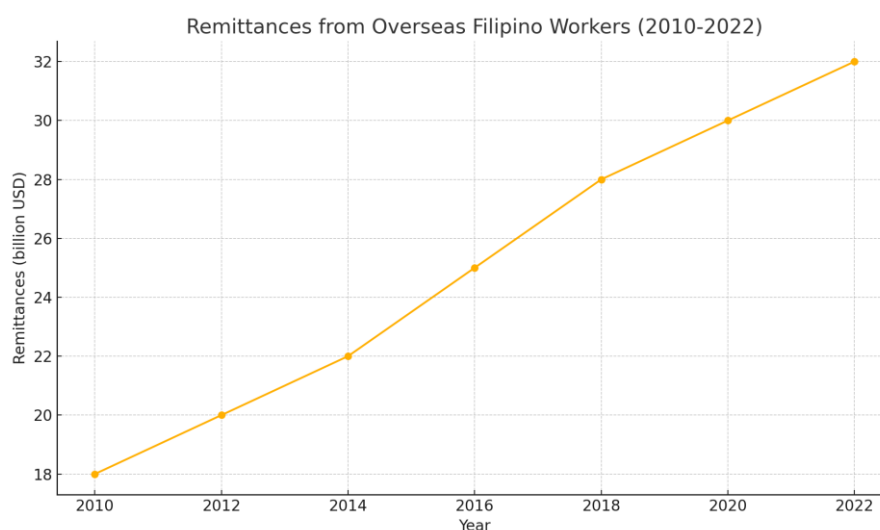


Figure 5. Benefits of Labor Mobility – Remittances and Skill Development (2022)

The cross-border movement of labor within ASEAN, particularly from the Philippines, has yielded significant socio-economic benefits. One of the most notable advantages is the substantial inflow of remittances from overseas Filipino workers (OFWs). Remittances constitute a critical source of foreign exchange and a vital component of the Philippine economy. In 2022, remittances from OFWs accounted for approximately 10% of the country's GDP, providing a stable source of income for many Filipino households (Bangko Sentral ng Pilipinas, 2022). These remittances enhance household consumption, improve living standards, and support investments in education, health, and housing, contributing to poverty reduction and socio-economic development (Ratha, 2013).

Moreover, labor mobility facilitates skill development and human capital formation. Filipino workers gain access to better training, advanced technologies, and professional experiences in more developed ASEAN countries. This exposure enables them to acquire new skills, enhance their competencies, and improve their employability both abroad and upon their return to the Philippines (Abella & Ducanes, 2009). For instance, Filipino nurses and engineers working in Singapore and Malaysia benefit from advanced healthcare systems and technological environments, respectively, which contribute to their professional growth and capacity building (Orbeta, 2013). Upon returning, these workers can transfer their acquired skills and knowledge, potentially boosting productivity and innovation in the domestic labor market.

4.2 Challenges and Issues

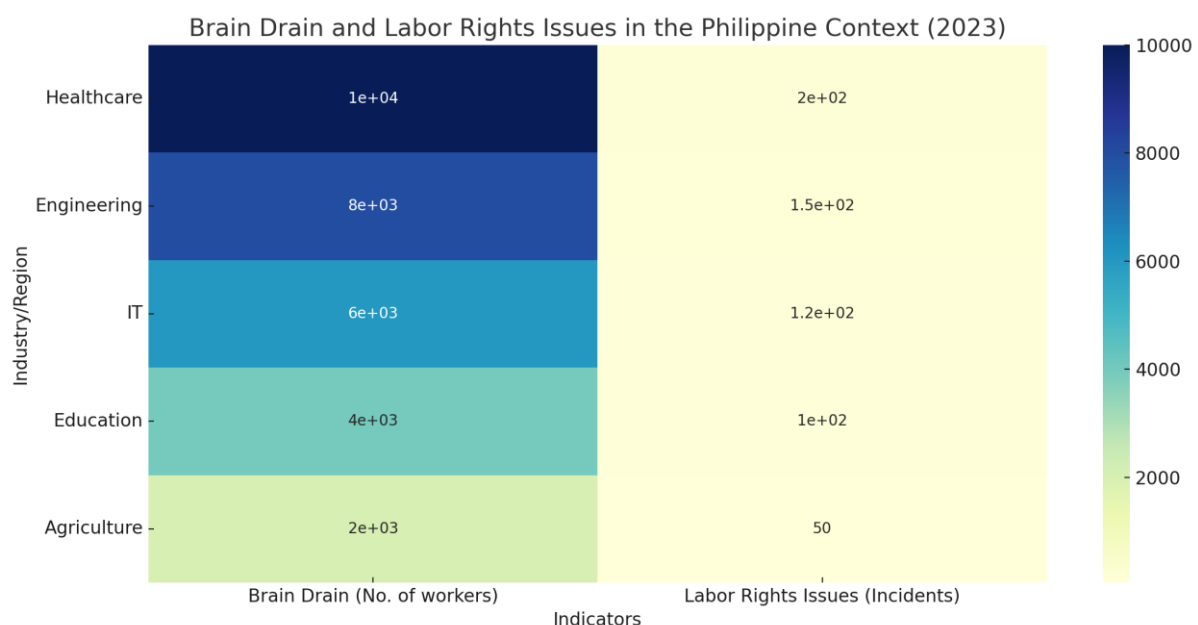


Figure 6. Brain Drain and Labor Rights Issues in the Philippine Context (2023)

Despite the numerous benefits, labor mobility within ASEAN also presents significant challenges and issues. One of the primary concerns is the phenomenon of brain drain, wherein the emigration of skilled workers results in a depletion of the domestic talent pool. The outflow of professionals, such as doctors, engineers, and IT specialists, can lead to skill shortages in critical sectors of the Philippine economy. This brain drain exacerbates existing gaps in the labor market and hampers the country's ability to achieve sustainable development goals (Docquier & Rapoport, 2012). Furthermore, the migration of highly skilled workers can undermine the quality of services in essential areas such as healthcare and education, posing long-term socio-economic risks.

Labor rights and the protection of migrant workers represent another critical issue. Filipino migrant workers often face exploitative working conditions, inadequate legal protections, and limited access to social services in host countries. Issues such as wage theft, contract substitution, and poor working conditions are prevalent, particularly among lower-skilled workers (Parreñas, 2015). The ASEAN Declaration on the Protection and Promotion of the Rights of Migrant Workers, adopted in 2007, aims to address these challenges by promoting fair treatment and protection for migrant workers. However, the implementation of these policies varies across member states, and enforcement remains inconsistent (Tullao & Cortez, 2006).

4.3 Case Studies of Filipino Workers in ASEAN Countries

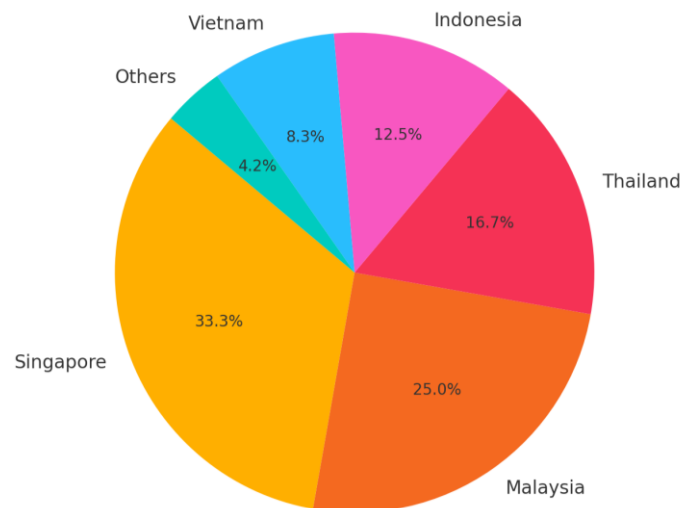


Figure 7. Distribution of Filipino Workers Across ASEAN Countries (2023)

The experiences of Filipino workers in different ASEAN countries highlight the diverse impacts of labor mobility. In Singapore, Filipino domestic workers and healthcare professionals constitute a significant portion of the migrant workforce. Domestic workers benefit from relatively higher wages and improved living conditions compared to those in the Philippines. However, they also face challenges such as long working hours, restricted mobility, and social isolation (Yeoh, 2013). Healthcare professionals, on the other hand, gain valuable experience and training in a world-class healthcare system, which enhances their professional skills and career prospects (Orbeta, 2013).

In Malaysia, Filipino workers are predominantly employed in the manufacturing and construction sectors. These workers contribute significantly to Malaysia's economic growth, particularly in labor-intensive industries. While they benefit from higher wages and better employment opportunities, they often encounter issues related to labor rights, including limited access to legal recourse and social protection (Abella & Ducanes, 2009). The Malaysian government has made efforts to improve the working conditions of migrant workers through bilateral agreements and regulatory reforms, but challenges persist.

In Thailand, Filipino teachers and professionals in the hospitality industry have found favorable employment opportunities. Filipino teachers are highly regarded for their proficiency in English and are in demand in both private and public educational institutions. This demand provides them with stable employment and competitive salaries. However, regulatory barriers and bureaucratic hurdles can sometimes impede their professional integration and career advancement (Tullao & Cortez, 2006). Professionals in the hospitality industry benefit from Thailand's thriving tourism sector, but they also face challenges related to job security and career progression.

In conclusion, the socio-economic impacts of ASEAN labor mobility on the Philippines are multifaceted. While the benefits in terms of remittances, skill development, and economic growth are substantial, significant challenges such as brain drain and labor rights issues must be addressed. Case studies of Filipino workers in Singapore, Malaysia, and Thailand underscore the complexities and varied experiences of migrant workers within ASEAN. A comprehensive understanding of these impacts is essential for developing policies that maximize the benefits and mitigate the adverse effects of labor mobility.

5. Policy Responses and Conclusion

The Philippine government has undertaken several initiatives to manage labor mobility and address the associated socio-economic impacts arising from ASEAN integration. One key initiative is the establishment of the Overseas Workers Welfare Administration (OWWA), which provides support and services to overseas Filipino workers (OFWs) and their families. OWWA offers pre-departure orientation seminars, welfare assistance, repatriation services, and reintegration programs designed to support the socio-economic well-being of OFWs and facilitate their smooth reintegration into Philippine society upon their return (OWWA, 2022). Additionally, the Philippine Overseas Employment Administration (POEA) regulates and monitors the recruitment and deployment of Filipino workers abroad, ensuring compliance with labor standards and protecting workers' rights (POEA, 2023).

To enhance the benefits of labor mobility and mitigate its negative impacts, the Philippine government has also

entered into bilateral agreements and memoranda of understanding with various ASEAN countries. These agreements aim to establish mutually beneficial labor migration frameworks that promote fair treatment and protection of migrant workers. For instance, the bilateral agreement with Malaysia includes provisions for regularizing undocumented workers, ensuring their access to legal and social protection, and facilitating their repatriation (Abella & Ducanes, 2009). Furthermore, the government has been active in regional dialogues and initiatives under the ASEAN framework, contributing to the development of policies that support labor mobility and protect migrant workers' rights (ASEAN Secretariat, 2015).

However, the effectiveness of these policies and initiatives varies, and several challenges remain. One major challenge is the enforcement of labor rights and protection measures. Despite the existence of regulations, many Filipino workers continue to face exploitation and abuse in host countries. Strengthening the enforcement mechanisms and ensuring that host countries comply with agreed standards are crucial for improving the conditions of migrant workers (Tullao & Cortez, 2006). Additionally, there is a need for more comprehensive data collection and analysis to better understand the trends and impacts of labor mobility. Enhanced data can inform more effective policy-making and allow for targeted interventions to address specific issues faced by migrant workers.

To further enhance the benefits of labor mobility, the government could consider implementing policies that focus on skill development and human capital formation. Investing in education and vocational training programs can equip Filipino workers with the skills needed to compete in the regional labor market. This not only improves their employability but also helps in addressing the issue of brain drain by ensuring a steady supply of skilled labor in critical sectors (Orbeta, 2013). Additionally, promoting entrepreneurship and providing support for returning OFWs to start their own businesses can create economic opportunities and foster sustainable development in local communities (Ratha, 2013).

In conclusion, ASEAN regional integration has significantly influenced the cross-border movement of local labor in the Philippines, bringing both opportunities and challenges. Government initiatives such as OWWA and POEA have played a crucial role in supporting and protecting Filipino workers abroad. Bilateral agreements and participation in ASEAN dialogues have further contributed to creating a framework for labor mobility that aims to balance the benefits and mitigate the negative impacts. However, challenges related to enforcement, data collection, and skill development remain. Addressing these challenges requires a multi-faceted approach that includes strengthening regulatory frameworks, investing in human capital, and fostering entrepreneurship. The findings of this research highlight the need for continued efforts to enhance the socio-economic benefits of labor mobility while ensuring the protection and well-being of Filipino workers in ASEAN countries.

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