

**Prospective Demand for
Foreign Labor and the
Responsiveness of Labor
Supply from the
Developing East Asian
Region**

Education-labor market

The Education/Training Labour Market

Demand for labour of skills 1,2,...n

Supply of labour of skills 1,2,...n

Supply of ET
Skills 1,2, ...n

Demand for
ET of skills
1,2,...n

Supply of ET
Skills 1,2,...n

Educational/Training

Universities & colleges
providing degree
programmes, 1,2, ...n
technical & vocational
institutes providing
Training in skills
1,2, ...n

Employers

Domestic firms
demanding labour

Foreign markets
demanding labour

Government
demanding labour

HOUSEHOLDS

Labour Force
With skills
1,2, ...n

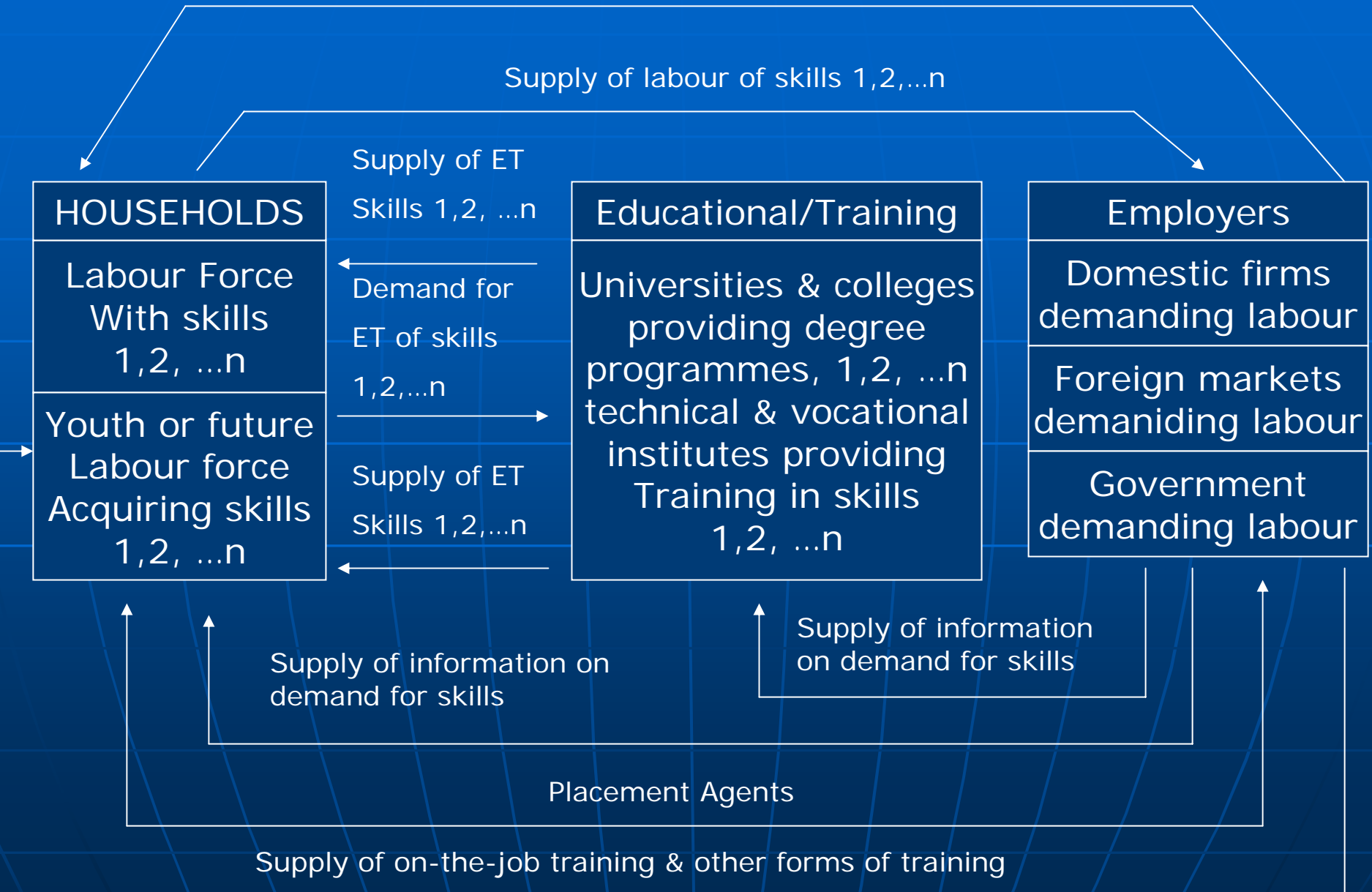
Youth or future
Labour force
Acquiring skills
1,2, ...n

Supply of information on
demand for skills

Supply of information
on demand for skills

Placement Agents

Supply of on-the-job training & other forms of training



Three major participants in the ELM

1) Households / families as sources of supply

Members decide what skill to acquire and given the skill how much labor to supply.

2) Educational/training institutions for instruction / training

They provide both general knowledge and specialized knowledge

Elementary and secondary schools provide mainly general knowledge, first degree programs also have a large component of general knowledge. Specialization takes place at the higher level such as second degree programs in law, medicine and graduate studies.

3) Firms including self-employed enterprises that employ labor varied skills classified by level of education and work skill or occupations.

All firms provide on-the-job training in specific skills, some firms provide programmed training, e.g. IT firms

The government influences the education-labor market directly and indirectly, directly through subsidy to education/training, operation of public schools and its own employment of school graduates.

Indirectly through
policies that influence
economic development and
employment, population,
education/training
decision, migration, etc.

Job placement agents or recruiters who facilitate workers' job search and firms' hiring activities. They collect information on available jobs and use this in drawing job applicants. They help firms by drawing in applicants and make the preliminary screening of those suitable for the jobs. The agents reduce both search and hiring cost.

Prospective demand for migrant workers

**Prospective demand for migrant workers
arise from tight labor market in general or for some
specific skills that may be due to any of the following reasons:**

- 1) Full employment and general tightness of the labor market
- 2) The ageing phenomenon that leads to high dependency ratio and declining work force

- 3) Inelastic supply of some skill categories –
Skills/occupations that are servile in nature, hazardous to health and requiring scarce ability e.g., domestic work, mining, IT specialists, scientist, artists, nurses.
- The shortage of nurses have persisted for more than 2 decades in the US and other OECD countries because the occupation has lost much of its attractiveness in terms of pay, prestige and working conditions.
 - Affluence tends to increase the demand for services while the supply of labor for service occupations but the supply of servile occupations, e.g., housemaids is not elastic.

- 4) There is world-wide competition for highly skilled labor – those with high IQ with high degree from prestigious universities, especially in the sciences and engineering, e.g., ICT specialists. Multinational companies and prestigious universities and research institutions recruit such labor in order to maintain their competitiveness.

- 5) The outsourcing of specific production and financial processes and customer service. The IT revolution has allowed the outsourcing of many activities for their management and supervision can now be monitored on line and some services can be delivered anywhere, e.g., accounting, research, financial services, call centers. Outsourcing is a substitute for migrant labor. Outsourcing is expected to continue increasing considering that only a small fraction, 5% according to McKinsey report is currently outsourced.

6) Immigration policy of destination countries determines the number and the skill categories to be allowed entry. Cultural/political factors strongly influence each country's policy. The US has always welcomed highly talented individuals in most specializations. Its immigrant quota is relatively small, about 140,000 per year, and mainly for highly skilled people, no quota for housemaids and unskilled workers. Most immigrants have tertiary and higher degrees which they select from the scholars of their great universities.

East Asian labor import is mainly of the lower skilled workers on temporary basis.

Europe has no explicit policy but generally restrict immigration. Germany has recently decided to import 20,000 IT specialists from India.

Absolute Changes in the Stock of International Migrants

	1980- 1990	1990- 2000	2000
World Changes	54,222	20,929	
More Developed Countries (w/o USSR)	14,857	21,489	80,822
North America	9,510	13,247	40,844
Western Europe	2,571	3,607	18,836
Northern Europe	1,387	818	6,135
Australia & New Zealand	595	1,047	5,555
Western Asia	5,925	4,087	18,980
Asia(w/o West & AC Asia)	2,713		17,120

Percentage Distribution of Migrants by Educational Attainment in OECD, 2000

Country	Primary or Less	Secondary	Tertiary
Total	539,396	1,263,951	2,918,597
China, PR	20	26	54
Indonesia	3	23	75
Philippines	8	20	73
Bangladesh	9	29	62
India	5	15	80
Pakistan	7	26	67
Sri Lanka	2	26	72

Distribution of Overseas Workers by Destination, by Country (2000)

Country	Asia	Middle East	Europe	Americas	Oceania
Philippines	45.40	44.04	6.11	1.19	0.37
India	7.31	55.92	2.56	21.64	2.01
Sri Lanka	1.81	94.87			
Indonesia (1997)	63.60	34.78			
Thailand	90.16	7.48	1.30		

Deployed Workers by Destination

Indicator	1997	2000	2003	Growth % (2000-2003)
Total	747,696	841,628	867,969	3.1
Land Based	559,227	643,304	651,938	1.3
Americas	7,058	7,624	11,049	44.9
Asia	235,129	292,067	254,520	-12.6
Hong Kong	78,513	121,762	84,633	-30.9
Japan	33,226	63,041	62,539	-0.8
Korea	3,647	4,743	7,136	50.0
Malaysia	13,581	5,450	7,124	30.7
Singapore	16,055	22,873	24,737	8.1
Taiwan	72,748	51,145	45,371	-11.7
Europe	12,626	39,296	45,363	-3.3
Middle East	221,047	283,291	285,564	0.8
Oceania	1,970	2,386	1,698	-28.9
Sea Based	188,469	198,324	216,031	5.4

Supply Indicators

Definitely the poorer countries of Asia have the population to export more labor.

The income differential between destination and origin countries is tremendous and makes immigration attractive to large numbers even if there are high psychic costs, placement costs and risk. There are risks of physical assault, contract violation and fraudulent recruitment.

Like the domestic ELM, the qualifications demanded must be matched to the qualifications of the applicants.

Look back at the skill/occupational categories of the migrants in the OECD Countries and the deployment from the Philippines. Table 3.

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- 1. More than 50% of migrants in the OECD countries have tertiary education.**
- 2. There is ample stock of manpower with this education in Asia source countries but quality is a problem. Excepting for Sri Lanka, all the countries have developed very extensive tertiary educational institutions but largely of low quality. A McKinsey survey (Table 6) observed from sample of multinational firms that only small fractions of college graduates in the countries sampled qualify for their jobs.**

Suitability of College Graduates for MNC Employment by Field, 2005

Country	Engineer	Finance/ Accounting	General List
Russia	10	20	10
Czech Republic	50	40	20
Poland	50	30	15
Hungary	50	50	30
China	10	15	3
Philippines	20	30	25
India	25	15	10
Malaysia	35	25	20
Brazil	13	13	8
Mexico	20	25	11

4) Apparently, some India and the Philippines have developed as source niches for specific skills/occupations. India has become a major and acclaimed source of high level IT and science specialists. The Philippines is a dominant supplier of shipping crew, nurses and musical and dance entertainers (Table 6).

No. Deployed New Hires, by Skill/Occupation Asia, 1995-2005, UK and Italy, 2003											
	Total	Executive, Administrative	Professional	Engineers	Nurses	Medical, Dental, Veterinary	Clerical sales	Production & other skilled	Unskilled Services	Entertainers	IT
China											
1995	60	2	17	6	-	-	7	32	1	5	-
2005	298	3	233	14	-	-	8	8	45	93	-
HongKong											
1995	23,150	-	401	-	-	20	21	521	22,230	133	3
2005	17,599	1	4	-	-	-	2	2	17,514	75	1
Japan											
1995	23,111	-	22,971	26	-	-	8	17	104	-	5
2005	38,772	4	-	-	-	-	20	-	-	23,086	-
Korea											
1995	3,917	1	7	2	-	2	-	3,845	36	28	-
2005	6,900	1	32	20	-	-	5	6,172	-	687	1
Malaysia											
1995	6,766	9	242	97	80	-	28	-	5,061	7	-
2005	1348	22	137	67	-	-	933	247	917	23	-
Singapore											
1995	2,811	-	461	154	162	16	1	753	1,565	39	1
2005	3,438	24	532	276	149	-	27	296	2,540	24	-
Taiwan											
1995	41,163	3	169	45	1	-	150	29,493	11,341	8	-
2005	34,367	1	512	132	357	-	268	21,249	12,335	7	-
Italy											
2003	115	1	2	1	-	-	1	6	96	-	-
UK											
2003	2,489	9	1,693	-	1,549	64	5	56	656	-	-

5) The source countries, excepting for India technical institutes have not developed high quality universities. All the reputable science and technology universities in Asia are in Japan, South Korea, Taiwan China and India.

6) The source countries can supply lower skilled workers in large numbers but the demand for these are unlikely to grow fast.

Policy Implications

- 1) Immigration is not a solution to the unemployment and poverty of the peoples in the source countries. Economic development remains the main solution.
- 2) Returns to migration depends on the skill of the migrant, IT vs. housework.. Highly qualified labor can more easily find work in destinations that pay more and offer greater freedom and better terms of employment, US.. vs. Saudi Arabia

- 3) Migration policy in source countries should not be isolated from education/training policy. The ELM does show that like in the domestic market, the government must guide and provide subsidy to students so that they will invest in the skills that are expected to give them the best career satisfaction.
- 4) Information about job opportunities, negotiation for labor protection, and a rational subsidy system, e.g. scholarship, are essential for improving the functioning of an open ELM.

Improving quality is critical for developing the qualification demanded abroad, e.g. IT and nurses.

There are hundreds of IT and nursing schools but only a small fraction of graduates qualify for jobs in high wage destinations. The Philippines should send nurses instead of maids.

The recruitment agencies may face falling demand for their service as personal network expands. High quality migrants will likely rely on the internet and personal contact to find jobs abroad.