

Chapter 4

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CHAPTER 4

Challenge of the Imbalance of Economic-social Development in ASEAN

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This paper is an overview of the imbalance of economic and social development in ASEAN. Social development must be viewed as an end in itself and not just a means for attaining economic growth. Growing socioeconomic inequality often triggers crime and political and civil unrest. It discusses the evolution of socio-economic imbalances in ASEAN. Then it analyzes the causes of the imbalance and the policy and actions taken by ASEAN countries.

Keywords: Socioeconomic imbalance, development, ASEAN

JEL classification: I0, I3, J0, J11, J6.

Introduction

There is a view that economic growth is the determinant of survival of a country; therefore, the country needs to focus on economic growth. Following this concept, many countries have achieved high levels of economic growth, but now face social problems. According to many researchers, the development of China in recent years has followed this model. Policy priorities have focused on economic development for more than twenty years of reform and “opening up”, and China's economy has achieved a high growth rate; indeed the country ranks as top growth economy in the world. Many issues have arisen, however, that are the social consequences of excessive concentration on economic growth in China, such as an uneven harmony between economic development and social development; benefits from the economic growth not reaching the majority of people; increasing disparity in income and living standards between social groups, and between regions; serious environmental destruction due to over-exploiting natural resources.

The biggest challenge facing many countries today is the growing imbalance between economic development and social development, leading to the potential for conflict and social crisis, and hampering development. Despite their economic achievements, socio-economic disparities still exist in ASEAN countries. The biggest challenge facing these nations is how to sustain a rapid economic growth that reduces poverty and is socially inclusive. Much work has to be done to uplift the quality of life of the socially vulnerable groups in the region. In this context, the Declaration of the Bali Concord II by national leaders during the ASEAN Summit of 2003 committed the ASEAN Community to fostering cooperation in social development, aimed at raising the standard of living, and seek the active involvement of all sectors of society, in particular women, youth, and local communities. ASEAN also puts emphasis on the need to address issues relating to poverty, inequality, ageing populations and unemployment as these issues not only need social responses, but could also have economic implications.

ASEAN cooperation in the area of social development is continuing its effort to address the social risks faced by children, women, the elderly and disabled people. This matches the objectives of the region's Millennium Development Goals (MDGs).

At the Millennium Summit in September 2000, the largest gathering of world leaders in history adopted the United Nations Millennium Declaration, committing their nations to a new global partnership to reduce extreme poverty, and setting out a series of targets with a deadline of 2015.

This paper is an overview of the imbalance of economic and social development in ASEAN. Social development must be viewed as an end in itself and not just a means for attaining economic growth. Growing socioeconomic inequality often triggers crime and political and civil unrest. Section 1 discusses the evolution of socio-economic imbalances in ASEAN. Section 2 analyzes the causes of the imbalance while Section 3 examines the policy and actions taken by ASEAN countries. Section 4 concludes with a brief discussion and policy recommendations.

1. Evaluation of Socio-economic Imbalances in ASEAN

Most ASEAN countries have shown a strong commitment to rapid economic development. However, social development has been lagging behind economic development. This has given rise to distorted development in many countries. Serious development problems of poverty, inequality and unemployment have lingered even in economically advanced Singapore. These problems have been exacerbated in the wake of the economic crisis. In order to harmonize social development with economic growth, ASEAN states must to be more proactive in their development agendas.

High poverty and rising inequality could have serious consequences for the region's efforts to narrow the still astonishingly high income gaps which exist between it and the developed nations. High levels of poverty and inequality could slow the process of narrowing and eventually eliminating the income gaps by complicating reforms, reducing the quality of institutions and policies, undermining social cohesion, endangering social and political stability and making growth unsustainable.

1.1. Poverty

The Asia-Pacific region is home to about 126 million people living below the poverty line¹ (Table 1). Developing countries in ASEAN still account for the majority of the world's poor, and they also have a high proportion of undernourished people. Poverty reduction remains a significant challenge, even despite the fact that the region's rapid growth has led to a dramatic reduction in the level of extreme poverty. Poverty remains predominantly a rural phenomenon, and the poor are often concentrated on marginal lands. Sustainable productivity increases are urgently required to meet the Millennium Development Goals related to food security and poverty reduction. This will require faster and more widespread adoption of technological solutions and approaches to adding value than is currently the case. This issue raises questions about the value and sustainability of the current development in this area, where there are millions of people in a state of extreme poverty, but also where no fewer people have become rich quickly. Most of the poor are concentrated in rural areas, and agriculture is their main livelihood. Stakeholders need to work together more effectively within countries and across the region to focus on transforming the outputs of agricultural research into development outcomes.

Table 1: Poverty Index in Southeast Asia

Countries	GDP Per capita (2004)*	Poverty Index**
The Philippines	4 614	15,3
Laos	1 954	36,0
Vietnam	2 745	15,7
Indonesia	3 609	18,5
Myanmar	1 027	21,6
Singapore	28 077	6,3
Brunei	19 210	-
Malaysia	10 276	8,3
Thailand	8 090	9,3
Cambodia	2 423	39,3

Note: * Total domestic product per capita by purchasing power by \$.

** The index measuring the overall shortage of health care (mortality rate from 0 to 40 years), education (adult illiteracy) and living standard (access to pure water and malnutrition in children under 5 years). The closer the index is to zero, the more positive the situation.

Source: UN and UNDP 2006

¹ UN-ESCAP; "Statistical Yearbook for Asia and the Pacific 2011", UN MDG Indicators database. World Bank, World Development Indicators.

Using the \$1.25-a-day poverty line (based on 2005 purchasing power parity (PPP)), the incidence of income poverty declined from 39.1% to 18.8% during the years 1990-2005 (Table 2)². The decline in percentage-point terms was most pronounced in Cambodia (37.1), followed by Indonesia (32.8), Laos (30.2), Vietnam (11.4), Thailand (9.0), The Philippines (7.1) and Malaysia (1.4).

Table 2: Income Per capita and Poverty Incidence in ASEAN Countries

Economy	GDP Per capita (\$2005 PPP)		Average Annual Growth Rate	Headcount Ratio (%) \$1.25 a day (in 2005 PPP)			Headcount Ratio (%) \$2 a day (in 2005 PPP)		
	1990	2008		%	1990	2005	Change	1990	2005
Southeast Asia	2,575	4,661	3.4	39.1	18.8	-20.3	66.0	44.6	-21.4
Brunei	49,438	-	-	-	-	-	-
Cambodia	...	1,760	...	77.3	40.2	-37.1	91.8	68.2	-23.6
Indonesia	2,077	3,674	3.2	54.3	21.4	-32.8	84.6	53.8	-30.8
Laos	947	1,986	4.2	65.9	35.7	-30.2	89.2	70.4	-18.8
Malaysia	6,646	13,139	3.9	1.9	0.5	-1.4	11.1	7.8	-3.3
The Philippines	2,385	3,244	1.7	29.7	22.6	-7.1	54.9	45.0	-9.9
Singapore	23,855	45,553	3.7	-	-	-	-	-	-
Thailand	3,769	7,120	3.6	9.4	0.4	-9.0	30.5	11.5	-19.0
Vietnam	902	2,574	6.0	34.2	22.8	-11.4	65.3	50.5	-14.8
Total	1,631	4,430	5.7	52.3	27.1	-25.2	79.4	54.0	-25.3

... = data not available; - = data not available and poverty likely negligible;

Source: World Bank, World Development Indicators Online and PovcalNet Database.

It is also true that large proportions of the populations live just above the poverty lines and could easily slip into poverty given economic shocks. Assuming a mild

² The year 2005 is the latest year for which internationally comparable poverty data are available for a broad cross-section of countries.

slowdown due to the global economic crisis – with per capita GDP growth in 2008, 2009 and 2010 at 1 percentage point lower than the 2007 level – an additional 33.5 million would live below the \$1.25-a-day poverty line in 2010 in developing Asia. Much slower growth would lead to a higher number of additional poor people³.

An additional factor to consider is that, the poor do not live only in poor countries. The numbers of poor people are increasing in the average-income countries and in unstable countries. This reflects a downside trend resulting from globalization - it increases the gap between the segments of the population in a country, and makes the situation more volatile in countries without strong political institutions.

1.2. Inequality

An emerging issue for developing Asia is rising inequality, which has raised concern that the benefits of spectacular growth have not been equitably shared. Persistently high and growing inequality in access to basic social services, such as education and health care, exacerbated by income inequality, is also a significant concern.

The distributional consequences of economic growth and development in Southeast Asia have been the centre-piece of public and policy debates. Rising inequality has evidently posed a serious threat to inclusive growth and the accomplishment of the Millennium Development Goals (MDGs).

The region is at a critical juncture when seeking to ensure that all enjoy the fruits of growth equitably. Although the past two decades witnessed a persistent decline in poverty in the region, it has been apparent that the income of the rich has increased at a much faster pace than that of the poor. According to the World Bank's recent Gini⁴ estimates, income distribution is the most uneven in Cambodia, Malaysia, the Philippines and Thailand; whereas inequality in Indonesia, Laos and Vietnam is on a par with the levels of the fast-growing economies such as China and India.

³ ADB 2009.

⁴ The Gini coefficient measures the inequality among values of a frequency distribution (for example levels of income). A Gini coefficient of zero expresses perfect equality, where all values are the same (for example, where everyone has an exactly equal income). A Gini coefficient of one (100 on the percentile scale) expresses maximal inequality among values (for example where only one person has all the income)

In ASEAN developing countries, primary school-age children from households in the poorest quintile are almost 3 times more likely to be out of school than those from the richest quintile, and the childhood mortality rate for the poorest quintile is 2-3 times higher than for the richest quintile. In The Philippines, for example, primary enrolment and measles immunization – the latter with significant impact on child mortality – are worse today than in 1990⁵. For other developing countries in ASEAN such as Vietnam, it is widely believed that even though they are on track to meet the MDGs of halving the proportion of people living on less than the \$1.25-a-day poverty line, they are unlikely to meet several non-income MDG targets. According to Economic and Social Commission for Asia and the Pacific (ESCAP), Asian Development Bank (ADB) and United Nations Development Programme (UNDP) (2010) report, while the region has made good progress in a number of indicators, considerable variations exist between urban and rural areas and across sub-regions and the 2008 global financial crisis has revealed the region's vulnerability to setbacks.

Given the economic diversity in ASEAN, with the richest country (Singapore) having a per capita GDP compared to the poorest country (Myanmar) (only about 0.6 % of Singapore's per capita GDP), and the fact that the more prosperous countries such as Singapore, Malaysia and Brunei have cornered the lion's share of trade and investment flows in the region, it is not too difficult to see which countries will benefit from a development agenda that promotes greater trade and investment liberalization, and which countries will be left behind. If the situation of uneven growth is not resolved, development based on the economic potential in Southeast Asia will soon become limited by political instability and loose societal relations.

High poverty and rising inequality could have serious consequences for the region's efforts to narrow the still astonishingly high income gaps which exist between it and the developed world. Assuming that each ASEAN developing country will continue to grow at the rate registered in 2010, to reach Singapore's per capita GDP level would take 26 years for Malaysia, 34 years for Thailand, 41 years for Indonesia, and 48 years for the Philippines⁶.

⁵ Ali Ifzal (2007). *“Pro-poor to Inclusive Growth: Asian Prescription”*. ERD Policy Brief No. 48. Manila: Asian Development Bank.

⁶ DBS Group Research (2011). *“Imagining Asia 2020 – Make Way for the Asia Giant”*. DBS Bank Ltd. Co. Reg. No.: 199901152M.

High levels of poverty and inequality could also slow the narrowing and eventual elimination of income gaps by complicating reforms, reducing the quality of institutions and policies, undermining social cohesion, endangering social and political stability, and making growth unsustainable in each country of the region.

1.3. Aging Populations

The aging populations in the region are growing and will continue to grow in the coming years, both in absolute numbers and as a percentage of the populations. Southeast Asia is facing the rapid aging of population among the developing countries. The relative increase of the aging population is becoming a typical feature of the aging process in the region. One other important aspect of the aging process is that the ratio of women in the older age group is increasing.

The South-East Asian region is projected to register a 435% increase in its older persons population between 2000 and 2050 – a rise from 39.5 million to 175.8 million in less than half of a century⁷ (Table 3). Such a rapid increase in the population of older people has profound and far-reaching social, economic and political implications. These demographic trends have mostly resulted from decreasing fertility rates and increasing life expectancy. In addition to such demographic changes, the phenomenon raises the concern that economic transformation, with urbanization and increasing migration, might weaken the traditional family structure, which would leave increasing numbers of older people without the traditional support and care of their families. A large number of older people in the region also have to grapple with income insecurity due to the lack of social protection. In developing countries, only about 30 % of older people receive any form of pension. Most countries' health systems have limited capacity to meet the need for geriatric care services, and few have been adapted to address the range of chronic conditions facing older people; such conditions require a multidisciplinary continuum of care, including specialized diagnostic and therapeutic care. In addition, there is rising demand for age-friendly and barrier-free environments, including housing, infrastructure and public facilities,

⁷ Southeast Asia Conference on Ageing 2010: Improving Well Being in Later Life; 17 - 18 July 2010, Grand Millennium Hotel, Kuala Lumpur, Malaysia.

to enable the continued freedom of movement and active participation of older people in society.

As the impact of population ageing on socio-economic conditions may be amplified by the speed at which it occurs, it is important to consider not only the degree of population ageing but also the pace of change in the age structure. When the proportion of older persons in the total population increases rapidly over a short period, as is currently the case in some developed and developing countries, it becomes particularly difficult for the institutions to adjust.

Governments will increasingly be under pressure not only devising new mechanisms to address issues emerging from the aging population, but also to ensure the long term viability of their programs' social benefits, while minimizing the negative impact on the economy. The nature and complexity of these challenges, and their level of seriousness, will depend on the stage of economic development, the aging period and the level of preparation of the country concerned.

Table 3: Population Ageing (Percentage of 60+ to Total Population) by ASEAN Country and Year

	1950	2000	2025	2050
Brunei	3.8	3.9	11.3	20.9
Cambodia	4.5	4.6	8.3	16.2
Indonesia	6.2	7.7	13.7	24.8
Laos	3.9	5.4	7.4	14.3
Malaysia	7.3	6.2	13.2	22.2
Myanmar	5.7	7.7	13.0	23.6
Philippines	5.5	5.5	10.0	17.9
Singapore	3.8	10.6	31.7	39.7
Thailand	5.1	9.7	19.0	15.2
Vietnam	7.0	7.8	15.2	29.5

Source: UN World Population Prospects 2008 Revision Vol.2.

The fast pace of the demographic transition towards an ageing population may have adverse effects on economic performance and prospects, due to a shrinking labor force, lower saving and investment rates and rising health-care and pension costs. Reforming policies and institutions would be vital for sustaining economic growth and preventing a decline in standards of living.

The “feminization” of the aging population is notable, with women constituting the majority of the older population and an even greater majority of the “oldest old”

population (80 years and older). Older women, more so than older men, tend to live alone due to the death of a spouse. Older women are also more vulnerable to poverty and social isolation, and face greater risks of physical and psychological abuse due to discriminatory social attitudes.

The predominance of women in the older and oldest old population presents itself as an ever more daunting challenge, because a higher proportion of older women than of older men are economically inactive, not literate and single. Table 4 summarizes the gender differences in economic activity, literacy and marital status. Timely policy measures are thus needed by Governments in the region in order to make the vital social and economic adjustments in preparation for the region's rapid transition to an ageing society.

Table 4: Gender Differences in the Socio-economic Circumstances of Older People

Country	Percentage of Population of 65 years in the Labor Force, 2000		Percentage of Older People who are Illiterate, 2000		Marital Status (percentage of older people who are single)		
	M	F	M	F			
Cambodia	39.7	26.2	35.4	85.8	2004	19	69
Indonesia	48.5	24.1	31.3	63.3	1990s	16	64
Laos	53.6	27.1	n.a.	n.a.	n.a.	n.a.	n.a.
Malaysia	38.6	17.0	30.2	64.4	1990s	16	56
Myanmar	66.7	32.9	17.4	45.3	2001	24	46
Philippines	54.5	26.2	14.4	18.1	1990s	19	51
Singapore	16.3	4.3	13.8	50.0	1990s	17	55
Thailand	37.5	17.3	10.0	21.3	1990s	20	53
Vietnam	43.7	26.1	8.7	28.6	n.a.	n.a.	n.a.

Sources: For labor force participation and illiteracy UNDESA (2002a); for marital status UNDESA (2002b); except Cambodia (marital status) - Cambodia (2006); Myanmar (marital status) - Myanmar (2005).

What key challenges are countries likely to face as a result of the ageing situation seen to be emerging during the next five decades? While populations of some countries in the ASEAN, namely Singapore and, to a lesser extent, Malaysia, and Thailand, have now been ageing for a considerable period of time, it is in Europe and North America that several more developed countries have had much longer experience of population ageing. In discussing the socio-economic, cultural and

political implications of population ageing, evidence from the more developed countries is also cited wherever relevant evidence from the ASEAN is lacking.

In the light of the main features of the changing demographic scenario characterizing population ageing as outlined above, the various challenges arising as a result of the ageing of a country's population can be grouped into the following categories:

- (a) Rising demand for health services
- (b) Growing requirements for long-term care
- (c) Declining family support
- (d) Increasing needs of income and social security
- (e) Extra attention during special circumstances

1.4. Young Workers and Employment

According to the International Labor Organization (ILO) the economic growth slowdown in Southeast Asia could cause the unemployment rate to rise, causing competitiveness to fall. The unemployment rate in the 10-member Association of Southeast Asian countries is high. The average labor productivity of this sector has lagged behind China and is not much higher than India.

The Southeast Asian region has experienced some of the highest growth rates in the world, with investments in skills playing a significant role in helping national economies to adjust to changes in working practices, advances in technology, and challenges associated with globalization. In some countries this process has been more successfully managed and significant advances have been achieved in growth rates and employment levels, but in others it has resulted in stagnation of economic sectors, underemployment, rising unemployment levels and social exclusion for large sections of society (ILO 2008).

The economies of the ASEAN countries face many difficulties due to declining exports as the credit crunch has increased in the U.S. and Europe. Countries in Southeast Asia last year agreed to open their markets further to create a regional economic model similar to the European Union, in 2015. Many scholars argue that countries in this region need to increase competitiveness as China and India, two of the world's fastest-growing countries, are attracting much global capital.

In particular, in this region, the number of unemployed young people is more than that of older workers. The average is 5 young people per adult out of work. This is because older workers are experienced while young tend to prefer more work experience, also known as "leapfrogging". Young people, moreover, are vulnerable to losing their jobs in volatile, short-cycle industries. The high proportion of young unemployed workers creates disturbing problems for society, such as increased crime, the increasing numbers of drug addicts, and the cost to the state of dealing with these problems.

In case of Vietnam, the transition to a market economy involved drastic changes in the labor and job markets. It is important to note that the positive results achieved from "Doi Moi"⁸ would have had both direct and indirect effects on employment, equity and social welfare. In spite of the new opportunities, and the diversification that opened up further economic opportunities, the shift toward a market economy also involved changes resulting in job losses and layoffs for many workers. In general, such a transition places new constraints on young people who find themselves caught between old and new social norms and values. As a result, their expectations and perceptions of work diverge. A "good job" is not just a source of income; it also provides economic standing, self-esteem, status and social capital. And unless girls find good jobs, their bargaining power in marriage and control over their fertility will remain limited. In addition to skills and educational achievement, the work participation of young people has significant implications for their development.

Employment has become a major concern for young people. Youth unemployment and underemployment have increased rather than decreased in Vietnam (United Nations [UN], 2003). According to official data from the Ministry of Labor, Invalids and Social Affairs ((MOLISA), 2004), the country's youth unemployment rate was over 14 % in 2003 with sharp gender and regional differentials. The age group 15–24 years old forms the bulk of the unemployed young people (26 %). Young people aged 15–24 find it more difficult to get jobs than do adults (25 years of age and above). For the country as a whole, young people in the

⁸ "Doi Moi" is the name given to the economic reforms initiated in Vietnam in 1986 with the goal of creating a "socialist-oriented market economy". The term "Doi Moi" itself is a general term with wide use in the Vietnamese language. However the Doi Moi Policy refers specifically to these reforms.

labor force are twice as likely to be unemployed as the adult population. Youth unemployment accounts for 45 % of all unemployment in Vietnam. The high levels of unemployment and underemployment in rural areas have resulted in out-migration from agricultural sectors to urban centers. Young migrant workers may have special problems in obtaining employment, as they are more likely to leave school at early ages and enter low-paid and unskilled jobs.

Many out-of-school young people are working to earn a living for their families in low paid work and petty trade. Apart from low productivity, a lack of job opportunities can have significant social consequences. Experience from other countries shows that unemployment can lead to a life of violence, drug abuse, vandalism, crime and other social problems. Early school leavers without regular employment may turn to risky avenues for income and livelihoods such as prostitution and crime. Some become victims of HIV/AIDS and human trafficking.

1.5. Diseases

The latest research shows that Southeast Asia is currently one of the world's fastest growing areas. However, the 600 million people in this region also are faced with a health risk. In terms of health criteria, progress has been mixed, with a continuing lack of effective prevention programs against common diseases such as tuberculosis in many countries. New diseases such as SARS and avian flu present particular challenges. Overall HIV prevalence rates in the region are low but rising, and the absolute numbers involved are very large. Access to improved water sources and sanitation is increasing, albeit at a slow rate, and from a low baseline.

By the end of 2009, an estimated 1.58 million people were living with HIV in the region⁹, although from 1999 to 2009, the number of total new infections declined by more than 20%. Equally encouraging is that wider access to services preventing mother-to-child transmission of HIV has led to a 15 % decrease in new infections of children aged 0 to 14 during the same period.

Positive developments have occurred recently, with a number of countries in the region taking steps to provide environments that decrease marginalization and stigma, including programs to address these issues specifically, lifting HIV-related travel

⁹ South East Asia HIV & AIDS Statistics (<http://www.avert.org/>).

restrictions and decriminalizing consensual same-sex relations among adults, either through legislation or court judgments. Such developments need to be built upon in order to achieve greater success across the region in terms of access to HIV prevention, treatment, care and support.

Southeast Asia is also faced with the emergence of new diseases, of which some are able to mutate into a pandemic, spread throughout the world. This may be caused by the simultaneous effects of global warming and health surveillance system weaknesses.

In recent years there have been two examples of this risk. The pneumonia-like Severe Acute Respiratory Syndrome (SARS) epidemic in 2003 originated in Asia and then spread round the world killing nearly 800 people. Bird flu followed. These two cases have raised concerns about the possibility of new diseases spreading in the region. Southeast Asia is a “hot spot” of emerging infectious diseases, especially from animal diseases such as avian influenza, caused by humans and animals living so close together, with the constant threat of pandemic.

2. Causes of the Problems and Challenges

Southeast Asia has been pressed by many social challenges associated with rapid economic development, driven by integration, science and technology, and innovation. Social development has behind economic, especially in poorer areas, because of poor education, health and human settlement facilities.

2.1. Causes of Poverty and Inequality

People in Asia face many risks in life. They produce without effective protective institutions, falling back into poverty as natural disasters, diseases, pests, accidents (including traffic accidents) take their toll. They face unemployment as a result of the fluctuations of world markets for both inputs, including energy, and outputs. And they may be affected by unforeseen policy changes, less than transparent administration systems, ineffective bureaucracy and corruption.

Economic development at the rates of past decades is not sustainable into the future. High growth rates have arisen mainly as a result of direct investment, Overseas Direct Assistance (ODA), remittances and income from natural resources, while domestic capital investment has been low, such as credits do not change in time, investments in people are at high levels but the effect is limited, the number of workers trained to meet the market demand is low, farmers have difficulties in accessing to credit of state banks

In some countries such as Vietnam, poverty and HIV/AIDS continue to destroy childhood life. Children do not inherit the right to a childhood love, care and protection of home and family, or be encouraged to develop their full potential. As they mature, their children in turn are at risk of deprivation because of problems repeated from generation to generation.

Some countries in the region, especially the least developed countries, landlocked developing countries, have suffered multiple effects owing to the food and energy crises and the global financial and economic crises in recent years.

The food and fuel crises that occurred just prior to the economic crisis had a devastating impact on the poor. High food prices affect the poor disproportionately, as they spend a large portion of their income on basic food commodities. Consequently, rising food prices may push more people below the poverty line. A strong and sustained growth momentum is needed to tackle the problem of poverty and food insecurity. Countries need to continue pursuing economic reforms to improve productivity, particularly that of their agricultural sector, to strengthen public institutions, improve economic governance, enhance financial inclusion and build social safety nets to protect the more vulnerable segments of the population.

The consequences of climate change are also placing tremendous stress on these countries, reversing their development gains in many instances. The agricultural sector, which is the backbone of many least developed countries and landlocked developing countries, has been neglected for almost a decade. The external environment has been equally challenging. Many of the commitments made by development partners in support of countries with special needs have remained unfulfilled. Although there have been some encouraging signs in recent years with regard to official development assistance, ODA may not be maintained at levels

sufficient to meet the needs of least developed countries, landlocked developing countries and small island developing states, as their traditional development partners face severe budgetary constraints due to the global economic crisis.

In addition, prolonged poverty and loss of equity has become increasingly serious in Southeast Asia as a result of negligence in agriculture, which has been going for decades. The analysis in the economic- social situation report in the Asia-Pacific 2008 Survey by the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) showed that the development strategy and economic policies of this area have ignored the agricultural sector in a systematic way, despite the fact that agriculture is the main livelihood of the poor and provides employment to 60% of people of working age in the region.

If the agricultural sector remains neglected, it will be hard to reduce poverty significantly and loss of equity will continue. This will destroy the future economic development of the countries as well as social cohesion among communities.

Moreover, unequal access to education, particularly tertiary and vocational, is widespread, and translates into unequal access to opportunities and, ultimately, high-pay jobs. The Asian Development Bank (ADB) estimates that overall inequality would be significantly reduced by about 13-16% if educational disparities were reduced.

The other factor driving inequality in the region is the model of export-oriented growth of most Southeast Asian economies, which has often featured incentives such as tax exemptions on capital gains, establishment of industrial parks and capital account liberalization. As a result, profit has focused on the owners of capital - the minority of populations.

Additionally, social protection in developing Southeast Asia is problematic. The coverage is limited, and the levels of benefits do not suffice to shield the poor against the ripple effects of negative shocks. The arising inefficiencies are attributable largely to their limited fiscal space for social safety nets, which in turn puts sustainability of the social protection programs at risk.

The last driving factor of inequality goes with untamed corruption and deprived institutional quality. They have allowed rent-seeking among the elites and people in

power to take surpluses away from the majority of the societies through disguised policies and reforms.

If the surging issues of poverty and inequality remain unaddressed, economic potentials in Southeast Asia will soon reach their limit through deteriorating political stability and social cohesion, on top of resource misallocation and excessive concentrations of wealth. Several regional policy options need to be made to address ever-increasing disparities in the region.

2.2. Causes of Ageing Populations

The increasing proportion of older people in the region's population is the outcome of the demographic transition – the lowering of both fertility and mortality levels. Falling fertility leads to a reduced number of children while lower mortality prolongs the survival of older people. Since neither fertility nor mortality trends are likely to reverse, at least in the foreseeable future, countries will have to adjust to and cope with the ageing of their populations.

Between 1950 and 2000, the total fertility rates (TFR) at the global level almost halved with a greater decline in the less developed countries. From 2000-2050, while the decline in TFR is expected to continue in the less developed countries, though at a slower rate, it is expected that there will be an improvement in fertility levels in the more developed countries¹⁰.

The pace of aging in countries in the 1990s was faster and stronger than the previous decades. declining birth rates will promote the aging process in about 10-20 years. The explosion of births after national liberation in countries was much higher than the number of those at war. After that period of time, due to the implementation of policies on family planning, fertility declined sharply strongly impacting on the process of aging. With birth rates is declining, while life expectancy is rising, so the population of a country in general becomes older.

Trends in mortality are reflected in changes in life expectancy and the survival rate. Life expectancy at birth is the average number of years a newborn would live if age-specific mortality rates at the time of birth were to continue. The survival rate to

¹⁰ Some researchers argue that there can be no limit to declines in the level of fertility. See, for example, Goliani (1998). See also Coleman (2001).

age x years is the proportion of newborns who would reach that age if the age-specific mortality rates at the time of birth were to continue for the next x number of years. Declining mortality rates are reflected in improvements in life expectancy at birth and in survival rates.

In 1950 average life expectancy at birth in the more developed countries was 66 years - 25 years more than in the less developed countries. Starting from a much lower base, the less developed countries were able to achieve greater improvements in life expectancy: adding 23 years by 2000 compared to an addition of less than 10 years in the more developed countries. The differences are projected to further narrow by 2050. Similarly, there will be a continuous improvement in the survival rate to age 60 years (Table 5). Improvements are expected to slow down during the period 2025-2050.

Table 5: Survival Rate to Age 60 years, 2000 - 2050

Region	Percentage Surviving to Age 60 years		
	2000-2005	2025-2030	2045-2050
World	73.8	82.1	86.7
Developed	86.0	91.3	93.5
Developing	71.7	80.8	85.9
East Asia	84.5	90.2	92.4
S.E. Asia	75.7	86.1	89.9

Source: UNDESA (2002a) – World Population Ageing 1950-2050. United Nations Department of Economic and Social Affairs Division, Population Division, New York.

As has been noted, population ageing is a consequence of fertility and mortality declines. With both fertility and mortality rates known to be lower and to decline more gradually in urban areas than in rural areas, an “a priori” assumption would be that urban populations age faster than rural populations. However, in reality population ageing has been observed to manifest itself earlier and advance more rapidly in rural areas. As younger family members move to the cities more and more of the elderly are likely to be left to look after themselves. Urbanization and the transition to industrial societies might therefore be seen as contributing to a weakening of family ties. In the absence of adequate welfare systems, those left behind in the rural areas are likely to suffer relative, if not absolute, deprivation.

2.3. Young work and employment

The reasons for the high level of unemployment among young people are two-fold. First, the rate of growth of the labor force has been high. It grew by 2.4 % in South-East Asia during the past decade due to high birth rates, an increasing trend for women to enter the labor force and an extended working age. The population bulge created by the higher fertility rates in the past is a major reason behind the increasing labor supply and high unemployment in countries. The labor force participation rate has historically remained low due to low female participation rates (Table 6). This implies that the increasing participation of women in the labor force could result in even higher rates of unemployment in the future in some parts of the region. Secondly, the rate of job creation did not keep pace with the growth in the labor force as reflected in the declining employment to population ratio.

Table 6: The 2012 Gender Equity Index¹¹

Country	Education	Economic Activity	Female Empowerment	GEI 2012 Final
Brunei	0.99	0.78	0.39	0.72
Cambodia	0.71	0.73	0.21	0.55
Indonesia	0.93	0.57	0.36	0.62
Laos	0.75	0.69	0.23	0.56
Malaysia	0.98	0.40	0.31	0.56
Myanmar	0.97	0.65		
The Philippines	1.00	0.67	0.61	0.76
Singapore	0.94	0.71	0.40	0.69
Thailand	0.97	0.77	0.39	0.71
Viet Nam	0.95	0.75	0.41	0.70

Source: The Gender Equity Index (GEI), Social Watch 2012.

Some countries in Southeast Asia are more affected by the financial crisis than others. The global economic downturn, coupled with heightened risk aversion in financial markets, has begun to hurt investment in the region. However, while economic growth is generally constrained by the financial crisis, it is less so in

¹¹ The Gender Equity Index (GEI) measures the gap between women and men in education, the economy and political empowerment. Social Watch computes a value for the gender gap in each of the three areas in a scale from 0 (when for example no women are educated at all and all men are) to 100 (perfect equality). The GEI, in turn, is the simple average of the three dimensions. In Education, GEI looks at the gender gap in enrolment at all levels and in literacy; economic participation computes the gaps in income and employment and empowerment measures the gaps in highly qualified jobs, parliament and senior executive positions.

Southeast Asian countries than in many other developing countries because of their high savings rates, good management of public deficits over the years and limited toxic assets on their banks' balance sheets.

The impact of the crisis has been most evident in the decline in international demand, especially for clothing, electronics and other consumer goods produced in the region. The policy lessons of the crisis are clear: countries in Southeast Asia would benefit from greater focus on domestic and regional markets, many of which have a growing middle class and a large untapped demand.

Unemployment is especially hitting young people, with rates in Southeast Asian countries on average three to four times higher than adult unemployment rates (youth unemployment in developed countries is usually 1.5-2 times greater than adult unemployment). Part of the problem stems from demographic shifts in the structure of the population and the fact that many of the jobs that formerly employed young people no longer exist. This contributes to social instability, and governments should investigate how active labor market policies can integrate young people and provide them with the competencies and opportunities for decent and productive work.

In addition young people account for around 20% of the population¹², but for half of the unemployed in the region. At the same time, the risk of unemployment is much higher for young workers than for older workers. This is because mature workers have much more experience than the young, who always like to try many different types of work. Young people are also slow to adapt to the cyclical issues such as economic cycles often be short and fast. They are the last to be chosen for work and the first to be fired when the business is in trouble. Another reason for youth unemployment is that economic development has slowed, and young people are not completing their education, for example in the Philippines and Indonesia. They thus do not have the skills to be able to secure their future.

In addition, the negative outlook of the global economy also causes an increased rate of regional unemployment. According to the ILO, the number of unemployed workers in 2012 increased by more than 4 million people compared to 2007, nearly hitting the record of 75.4 million during the economic crisis in 2009. ILO forecasts

¹² ILO, “*Global Employment Outlook*”, April 2012 projections.

that this situation will last until 2016. In East Asia, the rate of youth unemployment is set to be 2.8 times higher than the adult rate¹³.

Southeast Asia has long been considered a place of abundant human resource. If no measures are taken to create jobs and sustainable works for young workers, however, the ASEAN countries will not be able to promote this human potential, and social stability will be threatened.

2.4. Causes of Diseases

The changing composition of the Southeast Asian population is occurring at breakneck speed, especially its speed of urbanization. In this region, as in other areas there is a transition from infectious diseases to chronic diseases. But because the population density in cities is so great the countries in the region still have to face the threat of infectious diseases.

Despite the broadly positive health trends, key affected populations within the region continue to be particularly vulnerable to the HIV epidemic. According to some estimates, 75 % of all HIV infections in the region are among: (a) injecting drug users and their partners; (b) female sex workers, their clients and their clients' partners; and (c) men who have sex with men¹⁴.

For other diseases, there are many factors that are likely to spread diseases in Southeast Asia: Growing populations, many of them mobile, rapid urbanization, environmental change, promotion of agricultural livestock and deforestation exacerbated. The phenomenon of global warming can also promote the spread of emerging infectious diseases in the region, particularly those diseases transmitted by insects, such as dengue. High temperatures and heavy rainfall are conditions for the insects to thrive.

The region facing is another problem, in that there are considerable differences in the economies and health systems of 10 countries in Southeast Asia, thus control of the spread of the disease face many difficulties. For example Singapore is urban, and has

¹³ ILO, "*Global Employment Outlook*", April 2012 projections.

¹⁴ South East Asia HIV & AIDS Statistics (<http://www.avert.org/>).

a per capita GDP of 34500 USD, while a Laos is agricultural, with per capita GDP of only 904 USD in 2008 (World Bank database)

Countries need to act promptly and resolve the problems of infectious diseases such as HIV, SARS, and H5N1 bird flu in this region.

3. Policy in and Actions in ASEAN Countries

What measures have countries in ASEAN taken to address the challenges arising as a result of the socio-economic imbalances? This Section provides a brief review of the main policy responses and measures taken by the countries, particularly since the turn of the century. As almost all the countries have contributed to as well as benefited in terms of policy guidance from relevant initiatives at the regional level, an overview of these initiatives is provided before reviewing the policy initiatives of individual countries.

3.1. Policy and Actions against Poverty and Inequality

By international standards, South-East Asia has done remarkably well in both economic growth and poverty reduction. For 20 years, the Southeast Asian region (comprised of Cambodia, Indonesia, Laos, The Philippines, Thailand and Vietnam) made continuous progress in reducing income poverty and enhancing achievements towards the Millennium Development Goals (MDGs). Historically, growth has been accompanied by rapid poverty reduction, especially in Indonesia, Malaysia, Thailand and Vietnam.

These achievements have not, however, been uniform across countries in the region. Indonesia, Thailand, and Viet Nam have posted rapid economic growth and are well on their way to achieving their MDGs. The same cannot be said for Cambodia, Laos, Myanmar, and The Philippines where rates of growth of output were comparatively low and population growth rates were high. Even within countries, economic growth and poverty reduction exhibit diverse performance levels (Balisacan, 2004; Balisacan and Fuwa, 2004). The nature of growth, not only its speed, matters to poverty reduction. Economic growth in South-East Asia during the

past 20 years has been quite impressive. This growth was accompanied by sharp declines in the share of agriculture in national output and employment. The poverty response to the growth and structural transformation was equally remarkable.

Agriculture contributes to development as an economic activity, as a livelihood, and as a provider of environmental services. These contributions differ in the three rural worlds:

- a) agriculture-based countries, where agriculture accounts for 32 % or more of GDP growth on average;
- b) transforming countries, where agriculture contributes on average only 7 % to GDP growth; and
- c) urbanized countries, where the contribution of agriculture to GDP growth is only 5 % or less on average.

In the ASEAN region, three countries, namely, Cambodia, Laos, and Myanmar belong to the first category of agriculture-based countries with agriculture accounting for 33.1 %, 50.2 %, and 42.9 % of GDP, respectively.

Five countries, namely, Indonesia, Malaysia, The Philippines, Thailand and Viet Nam, belong to the second category of transforming countries with agriculture accounting for 15 %, 7.7 %, 19.1 %, 9.3 %, and 20.2 % of GDP, respectively.

Two countries, namely, Brunei and Singapore belong to the third category of urbanized countries with agriculture accounting for 2.1 % and 0.1 % of GDP, respectively.

Overall, agriculture remains a significant sector of the economy of the ASEAN region as a whole and continues to be an important factor in sustainable development and poverty reduction.

A total of 23 projects in agriculture (including agro-forestry and fisheries and aquaculture) have been funded by the ASEAN Foundation for a total amount of US\$3.8 million or nearly 22 % of the total amount of all the projects funded by the Foundation¹⁵. Of these, 18 projects have been completed amounting to US\$2.41 million while five projects are still ongoing with a total funding of US\$1.39 million. All of these projects have been funded from the Japan-ASEAN Solidarity Fund, a

¹⁵ The financial support of the Government of Japan, through the Japan- ASEAN Solidarity Fund, to the twenty-three projects in agriculture and related areas listed in this paper, is gratefully acknowledged.

contribution from the Government of Japan to the ASEAN Foundation amounting to \$20 million.

There are three effective instruments in using agriculture for development: first, by increasing access to assets, namely, land, water, and human capital; second, by making smallholder farming more productive and sustainable; and third, by moving beyond farming by creating a dynamic rural economy and developing the skills to participate in it (The World Development Report, 2008).

Farmers and agricultural workers are important stakeholders in the region. Rural poverty remains one of the important challenges to governments and the international community. For this reason, farmer organizations, agricultural workers, and rural communities will remain an important focus of the work of the ASEAN Foundation in promoting ASEAN identity and awareness, addressing socio-economic disparities and alleviating poverty in the region.

After 20 years of sterling growth in Asia, which has had a dramatic impact in reducing poverty, rising inequality is now at the top of the public policy agenda. For developing Asian economies as a whole, their Gini coefficient—an income-inequality measure—rose to 0.46 in 2010 from 0.33 in 1990. A reading of zero means income equality, while a reading of one means complete inequality.

In Indonesia, a major social safety-net program was initiated to strengthen the ability to cope among those people affected by the 1997-98 Asian financial crisis. The main objectives of the program include: ensuring the supply of basic staples at affordable prices through subsidies; creating employment opportunities by promoting labor-intensive production and reinvigorating economic activities, especially through small and medium-sized enterprises; and guaranteeing basic health and education services at prices that the general public can pay. In the area of health, drug prices were kept under control by fixing the exchange rate for the import of drugs and their raw materials far below the market rate. The government developed a program of scholarships for poor students as well as providing block grants to schools serving predominantly poor populations in order to prevent dropouts.

The Government of Malaysia has introduced direct and indirect measures aimed at minimizing the adverse social impact of the economic crisis. The objectives of the social programs are to prevent rapid inflation, ensure an adequate food supply and

minimize retrenchment. Measures to control inflation included direct subsidies for selected basic food items, the liberalization of food imports and the imposition of price controls on selected basic food items. Budget allocations for the social sector have been increased. Existing social safety nets have been widened and improved, and welfare payments to the hard-core poor have been increased.

In the Philippines, the government provided training grants for workers who lost jobs, and extended assistance in finding new jobs. The government also carried out various measures concerning food and health-care assistance to vulnerable groups affected by the crisis. The poor were provided with cash transfers. Stores were also set up to sell basic food commodities at below market prices. The government also distributed rice discount cards to poor families with a large number of children so that they could benefit from a significant discount on the price of rice.

Thailand launched a major “social investment project” by providing the poor with comprehensive assistance in the form of job creation, training and improved access to social services. In addition to providing help to the poor during the crisis, the project is designed to help build up long-term social capital. The project cost is estimated at US\$ 462.2 million, a very large share of which is to be used to create employment opportunities and improve access of the population to certain social services such as health. In addition, a social investment fund has been established under the project. Amounting to US\$ 120 million, the fund has gained much attention and will be used to develop community-based projects initiated, planned and implemented by the local population. Projects can be in the area of education and training, social welfare and community security, environmental protection and natural resources, and the development of culture and communities.

3.2. Policy and Actions Concerning Aging Populations

Most developing countries with low per capita income and widespread poverty are suffering from high population pressure. Thus, they require comprehensive population policies and programs for improving their growth and equity.

In the case of the ageing issue, it appears that overall the countries of ASEAN are aware of the need to face the challenges and many of them have taken some measures to address the situation.

Overall, as reported in a recent UN review¹⁶ – three countries (Singapore, Thailand and Vietnam) view population ageing as a “major” concern-, whilst the remaining countries of ASEAN cited population ageing as a “minor” concern,

Of all the countries in ASEAN, Cambodia has the lowest proportion of older people in its population, but faces a very high rate of growth in the older population which is projected to continue until 2050. The Government is cognizant of the emerging challenges and has identified the Ministry of Social Affairs, Labor, Vocational Training and Youth Rehabilitation (MoSALVY) as the coordinating national agency for issues relating to the elderly. The Ministry has formed an Older People’s Association to encourage the participation of the elderly in the formulation of policies and programs. The Government's growing concern has been reflected in a variety of policies and plans.

The UN and other development partners, as well as an NGO (HelpAge International), have assisted particularly in capacity building and research. The National Committee for Population and Development is undertaking a literature review on the elderly in Cambodia.

In 2000 the older people constituted 7.6 % of Indonesia’s total population. This proportion is going to increase to 12.8 % in 2025 and to 22.3 % by 2050. While the proportion of the elderly is not much higher than the average for South-East Asia, the number of older people exceeds 15 million. The Government has therefore taken a number of steps to address issues relating to the older population.

In 1993 the Government formulated the “Coordinating Minister for People’s Welfare” Decree which made the Minister for Social Affairs responsible for promoting the status of older people. Highlights of policy on older people are (1) The enactment of Law 13 in 1998 on Older People’s Welfare; (2) National Plan of Action for Older Person Welfare (2003-2008); and (3) Presidential Decree on the formation of the National and Regional Commissions on Ageing in 2004. The task of the National Commission on Ageing is to assist the President in coordinating the implementation of national policies and programs, as well as rendering professional advice and recommendations.

¹⁶ UNDESA (2006). “World Population Policies”. Department of Economic and Social Affairs, Population Division, New York.

Presently, older people's program development is focused on community-based home care (PUSAKA) and older person empowerment in the rural areas. The main focus of these programs is on poor and neglected older people; the majority are older women. Specific health programs for the elderly have been implemented, among others by establishing integrated geriatric services in hospitals and Community Health Services (PUSKESMAS).

With older people currently constituting less than 6 % of its population, Laos is still in the early stages of population ageing. The older population is however growing at a faster pace than total population, and the pace of ageing is projected to increase further during the second quarter of this century. Though for the immediate future the Government of Laos considers ageing to be a "minor" concern, it recognizes the inevitability of the population ageing process in the foreseeable future and has initiated measures to address the expected challenges. Ageing-related issues are dealt with by the Division of Older Persons in the Department of Social Welfare of the Ministry of Labor and Social Welfare. The Lao National Front is also involved in older people's issues. The Front is organized from Central to village level. Older people are considered as influential members of the community and family, and their active participation is sought in the activities of the Front and its development agenda.

The Government has undertaken a revision of the 1999 National Population and Development Policy (NPDP). The revision, now in its final stages, has been directed by the need to reflect emerging issues, one of which is population ageing. Care of the elderly has been added as an objective. UNFPA, the United Nations Population Fund assisted the Government in its efforts and has provided support for revision of the NPDP and the formulation of the national policy for the elderly (NPE).

At the turn of the century, Malaysia was faced with the population ageing scenario common to several other countries of the East and South-East Asian Region (ESEAR) – a relatively low proportion of older people in the population growing at a rapid pace. From 6.6 % in 2000, the proportion of older people in the population is expected to more than double to 13.4 % in 2025 and to exceed 20 % in 2050. Realizing the gravity of the emerging challenge, the Government has put in place several initiatives including a unified, holistic and multi-sectoral National Policy for the Elderly, and a Plan of Action for its implementation. The Policy was formally announced in October

1995 and the Plan of Action was published in 1998. The coordination of the implementation of the Plan of Action has remained the responsibility of the Department of Social Welfare, now under the Ministry of Women, Family and Community Development (previously the Ministry of National Unity and Social Development). Government's approach reflects its efforts at integrating older people in the mainstream of development efforts rather than being concerned with providing welfare assistance.

The population of older people in Myanmar is increasing at an annual rate of over 3 % and its proportion in total population is expected to increase from 6.8 % in 2000 to 12.1% and further to 21.6 % in 2050. Due to strong cultural traditions and the influence of religious teachings which inculcate a high regard for the older people, the Government does not feel the pressure of having to address the issue on a priority basis. Nevertheless, the Government has taken measures aimed at improving the welfare of the elderly. Through its Department of Social Welfare in the Ministry of Social Welfare, Relief and Resettlement, it provides rice, funds for food, clothes and the salaries of the administrators of the Homes for the Aged that have traditionally been established by religious and voluntary social organizations, for those who are aged 60 and above and in need of care for various reasons.

At the turn of the century, the proportion of older people in the population of The Philippines was less than 6 %. However, with the older population increasing at a high rate of 4 %, it is projected to exceed 10 % during the first quarter of this century. Though the ageing issue is not among its highest priorities, the Government has been aware of the situation and has taken a number of steps to enhance the well-being of older people and promote their positive contribution to society.

The Department of Social Welfare and Development (DSWD) is the agency responsible for coordinating ageing-related activities. In 2000 the Government approved and adopted the Philippine Plan of Action for Older Persons (1999-2004).

Singapore experienced the fastest growth in the proportion of older people in the region with an unprecedented annual rate of change of 4.2 % during 1975-2000. The older population is projected to increase at an annual rate of 5.2 % during 2000-2025. In the early 1980s, the Government began to recognize the likely impact an ageing population would have on society and set up the Committee on the Problems of the

Aged. The Committee commissioned the first National Survey of Senior Citizens in 1983, the results of which were published in 1984. An Inter-Ministerial Population Committee was set up in 1984. In 1988, the National Advisory Council on the Aged was formed to undertake a comprehensive review of the status of ageing in Singapore. Among the many recommendations implemented was the establishment of a National Council on Family and Aged (NACFA), located in the Ministry of Community Development.

The rate of growth of Thailand's older population during the last quarter of the 20th century at 3.7 % per annum was among the highest in the ESEAR. At the turn of the century, with older people constituting 8 % of its total population, Thailand had the second most aged population in South-East Asia. It is projected that Thailand's older population will continue to increase at a rapid rate, and its proportion of total population will increase to 17 % in 2025 and 27 % in 2050. The Government's growing awareness of the emerging challenges is reflected in the increased priority given to issues relating to older people. Following the Vienna Assembly on Ageing (1982), Thailand established the National Committee for the Elderly which developed the National Long-term Plan of Action for the Elderly (1986-2001).

The older population constituted 7.6 % of Viet Nam's population in 2000 and is projected to increase at a sustained annual rate of over 3 % until 2050. Within the next ten years, older people will constitute more than a tenth of Viet Nam's population and by 2050 almost a quarter. The Government has been fully conscious of issues related to population ageing and has introduced several measures to address the problems related to the elderly.

The Government has enacted a number of elderly-related policies and laws, such as the Law on Health Protection and Care for Vietnamese citizens (1994) and the Ordinance on the Elderly (2000). MOLISA has coordinated the formulation of the National Programme of Action for Ageing Care, 2003-2010. The Programme applies a multidisciplinary approach in order to create an enabling environment for improving care for the elderly, which will be implemented by different ministries and concerned agencies in Viet Nam. It provides for integration of issues and concerns of the elderly into socio-economic development plans from central to commune levels.

3.3. Policy and Actions to Promote Young Workers and Employment

ASEAN recognizes the challenges it faces in ensuring that its workers have access to productive employment while at the same time enjoying social protection. ASEAN is also faced with the challenge of aiming for universal coverage of social security and protection for its labor force, considering that most of the insurance schemes cover the formal sector only and are built on a narrow membership base. Lack of social security coverage is largely concentrated in the informal economy which provides significant employment in the region.

Since 2000, ASEAN's work on labor and human resources has been guided by the ASEAN Labor Ministers (ALM) Work Program. The Work Program provides the framework to prepare the region's labor force to face the challenges of globalization and trade liberalization. The five broad priorities initially set in the Work Program are in the areas of employment generation, labor market monitoring, labor mobility, social protection, and tripartite cooperation (representatives of employers, employees and the Government). In May 2006, the ASEAN Labor Ministers agreed in their Joint Statement of 2006 to add a sixth priority area, occupational safety and health (OSH), in the ALM Work Program. From the six priorities under the ALM Work Program, two area-specific work programs have been adopted by the ASEAN Senior Labor Officials as priority areas on tripartite cooperation and OSH capacities and standards in ASEAN.

Apart from the priorities set in the ALM Work Program, ASEAN made a groundbreaking move to address the issue of migrant workers on 13 January 2007, when its leaders signed the ASEAN Declaration on the Protection and Promotion of the Rights of Migrant Workers. The Declaration mandates ASEAN countries to promote fair and appropriate employment protection, payment of wages, and adequate access to decent working and living conditions for migrant workers. As a follow-up to the Declaration, an ASEAN Committee on the Implementation of the ASEAN Declaration on the Protection and Promotion of the Rights of Migrant Workers was established in July 2007.

In collaboration with its Dialogue Partners, a number of activities and various studies have been completed, are on-going or are being prepared by ASEAN. These activities and studies come under the purview of the ASEAN Senior Labor Officials

Meeting (SLOM) and its subsidiary bodies. The ASEAN Labor Ministers' Meeting (ALMM), which meets every other year, oversees the overall work under the ASEAN cooperation on labor. In addition, the ASEAN Plus Three Labor Ministers' Meeting (ALMM+3) was established in 2001 under the framework of ASEAN cooperation with China, Japan, and the Republic of Korea (the "Plus Three" Countries), and is now convened back-to-back with the ALMM.

Relations between the International Labor Organization (ILO) and ASEAN have been ongoing since 2003 and have led to several joint initiatives and projects. A Cooperation Agreement between the ASEAN Secretariat and the ILO was signed in March 2007.

In the particular case of Vietnam, the government understands that investing in young people is investing in the future. As a part of the Socio-economic Development Strategy for Vietnam (2001–2010), the *Vietnam Youth Development Strategy by 2010* has outlined the government's approach to tackling youth issues (Vietnam Youth's Union, 2003). The main objective of the strategy is to strengthen education and support for young people in Vietnam. The first phase identifies five key programs: (i) employment for young people; (ii) enhancing the education level and professional skills of young people; (iii) developing young scientific capability in order to upgrade the science and technology qualifications of young people; (iv) fighting crime and social evils among young people; and (v) building up the political stance, revolutionary ethics, and socialist patriotism of young people. In addition to the Vietnam Youth Development Strategy, a number of other laws and policies are in place, focusing on youth development, employability and encouragement of support for young talents. They include the Comprehensive Poverty Reduction and Growth Strategy (CPRGS), the implementation of the New Enterprise Law, vocational training programs, and others which aim directly or indirectly at entrepreneurship, vocational training, job and income generation, and poverty reduction for young people. Despite these sound policies and programs, Vietnam is still characterized by a high unemployment rate in urban areas, serious underemployment in the countryside, a very high proportion of agricultural labor, a remarkably low ratio of skilled labor, and a large amount of manual labor, even though Vietnam successfully completed the first Decent Work Country Programme 2006-2010.

According to the ILO, the world is facing a worsening youth employment crisis: young people are three times more likely to be unemployed than adults and over 75 million young people worldwide are looking for work.

The ILO has warned of a “scarred” generation of young workers facing a dangerous mix of high unemployment, increased inactivity and precarious work in developed countries, as well as persistently high working poverty in the developing world.

4. Policy Recommendation

The greatest challenge facing the ASEAN countries, particularly the less-developed countries, is to reduce poverty, narrow the inequality gap and improve the quality of life of their people. That requires measures to strengthen social protection along with a focus on agriculture and rural development, and enhanced financial inclusiveness. The persistence of low per capita incomes in the regional developing countries results in a vicious circle where large transport investments remain economically unviable due to low demand for transport services on the one hand and inadequate infrastructure constraining economic activities on the other, which results in low revenue generation for investment in social sectors.

These countries successfully weathered the global economic crisis by adopting prudent and timely policies emphasizing short-term responses to the external shocks. In order to sustain their growth momentum, they now need to find new sources of demand, mainly through the rebalancing of their economies in favor of greater domestic and regional consumption. More specifically, they need to focus on several major imbalances that characterize the process of their economic growth.

4.1. Promoting more Inclusive Growth and Adjusting to Global Imbalances

The import demand from other markets in the world is not likely to play the buoyant role that it did in the past decade. The Asian countries will have to identify new drivers of growth to compensate for the anticipated reduction in demand in traditional export markets. Each country will have to address its own specific needs

and constraints and exploit opportunities for strengthening growth and achieving its Millennium Development Goals.

In order to become more resilient, these countries need to spend more on basic social services, social protection and basic infrastructure, as well as measures to boost the income of the poor. It is crucial to promote intraregional trade and investment flows that benefit especially the landlocked developing countries. Measures are needed to promote integrated markets and lower tariff and non-tariff barriers; to invest in physical infrastructure; to create robust transportation networks and information platforms; and to install better regulatory structures.

If inequality can be reduced or at least held constant, then poverty and other social deprivations could be reduced more rapidly. These countries need to promote the growth of activities that provide the poor with more benefits, such as agricultural and productive employment in small and medium-sized enterprises and in the informal sector. In order to create wider opportunities for the poor, their Governments also need to adopt policies to promote greater employment generation and to invest more in education, health and other basic services.

4.2. Mitigating Social Imbalances and Bridging Infrastructure Gaps

Social imbalances are pervasive in many countries in the region, where a large majority of people live below the poverty line. Thus, reducing poverty and ensuring equitable sharing of economic prosperity constitute an important agenda for mitigating social imbalances in these countries. Moreover, the sheer number of the poor can provide potentially large markets if additional demand can be created, especially through social and infrastructural investments that provide employment and business opportunities for the poor.

The limited availability of infrastructure constrains the contribution of infrastructure to economic growth. Closing the infrastructure gaps is thus a necessary condition for balanced and inclusive development. The resource requirements for bridging or even narrowing the infrastructure gaps are substantial and, hence, appropriate financing mechanisms are needed.

4.3. Sustaining the Private Sector

Export-led growth has been central to development and poverty reduction in Asia. Governments have been able to put in place many of the institutional conditions necessary for strong growth, including stable exchange rates and monetary regimes, appropriate regulatory frameworks, facilities for vocational training, and so on. However, there is scope for strengthening the enabling environment further. One approach entails reinforcing financial regulation in order to prevent a recurrence of the 1997 crisis. Another is to foster improvements in the investment climate through better regulatory regimes and improved functioning and regulation of labor markets, which can enhance competition and encourage poverty reduction through increased employment and improved opportunities for farmers and small producers.

4.4. Closing the Infrastructure Gap

Infrastructure investment plays a crucial role in getting growth moving, not only enabling the poor to travel in order to participate in the benefits of growth, but also allowing improved delivery of and access to services such as health and education, and social protection. Infrastructure policy faces a number of challenges including developing national and regional networks (transport, energy, ICT in particular) to create growth and help to reduce inequality, responding to the challenge of rapid urbanization, integrating lagging and remote regions through both national and regional infrastructure investment, getting the balance right between public and private investment, and rationalizing subsidy policies, many of which are inefficient, environmentally insensitive and discouraging to private investment.

4.5. Promoting Food Security and Strengthening Social Protection

Food and energy price rises are again emerging as an issue of serious concern across the region. The regional developing countries are among those that will be most affected. Policies that provide social protection in times of adversity and reduce unacceptable levels of deprivation are important those countries.

Poverty remains a rural phenomenon in regional developing countries and hence policies that promote employment and income opportunities and improve access to basic social services, especially in rural areas, are essential in reducing poverty and rural-urban imbalances. Since the rural poor derive most of their income from

agricultural activities, policies to facilitate the access of smallholder producers to land, agricultural inputs, finance, extension services and markets would contribute to enhancing food security and reducing poverty.

4.6. Making the Best Use of Resources and Energy, and the Environmental Impact of Rapid Growth

In most countries in the region, energy demand has already outstripped domestic resource availability. Current aims in several countries are to guarantee energy supplies and seek enhanced efficiency. For the longer term, international research is being undertaken into alternative sources of energy. There is considerable scope to modify taxation/subsidy policies to encourage more sparing use of non-renewable energy, or to reduce negative environmental impacts. The environment is an asset for growth, particularly for the poor, but misuse of environmental assets and environmental hazards represent increasing threats. Poorer Asian countries and groups are especially dependent on environmental assets and natural resources. Linking the use of these resources in a sustainable manner to demand from fast-growing countries in the region will enable the benefits of rapid growth to be spread more evenly.

4.7. Expanding Regional Cooperation

In view of the emerging developments, ASEAN member countries need to become more regionally integrated in order to generate rapid inclusive and sustainable growth. To boost regional economic integration, they need to address a wide spectrum of constraints in institutional and physical infrastructure, as well as in the policy agenda. This requires concerted actions for the evolution of a broader framework for economic integration at the regional level, to ensure equitable economic and social benefits, and encourage the development of regional transportation networks and the improvement of trade facilitation and strengthening of connectivity through wider use of information and communications technologies.

Donors can support ASEAN governments in deepening their commitment to a reform agenda by actively supporting domestically driven initiatives, developing aid instruments that recognize and reward positive outcomes, and facilitating exchange of

positive experience in the region. The role of regional organizations should be important. Questions of how and how far regional bodies can be made more effective, and whether their scope can be expanded to cover both developmental issues and wider concerns such as peacekeeping, for example, must be resolved.

In addition, improved business partnerships; civil society partnerships; and mechanisms for monitoring partnerships, should be taken into account.

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