

Southeast Asian Labor Migration to Korea: Origin-Country Factors and Policy Implications

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Introduction

South Korea has emerged as a major destination for labor migration in the Asia-Pacific region in the last two decades. In 1991, the total number of foreign-born population in Korea was 167,000. At the end of 2011, the number reached 1.4 million while 705,000 of them are estimated to participate in the Korean labor market. The migration process has largely been government-driven and shaped by two policy goals. First, unskilled migrants were allowed in to mitigate the labor shortage in the small and medium enter-

prises but only on a temporary and limited basis. Second, skilled migrants were actively sought and allowed to migrate to Korea under favorable conditions. Yet twenty years later, the results are rather disappointing. Contrary to the policy intentions, the majority of migrant workers in Korea are unskilled workers, whereas skilled workers account for a tiny fraction of the foreign labor force (6.8%). The arrival of unskilled workers has certainly reduced chronic labor shortages in certain sectors of the Korean economy, such as manufacturing, agriculture and livestock farming, and construction.

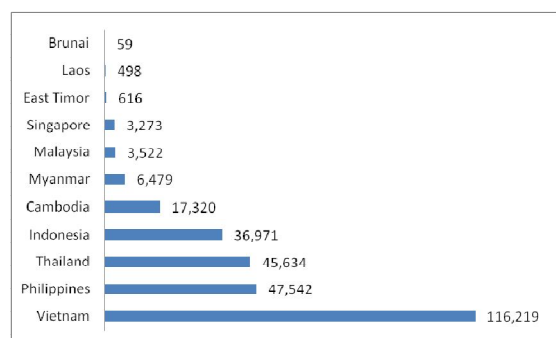
It has, however, raised a host of serious social and economic challenges. The immediate concerns are the potentially negative impact of migration on the employment and wages of Korean workers. A large population of undocumented migrants, a much higher share than Taiwan and Japan, continue to be a problem. It has also been suggested that the continuous supply of cheap labor keeps in place industries that would not have survived otherwise. Finally, the arrival of migrants, often with lower socioeconomic status, has created social and cultural tensions in a country unfamiliar with ethnic and cultural diversity. On the other hand, government efforts to recruit highly skilled professionals from abroad have not been very successful. The challenges associated with labor migration in Korea require a comprehensive overhaul of Korea's foreign labor policy. Yet, understanding the "supply side"—the structural and policy factors that contribute to labor migration in origin countries—will help improve bilateral labor cooperation.

Aside from China, Southeast Asia is the largest sending region of migrants to Korea. Of the foreign population in Korea, 20% are from Southeast Asia. Understanding the structural and policy factors behind the migration of labor from Southeast Asia can therefore help better understand migration issues between Southeast Asia and Korea. This brief examines the structural factors and government policies that drive labor migration from four Southeast Asian countries: Vietnam, Indonesia, the Philippines, and Thailand.

Southeast Asia and Korea in Labor Migration

An overwhelming majority of Southeast Asian migrants in Korea are from Vietnam. The country is followed by the Philippines and Thailand (Figure 1).

Figure 1. Southeast Asian Residents in Korea (2012)

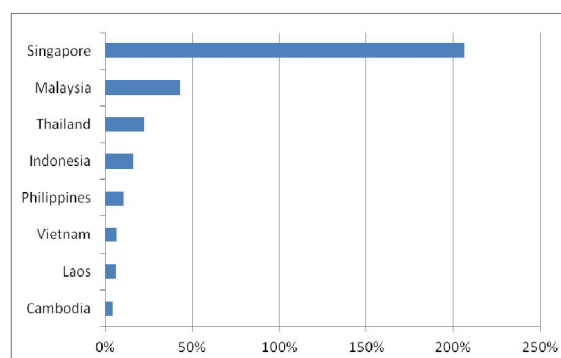


Note: The figures include migrant workers, marriage migrants, and foreign students.

Source: Ministry of Justice

A survey of several structural factors in major Southeast Asian economies, including their wage gaps with Korea, levels of economic development, sectoral composition, and labor market conditions, suggest that these countries have strong, although varied, incentives to promote labor migration.

Figure 2. Wage Gaps between Korea and Southeast Asian Economies (2011)



Source: World Development Indicators, the World Bank.

Wage gaps are one of the important determinants of labor migration flows, and developing Southeast Asian countries have significant structural incentives for labor migration to Korea. These structural incentives are likely to persist for some time (Figure 2).

Table 1. Population Structures in Southeast Asian Countries (2010)

(Unit: %)

	Aged 14 and under	Aged 15–64	Aged 65 and over	Age Dependency Ratio
Brunei	26.0	69.8	4.2	43.3
Cambodia	31.8	64.0	4.2	56.2
Indonesia	26.8	66.9	6.2	49.4
Laos	34.3	61.3	4.4	63.1
Malaysia	30.2	64.5	5.3	55.0
Myanmar	25.4	68.7	5.8	45.5
Philippines	35.3	60.7	4.0	64.9
Singapore	17.1	72.3	10.6	38.3
Thailand	20.2	69.4	10.4	44.1
Vietnam	23.3	69.5	7.2	43.8

Source: ADB(2012), pp. 137–140.

The populations of major migrant-sending countries are comparatively young, with 25% or more of the population under the age of 14 (Table 1). This indicates that these countries' share of working-age population is expected to rise in the coming years. This creates pressure for job creations and overseas employment.

Table 2. Unemployment Rates in Southeast Asian Countries

(Unit: %)

	2005	2010
Brunei	4.3	2.7
Cambodia	-	1.72
Indonesia	11.2	7.1
Laos	1.4	-
Malaysia	3.5	3.3
Myanmar	4.0	4.0
Philippines	7.9	7.3
Singapore	4.2	2.8
Thailand	1.8	1.0
Vietnam	2.5	2.7

Notes: 1) Data on Laos and Myanmar are dated 2001.

2) Data on Cambodia are dated 2008.

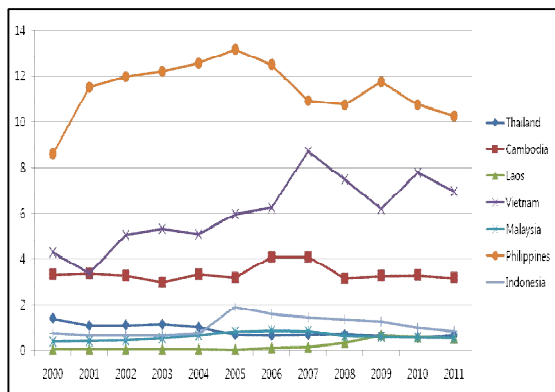
Source: ADB(2012), p. 142.

The unemployment rates in most Southeast Asian countries (except for Indonesia and the Philippines) are relatively low. These number, however, do not adequately reflect the net number of workers emigrating from these countries to find work elsewhere. Furthermore, the relatively low unemployment rates may be hiding the reality of chronic underemployment. The underemployment rates are especially high in Indonesia and in the Philippines. According to the data released by the International Labor Organization (ILO) in 2011, the underemployment rate was 13% in Indonesia and 19.6% (the highest on record since 2006) in the Philippines in the fourth quarter of 2010. Considering that a large portion of employment in Southeast Asia is generated in the agriculture and the informal sector, underemployment rates could be actually higher than reported in Southeast Asian countries.

Reflecting the importance of overseas employment and remittances to their economies (Figure 3), some countries in Southeast Asia have developed policies and institutions to promote labor migration and to protect their workers abroad. The priorities of labor migra-

tion in their external economic policy as well as government capacity to promote labor migration in bilateral cooperation with Korea vary from country to country, but some countries have come to see Korea as an important destination for labor migration, and thus, actively seek to expand labor migration to Korea.

Figure 3. Remittances to Southeast Asia (% GDP)



Source: World Development Indicators, the World Bank

Vietnam is a Southeast Asian country that sends the greatest number of workers to Korea and has structural factors, including its level of economic development and demographic structure, to push the migration of its workers overseas. The Vietnamese government likewise has adopted policies to promote labor migration. The major destinations of Vietnamese migrant workers, as of 2012, were all Asian countries, such as Taiwan, South Korea, and Malaysia. Korea, in particular, is not only the third-largest recipient of Vietnamese migrant workers, but also ranks high in the list of recipient countries in terms of wages. With overtime wages added, foreign workers in Korea on average earn about \$ 1,500 a month, which makes Korea the highest-paying Asian country for unskilled Vietnamese workers. Vietnam received \$ 8.6 billion as of the end of 2011 in remittances from overseas. About \$ 7 billion these remittances came not from Vietnamese workers working abroad but from Vi-

etnamese immigrants who have settled in the United States, Europe, and Australia. Vietnamese workers in Korea, on the other hand, are known to send approximately \$ 600 million a year in remittances, while their counterparts in Japan send approximately \$ 300 million. The amount of remittances that Vietnam receives is on a steady rise and account for 6.94% of the country's GDP in 2011.

Indonesia has strong structural incentives for overseas labor migration, but the Indonesian government has not actively pursued policies or institutional measures to encourage Indonesian workers to move abroad or to protect Indonesian migrant workers. It is probably because, given the scale of Indonesian economy, overseas migration and remittances are not critical to the economy. At present, Saudi Arabia is the largest destination for Indonesian workers, followed by Malaysia. While Korea is not a major partner for Indonesia in terms of bilateral labor cooperation, Indonesia's interest in working in Korea continues to grow as Korea has a reputation for providing relatively favorable working conditions for foreign workers. In 2011, Indonesia received approximately \$ 7.2 billion in remittances from abroad, a similar amount received by Vietnam. Yet the amount accounts for only 0.85% of Indonesia's GDP.

The Philippines, on the contrary, relies quite heavily on the flows of remittances sent by Filipino workers abroad. These remittances form an overwhelmingly large source of foreign exchange for the Philippines in comparison to other sources. In 2010, the Philippines received \$ 21.4 billion in remittances from workers abroad, \$ 2.7 billion in portfolio investment, \$ 1.3 billion in foreign direct investment (FDIs), and \$ 500 million in official development assistance (ODA). The amount of remittances that the Philippines received remained stable throughout the first decade of

the new millennium, despite various factors that destabilized the international economy. In contrast, the amount of FDIs, portfolio investment, and ODA that the Philippines received fluctuated significantly from year to year.

In the case of the Philippines, the strong structural factors that push workers abroad are accompanied by highly institutionalized government responses. While the Philippines is heavily dependent on remittances from workers abroad, it has a wide distribution of destination countries for its workers; Korea does not place high on its list of destinations. Overseas Filipino workers not only move to neighboring Asian countries (including Korea), but they also go to the Middle East, Europe and North America. According to the government statistics in 2010, the top destination country for Filipino contract workers was Saudi Arabia. About 290,000 Filipino workers were deployed to the country, almost 26% of the total new hires of Filipino workers abroad that year. Other Middle Eastern countries, such as the United Arab Emirates, Qatar, Kuwait, and Bahrain, are major destinations for Filipino workers.

Considering the level of national income, the demographic structure and other factors, Thailand is likely to graduate from the status of a migrant-sending country in the near future. Reflecting these structural factors, the Thai government does not particularly promote labor migration abroad and the Thai economy does not rely on remittances from workers abroad. Its portfolio of destination countries varies widely as well that Korea is a minor destination for Thai workers. As of the end of 2010, 144,000 workers migrated overseas from Thailand; 80,000 of whom were newly hired; 62% of whom moved to other Asian countries and 28% of whom are working in the Middle East and Africa. Taiwan is by far

the largest destination country with almost 41,000 Thai workers. The amount of remittances that Thailand received from these workers increased from \$ 1.3 billion in 2006 to \$ 3.6 billion in 2010. Even so, the increased amount of remittances accounted for only about 1% of the Thai GDP.

Policy Implications

An examination of Southeast Asian origin countries suggests a number of policy implications. First, bilateral labor flows into Korea are highly uneven in their distribution among countries so improvement in major labor cooperation partners can have disproportionate effects on the overall foreign labor outcomes for Korea. In addition, this will also help diversify the labor flows from the origin countries. The reliance on a limited number of origin countries can lead to an inflexible policy environment with adverse implications for bilateral labor cooperation. Second, Korea needs to pay more attention to highly skilled workers from Southeast Asia. Considering the fierce global competition for talent, Korea is most likely to secure highly skilled migrant workers in the form of foreign students. The close relationship between Korea and Southeast Asia should be to its advantage, and Korea could design scholarship and employment programs for Southeast Asian graduate students based on a brain return platform where, after a period of employment in Korea, they return home to contribute to the development of human resources in their origin countries. Attempts to attract foreign talent and graduate students from Southeast Asia should focus on countries with relatively good math and science education, such as Thailand, the Philippines, and Vietnam. **KIEP**

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