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# Labour and Social Trends in ASEAN 2007

## Integration, Challenges and Opportunities



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# Foreword

This is the third issue of the *Labour and Social Trends* report, a regular publication of the ILO Regional Office for Asia and the Pacific. The present report focuses on the Association of Southeast Asian Nations (ASEAN) and has two main aims. The first is to present major trends in employment and social conditions in this dynamic region, while also drawing attention to key policy challenges posed by these trends. The second aim of the report is to contribute to the development of internationally comparable, gender-sensitive statistics to measure progress in decent work. Decent work is a goal, meaning not just whether women and men have any job, but rather productive employment that provides an adequate income to keep them and their families out of poverty, security in times of adversity, good working conditions and a voice in decisions that affect their lives and livelihoods. In order to identify decent work gaps and measure progress made in the different dimensions of decent work, it is crucial to have relevant and up-to-date information.

The report provides an overview of recent labour market trends in ASEAN, followed by thematic chapters on key employment and social issues and an updated statistical annex. The present report also has a special purpose. It intends to provide labour market information, assessment and scenarios that may assist in the follow-up to the recent ASEAN Summit, held in Cebu, the Philippines, in January 2007, where ASEAN leaders declared to accelerate integration among Member Countries, with the aim of establishing the ASEAN Community by 2015.

In the process of developing closer integration, ASEAN Member Countries will face many challenges, including improving the competitiveness and productivity of enterprises, promoting skills development and decent work opportunities for the workforce, and addressing the challenge of working poor and the issues related to the growing cross-border mobility of labour. Other challenges relate to women's employment, the ageing of the population in some countries, occupational safety and health at work and HIV/AIDS in the world of work. This report is an example of an increasingly closer cooperation between the ILO and ASEAN – an example of sharing information and research findings, strengthened policy dialogue and concrete action envisioned in the Cooperation Agreement that was signed by ASEAN Secretary-General Ong Keng Yong and ILO Director-General Juan Somavia in Geneva in March 2007.

The report was produced by a team under the guidance of Gyorgy Sziraczki. The team comprised of Steven Kapsos and Kee Beom Kim, who were involved in the development of the report: from design, through preparation to editing. Phu Huynh prepared the Statistical Annex and provided extensive editorial support. Many colleagues contributed to the report's chapters: Gyorgy Sziraczki (Chapters 1, 2, 3 and 8), Phu Huynh (Chapter 3), Urmila Sarkar (Chapter 3), Steven Kapsos (Chapters 4 and 8), Kee Beom Kim (Chapter 5), Manolo Abella and Jeff Ducanes (Chapter 6) and Tsuyoshi Kawakami (Chapter 7). A background paper used in the report was prepared by Eric Carlson and Alexandra Rizio on the impact of HIV/AIDS on labour markets in ASEAN.

Special mention should be given to Somsward Punkrasin for research and secretarial support, to Sophy Fisher for language editing support and to Guy Thijs and Kenta Goto for their helpful comments on the draft report. Technical support from various ILO units at Headquarters in Geneva, including the Bureau of Statistics and the Employment Trends Team is also acknowledged. Close collaboration with the ASEAN Secretariat was essential for developing the report's thematic focus. To this end, Alan Boulton and Kee Beom Kim of ILO/Jakarta played an active role in promoting the ILO/ASEAN dialogue throughout the process.

I believe this report will be useful to people interested in labour and social issues in ASEAN, and helpful to all in pursuit of decent work in the region.

Gek-Boo Ng  
Regional Director  
Regional Office for Asia and the Pacific

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# 1

## Overview

The Association of Southeast Asian Nations (ASEAN)<sup>1</sup> has made rapid and competitive integration into regional and global markets for goods, services, and investment, providing the region with a strong economic foundation. While the region has accounted for approximately 8.3 per cent of Asia's total GDP in recent years, ASEAN has generated around 22 per cent of Asia's total exports, placing the region behind China, Asia's largest exporter, but ahead of Japan. At the same time, ASEAN represents a vast consumer market, larger in terms of spending power than India's, although ASEAN's entire population is only half that of India.

*Export-oriented region with great potential*

Given ASEAN's sizeable consumer market, together with its large, export-oriented production base, the region is potentially very attractive to foreign investment. Indeed, in 2005 foreign direct investment (FDI) to the region rose to US\$38 billion, the largest recorded annual amount in ASEAN history. This promise of growing prosperity is no guarantee, however. Challenges remain.

At their summit meeting in January 2007, the ASEAN leaders committed themselves to accelerating integration between Member States, with the ultimate aim of establishing an ASEAN Community by 2015.

*ASEAN's challenge of integration*

It is envisaged that greater integration in the region will help to narrow the gaps in development between Member States and remove some of the economic, legal, and social barriers that hinder each State from maximizing its productivity, competitiveness, and individual development potential.

ASEAN's 2015 target date corresponds both with that of the Millennium Development Goals and with the end of the Asian Decent Work Decade.<sup>2</sup> Synergy between these initiatives is expected to put the quality and sustainability of growth and development – not just the headline figures – squarely at the heart of ASEAN's harmonization process.

In the eyes of the world the story of ASEAN is one of phenomenal economic development, growing prosperity and positive social change. The detailed picture is more nuanced and the ASEAN Member Countries face some challenges if they are to build

<sup>1</sup> Brunei Darussalam, Cambodia, Indonesia, the Lao People's Democratic Republic, Malaysia, Myanmar, Singapore, the Philippines, Thailand, and Viet Nam.

<sup>2</sup> The Asian Decent Work Decade was launched by the ILO's Asia-Pacific Member States at the 14<sup>th</sup> Asian Regional Meeting in September 2006. Representatives of Governments, workers' organizations, and employers' organizations committed themselves to an Asian Decent Work Decade – for the period up to 2015 – during which they will make concerted and sustained efforts to realize decent work in all countries in the region. More information on decent work can be found at [www.ilo.org/public/english/decent.htm](http://www.ilo.org/public/english/decent.htm).



the foundations necessary for a vibrant ASEAN Community: policies that allow each country to realize its national potential, growth that is sustainable and progress whose benefits are felt by all.

The variations in development and wealth between ASEAN Member Countries present a unique challenge to regional integration. Such differentials are a major driving force for intra-regional labour migration, which represents both a source of comparative advantage and a challenge to manage. Another challenge comes with finding a balance between economic growth and social development and establishing appropriate measurements of success. For example unemployment statistics are seen as a reference for whether progress is sustainable and prosperity is being shared, while other crucial aspects of labour market performance are glossed over; the issue of labour productivity, gender gaps, the growth of the informal economy, the persistence of underemployment and working poverty. The continued existence of such inequities raises questions about the stability and sustainability of development.

Productivity in particular is a vital determining factor in the competitiveness of both national economies and individual enterprises. Taking other things equal, higher labour productivity increases competitiveness which in turn attracts investment and fuels economic growth and employment generation. This is a virtuous circle that affects not just the number of jobs but their quality, since productivity gains can be shared with workers through higher wages, shorter working hours, improved conditions at the workplace, as well as through job creation.

What matters therefore, when evaluating the prospects for sustainable growth is not just the level of employment but its nature and quality; in other words decent work. This means focusing not simply on whether women and men have any kind of job, but rather if it is productive employment that offers an income sufficient to keep them and their families out of poverty, gives security in times of adversity, offers good working conditions, and a voice in decisions that affect their lives and livelihoods. Decent work is central to development. But it is also a productive factor underpinning a virtuous circle of economic growth and social progress – two fundamental objectives of ASEAN Member Countries.

The promotion of decent work can enable progress toward regional integration and a fair globalization in which the goals of economic development and social equity are well balanced. This is why the representatives of the Governments and employers' and workers' organizations participating in the ILO's Fourteenth Asian Regional Meeting last August resolved to make decent work a central objective of their national development strategies as well as regional and international policies. They committed to tangible outcomes and practical measures for the realization of full and productive employment for all in the coming decade. The interconnected priorities, set out in the conclusions of the meeting include promoting sustainable growth, competitiveness and job creation; advancing gender equality; improving occupational safety and health; improving the management of labour migration; strengthening labour management cooperation and social dialogue; and improving labour market governance. These priorities are high on the agenda of many ASEAN Member Countries and addressing them could make an important contribution not only to national development but also to regional integration.

The remainder of this chapter highlights some of the main employment and social trends that are discussed in greater detail in the thematic chapters of the report.

## 1.1 Recent labour market trends

Between 2000 and 2006, driven by high population growth and a modest increase in labour force participation, the region's labour force grew at an average annual rate of 2.2 per cent.<sup>3</sup> This has brought almost 36 million more people into the ASEAN labour force, putting pressure on those Member Countries with significant labour force increases. Cambodia stands out among these, with explosive growth of 52.8 per cent over the period. The Philippines and the Lao People's Democratic Republic saw their labour forces expand by 20.0 per cent and 24.5 per cent, respectively. At the other end of the scale, the labour forces in Singapore and Thailand increased by less than 9 per cent.<sup>4</sup>

*Increasing labour supply creates pressure*

ASEAN's relatively high labour force participation conceals significant gender-related differences. In Cambodia and Viet Nam, where labour force participation rates are among the highest, gaps between male and female participation rates are less than 6 percentage points. In countries such as Brunei Darussalam, Indonesia, and Malaysia, on the other hand, the gaps between labour force participation rates among men and women are around 34 percentage points.

*Gender gap weakens labour force participation*

Since 2000, total employment in ASEAN has increased by a healthy 11.8 per cent, from 235.2 million to 263 million, an increase of 27.8 million additional jobs.<sup>5</sup> Over the same period, total unemployment in ASEAN rose by 6.3 million, or 51.3 per cent, to 18.6 million.<sup>6</sup> This large increase pushed the region's unemployment rate from 5 per cent in 2000 to 6.6 per cent in 2006. Much of the regional unemployment increase, however, reflects the situation in Indonesia, which has the largest labour force in the region, where unemployment rose from 6.1 per cent in 2000 to 10.4 per cent in 2006, meaning Indonesia was home to about 60 per cent of ASEAN's unemployed. In most other ASEAN Member Countries, unemployment rates declined or remained fairly stable at around 3 to 4 per cent.

*Healthy job growth in many countries, but unemployment still an issue*

Young women and men aged 15-24 are disproportionately affected by rising unemployment. While they made up 21.6 per cent of ASEAN's labour force in 2006, they accounted for 58.7 per cent of the region's total jobless.<sup>7</sup> In Malaysia, youth unemployment reached 11.7 per cent (2004), in the Philippines the figure was 16.4 per cent (2006), and in Indonesia 30.6 per cent (2006). In other countries, the figures remained below 5 per cent. Young women are more badly affected than young men.

*Young workers bear the brunt*

While trends in employment and unemployment are important labour market indicators, they have serious limitations, and unemployment itself is only the tip of the iceberg. In ASEAN, it is mainly a phenomenon among the more educated workforce – a small minority in the region. Most workers in developing countries simply cannot afford to be unemployed; they have no choice but to work for low pay, with little or no social or safety protection, on short-term or informal contracts.

*Unemployment figures do not fully reflect labour market conditions*

In developing countries with large informal economies, moreover, labour market adjustments typically occur through changes in wages and working conditions in the informal economy, rather than through changes in official unemployment levels. Hence,

<sup>3</sup> ILO, Laborsta, Economically Active Population Estimates and Projections (Version 5).

<sup>4</sup> See Statistical Annex for country-level figures.

<sup>5</sup> ILO, Global Employment Trends Model, 2006.

<sup>6</sup> Ibid.

<sup>7</sup> Ibid.

unemployment figures reveal little about the important issues of informal employment and the working poor.

*Informal economy remains massive*

Despite the robust economic growth of recent years, the informal economy has remained massive, accounting for an estimated 156 million people, or nearly 60 per cent of the ASEAN workforce in 2006.<sup>8</sup> The informal economy has a female face, with more women in informal employment than men, indicating that women tend to have more limited employment opportunities.

The regional average once again masks significant variation by country. The estimated proportion of informal employment in total employment ranges from around 80 per cent in Cambodia, the Lao People's Democratic Republic, and Viet Nam, to 53 per cent in Thailand and 8.8 per cent in Singapore.

*Nearly 150 million are working poor, despite large reductions in poverty*

Many ASEAN Member Countries have made huge strides in reducing poverty. Yet the region remains home to millions of working poor. Of ASEAN's more than 262 million workers, in 2006, more than 148 million did not earn enough to lift themselves and their families above the US\$2 a day poverty line.<sup>9</sup> Of these, 28.5 million lived with their families on less than US\$1 a day.<sup>10</sup> This means that more than 1 in every 10 ASEAN workers and their families live in extreme poverty. In the Philippines, the proportion is around 1 in 5, and in Cambodia and the Lao People's Democratic Republic more than 1 in 3 workers.

If the working poor were more productive and thereby able to earn more, poverty would decline. Thus, the development of productive and decent employment is essential for the sustainable reduction of poverty.

*Labour productivity is critical*

Given the region's strong export-orientation, productivity growth is critical to ASEAN. Productivity growth is one of the main determinants of a country's overall competitiveness. It is also essential for creating quality jobs and reducing poverty, since increased labour productivity can lead to higher wages, better working conditions and more investment in human resources.

In recent years, China has overtaken ASEAN in terms of output per worker, while the gap between India and ASEAN has also markedly narrowed. Significant disparities between ASEAN Member Countries are also evident: Singapore's productivity level was nearly 17 times that of Cambodia, 10.6 times that of Myanmar, and 10 times that of Viet Nam.

In most ASEAN Member Countries, recent productivity growth has gone hand in hand with employment growth. In the Philippines, however, productivity growth has been very low for the last five years (less than 1 per cent per year on average); in Cambodia, output per worker has actually declined. At the same time, both countries have experienced rapid labour force and employment growth. This combination is

<sup>8</sup> The estimate is based on the combined share of own-account workers and contributing family workers in total employment. ILO, Global Employment Trends Model, 2006. For more details, see Chapter 2.

<sup>9</sup> The US\$1 a day and US\$2 a day poverty figures discussed in this report are based on the widely-used international poverty lines, which are adjusted for purchasing power parity. These figures are derived from household poverty income and/or expenditure data. An individual falls below the US\$1 a day (US\$2 a day) poverty line if the total household income is below an average of US\$1 (US\$2) per household member per day.

<sup>10</sup> ILO, Trends Working Poverty Model, 2006.

troubling because it suggests that many new labour market entrants are underemployed and taking on low-productivity, poorly remunerated work.

In most ASEAN Member Countries, greater economic openness has fuelled growth and job creation, especially in export sectors. Economic openness also drives structural changes such as a shift away from employment with low productivity areas, such as agriculture, to those with higher productivity, such as industry and services. The greatest shift of this kind has been in Cambodia and Viet Nam, the two ASEAN Member Countries which since 1995 have recorded the fastest economic growth.

*Economic openness brings both benefits and risks*

At the same time, greater economic openness has brought stronger competition and greater labour market pressures. The accelerated pace of job creation has been accompanied by job losses, contributing to increased job insecurity and a rise in atypical forms of work such as subcontracting. The wage gap between skilled and unskilled workers has also widened.

Fast-growing intra-regional movements of workers are evidence of increasing labour market integration between the ASEAN Member Countries. In 2005, the total number of migrants originating from ASEAN was estimated at about 13.5 million, 39 per cent of whom (5.3 million people) were in other ASEAN Member Countries.<sup>11</sup>

*More workers on the move*

The growing cross-border mobility of labour has benefited sending and receiving countries as well as the migrants themselves. But the large and growing numbers of irregular migrants mean that questions related to managing migration and ensuring migrants' protection become pressing.

The recent ASEAN Declaration on the Protection and the Promotion of Rights of Migrant Workers shows that Member States recognize their needs and responsibilities in this area, and that, if properly managed, the mobility of ASEAN's human resources can become a unique comparative advantage in the global marketplace.

Throughout ASEAN, the link between workplace safety and health and productivity is increasingly recognized. Sound practices are seen as good for business, as well as being a core component of decent working conditions. Declining numbers of occupational injuries in several ASEAN Member Countries show the effect of strong political will backed by legislation, enforcement, advocacy, and training. Continued progress requires the recognition that the vast majority of accidents occur in small firms, many of these at the bottom of supply chains and in the informal economy, and that the poorest, the least protected, the least informed, and the least trained are often the worst affected.

*Occupational safety and health*

## 1.2 Looking ahead to 2015

Demographics, social trends, and labour market pressures due to increasing regional and global competition are all expected to influence both the progress of ASEAN integration and regional prospects for decent work, presenting both challenges and opportunities.

With approximately 275.8 million workers as of 2005, ASEAN already has a large labour force. By 2015, however, it is expected to increase by 55 million, or 19.8 per cent. The sharpest rises will be in countries with the greatest numbers of working poor and the

*An expanding labour force*

<sup>11</sup> See Chapter 6 for further details and data sources.

largest informal economies, such the Lao People's Democratic Republic, Cambodia, and the Philippines. In other ASEAN Member Countries, labour force growth rates will slow as the result of demographic trends. Countries such as Singapore and Thailand will face emerging labour shortages and the other economic and social consequences of an ageing workforce – including the growing importance of skills development and social security. If these economies are to sustain increases in living standards for their ageing populations, they will need to continue to increase the productivity of their workforces.

*Rise of China and India: Challenges and opportunities*

ASEAN will face two major challenges in its quest to establish itself as an economic and social community by 2015. The first challenge is internal: the persistent, albeit narrowing, development gaps between Member Countries. The second is external: the rise of China and, to a lesser extent, India. The challenge is not simply that both China and India are growing faster in terms of GDP. More importantly, their labour productivity levels are increasing at a faster pace.

At the same time, the growth of China and India offers remarkable opportunities for many ASEAN Member Countries to increase exports. Importantly, these opportunities lie not just in the export sectors of the large emerging economies, but also in those sectors that serve the expanding domestic markets. Making the most of these opportunities depends on increasing investment in new technologies, worker skills, and working conditions that can improve productivity and competitiveness.

*Shift towards services sector*

Rapid technological change, trade in goods, and competitive pressures are expected to lead to further shifts away from agriculture to industry and services. Between 2005 and 2015, total employment in agriculture is projected to contract by 6.6 million, while employment in industry and services is expected to expand by around 24 million and 35 million, respectively. The service sector will not only be the main source of job creation, it will also become the largest employment sector, representing about 40 per cent of total ASEAN employment by 2015.

*Expanding urban informal economy*

By 2015, the persistence of the informal economy, the rapid growth of many ASEAN Member Countries' urban populations, and the increase in services-sector employment will combine to expand the urban informal economy. Social and economic challenges are likely to follow, notably in Cambodia, Indonesia, the Lao People's Democratic Republic, and Viet Nam, where urban population growth will be the fastest.

*Extreme poverty will decline, but vulnerability to poverty will remain high*

By 2015, the proportion of employed persons living in households whose members are estimated to subsist below the US\$1 per person poverty line is projected to fall to 7.8 per cent (from 10.8 per cent in 2006). But nearly half of all employees, about 150 million people, will still not earn enough to lift themselves and their families above the US\$2 poverty line.<sup>12</sup> This means that between 40 and 50 per cent of employed people and their households are likely to remain vulnerable to poverty in 2015, suggesting that poverty reduction strategies need to shift gradually from targeting those in extreme poverty to mitigating vulnerability to poverty among many more millions of people.

<sup>12</sup> ILO, Trends Working Poverty Model, 2006.

### 1.3 Policies for promoting decent work in an era of globalization

Concentrating on factors that encourage productivity growth and the creation of quality jobs will be critical to promote both competitiveness and decent work. This approach, combined with a gradual narrowing of development gaps between Member Countries, will more surely lead to an integrated, dynamic, and vibrant ASEAN Community.

Although appropriate policy mixes will vary from country to country, the key ingredients have much in common. The trends analysis presented in this report identifies several relevant areas of concern for policy-makers:

First, while export competitiveness is crucial for regional growth and development, this must be pursued through improvements in productivity – the source of sustainable competitiveness and quality employment. To this end policies should encourage companies to invest in workers' skills and improve access to new technologies.

Second, if ASEAN economies are to maintain their competitiveness while fostering sustainable growth and poverty reduction, they must ensure that gains from productivity growth are shared with workers through higher wages and improved working conditions – in other words, through decent work.

Third, in an era of rapid structural changes and increasing competitive pressure, it is essential that workers are protected. Appropriate measures include strengthened social safety nets and labour market policies such as job-search assistance and retraining programmes to help workers adjust and to mitigate the costs of such adjustments.

Fourth, it is likely that ASEAN will see increasing flows of migrants. If migration is going to benefit all parties, policy-makers should assess the impact of related regulatory measures, including those which ensure equal treatment, register the undocumented, penalize employers who hire undocumented migrant workers, and give workers legal status.

Fifth, greater efforts are needed to prevent occupational injuries and diseases, helping to protect workers while promoting productivity. Occupational injury- and disease-reporting systems and labour inspection regimes need strengthening, and worker coverage needs expansion. This should be a win-win policy, given that sound safety and health practices are good for workers as well as for business.

Recent initiatives at both the country and regional levels demonstrate that the political will exists to tackle these difficult challenges. Still needed is greater institutional recognition of the far-reaching benefits – for enterprises and the broader economy, as well as for the workers themselves – of policies aimed at improving worker productivity and expanding access to decent employment, particularly those that set minimum standards for education and training, health and safety, equal treatment, and representation at work.

Improvements in social dialogue between workers, employers and governments – the tripartite constituents of the ILO – will also be crucial for achieving equitable and sustainable growth. Without strong workers' and employers' organizations and effective mechanisms for social dialogue and improved industrial relations, the true achievement of decent work in ASEAN will not be possible.

There is no “one size fits all” strategy for realizing decent work in the region. Different countries, given their national realities, individual cultures and development levels, will strive in different ways to achieve the goal of more and better jobs. However, there are principles and rights at work that can and should be respected in all contexts and at all levels of development. These cover freedom of association and collective bargaining, non-discrimination and non-use of forced labour and child labour.<sup>13</sup> On this foundation, social dialogue is the most effective way of achieving national consensus on the best combination of policies for a country to achieve its national development objectives.

## 1.4 Report structure and data sources

This report examines these complex, often interrelated issues while referring to statistical sources detailed in Box 1.1. While it is not possible to discuss all of the economic and social challenges facing ASEAN labour markets, the report outlines several key challenges and emerging trends. Chapter 2 provides an overview of recent employment and social trends. Chapter 3 looks at the difficulties faced by millions of young people upon entering the labour market and seeking decent employment. Chapter 4 explores relative competitiveness among ASEAN Member Countries through an analysis of labour productivity trends at national and sectoral levels. Chapter 5 assesses the impact of regional economic integration on employment. Chapter 6 presents a closer look at intra-regional migration patterns within ASEAN, and at the growing challenge posed by the large and increasing number of unregistered migrants. Chapter 7 reviews trends in workplace-related accidents and diseases, and in recent government policies to strengthen occupational safety and health. Finally, Chapter 8 presents demographic trends and labour market scenarios for 2015, by which date ASEAN plans to have created a common market. The report also includes a comprehensive Statistical Annex.

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<sup>13</sup> ILO, *Realizing decent work in Asia*, Report of the Director-General, Fourteenth Asian Regional Meeting (Busan, Republic of Korea, August-September 2006). Available online at <http://www.ilo.org/public/english/standards/relm/rgmeet/14asrm/dgrealizing.pdf>.

**Box 1.1: Main data sources**

In providing a broad picture of ongoing labour market and economic trends, this report draws from a number of international and national data sources. Wherever possible, internationally comparable data have been used, but cases may arise in which data are not perfectly comparable across countries. The tables provided in the Statistical Annex include detailed references on data sources, and the data presented in the chapters are drawn in large part from this Annex.

The report draws from a number of international data repositories. Unless otherwise cited, GDP growth data are taken from the International Monetary Fund (IMF) *World Economic Outlook (WEO) September 2006 Database*. Population data including total, urban, and rural population figures are taken from the UN's *World Population Prospects 2004 Revision Database*. Labour force figures are taken from the ILO's *Laborsta, Economically Active Population Estimates and Projections (EAPEP), 5<sup>th</sup> Edition Database*. Labour productivity figures are taken from the Groningen Growth and Development Centre's *Total Economy 2007 Database*. Many country-level labour market data are taken from the ILO's *Key Indicators of the Labour Market, 4<sup>th</sup> Edition Database*. Regional aggregates of employment, unemployment, employment by sector and status are derived from the ILO's *Global Employment Trends Model, 2006*; and regional working poverty estimates are taken from the ILO's *Trends Working Poverty Model, 2006*. The report also uses data from ASEAN's *Trade Statistics and Foreign Investments Databases*, UNCTAD's *Foreign Direct Investment Database*, the World Bank's *World Development Indicators Database*, and the Economist Intelligence Unit's *Country Reports*. The cut-off date for data used in the report was February 2007.



## Labour market trends

Between 2000 and 2006, GDP in the ASEAN region grew at an average annual rate of 5.7 per cent. While outpacing rates outside Asia, regional growth nevertheless lagged behind that of India (7.2 per cent) and China (9.9 per cent).<sup>1</sup>

*ASEAN's healthy growth surpassed by dynamism of China and India*

Cambodia and Viet Nam proved to be the best performers within ASEAN, with average annual growth rates of 8.6 per cent and 7.7 per cent, respectively. Agriculture, booming tourism and, more importantly, robust export expansion underpinned growth in both countries. Both countries saw trade rising fast as a share of GDP – evidence of increasing integration into regional and global markets (Statistical Annex, Table V.1.3).

The Lao People's Democratic Republic also performed well, with an annual GDP growth rate of 6.5 per cent. Indonesia, Malaysia, the Philippines, and Thailand experienced healthy rates of between 5 and 6 per cent. Brunei Darussalam was the only ASEAN Member Country that saw only moderate economic performance – between 2000 and 2006, its real GDP grew annually by 2.3 per cent.

Rapid economic growth among the less-developed ASEAN Member Countries presents a welcome trend, one that narrows development gaps between richer and poorer countries – a precondition for stronger regional integration and community building. Narrowing development gaps between Member Countries is an important goal for ASEAN, supported by a range of technical programmes under the Initiative for ASEAN Integration, launched in 2002.

*Development gaps remain between ASEAN Member Countries*

But significant gaps remain. In 2005, per capita GDP in Singapore was 2.6 times greater than it was in Malaysia and 3.5 times more than in Thailand. And the latter two are the third and fourth most developed ASEAN economies, respectively. The gap between Singapore and the poorer members of the ASEAN community is even more striking. In 2005, Singapore's per capita GDP was more than 11 times higher than that in Cambodia, the Lao People's Democratic Republic, and Myanmar. Closing this gap will take a long time. Assuming that recent trends continue, reducing the per capita GDP gap between Singapore and Cambodia by 25 per cent, for example, would take 15 years. A reduction by 50 per cent would take about 34 years.

<sup>1</sup> Unless noted otherwise, the source of data on GDP growth rates throughout the report: IMF, World Economic Outlook Database, September 2006.

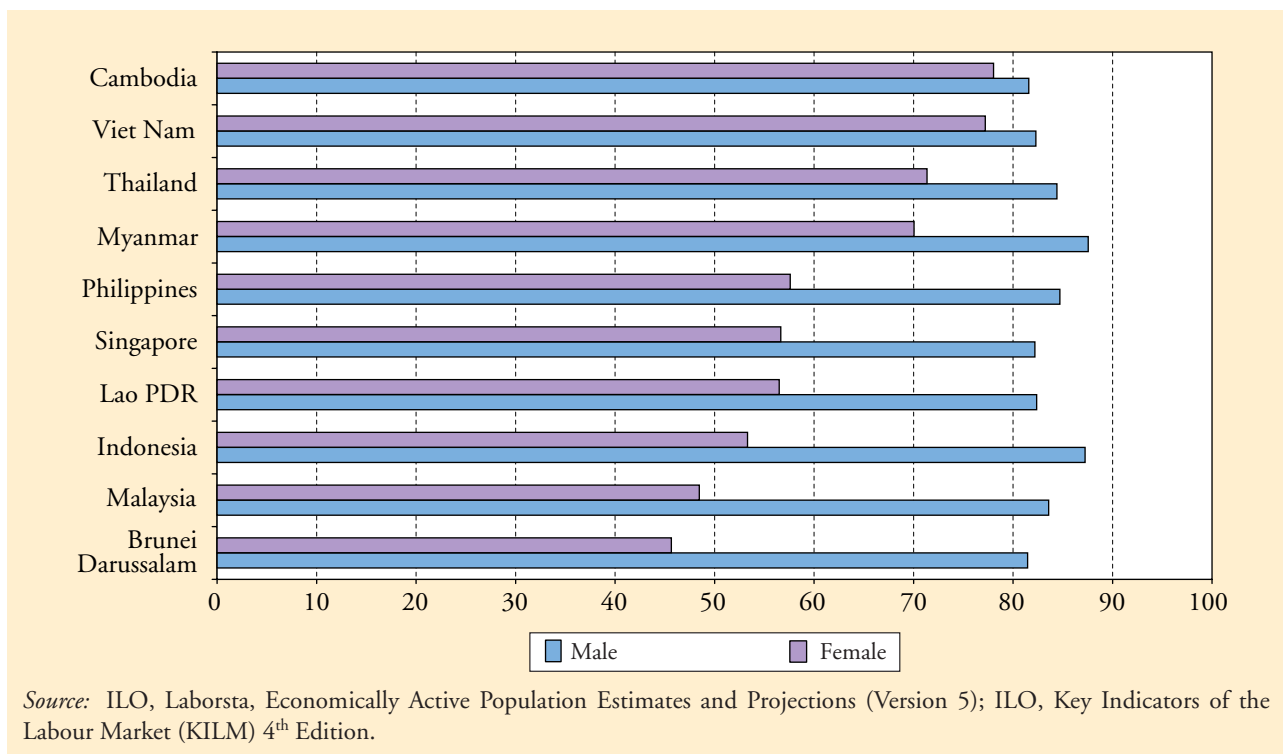
## 2.1 Labour market performance: jobs, productivity, and unemployment

*High labour force participation, but wide gender gap in some countries*

Economic growth is only the starting point for development and opportunities for decent work. The rate of growth and its employment intensity are both critical for good labour market performance.<sup>2</sup> In addition to growth, the opportunities and challenges for realizing decent work in ASEAN Member Countries are also influenced, among other factors, by demographic dynamics and the labour supply. Driven by high population growth and a modest increase in labour force participation<sup>3</sup> (from 70.1 to 70.7 per cent), the ASEAN regional labour force grew at an annual rate of 2.2 per cent between 2000 and 2006.<sup>4</sup>

But ASEAN's relatively high labour force participation hides significant differences across countries. These are mainly due to gaps between the respective rates for men and women (Figure 2.1). In Cambodia and Viet Nam, where labour force participation rates are among the highest, gaps between male and female participation rates are less than 6 percentage points. In Brunei Darussalam, Indonesia, and Malaysia, on the other hand, gender gaps in participation range around 34 percentage points.

**Figure 2.1 Labour force participation by sex (ages 15-64), selected economies, 2006 (%)**



<sup>2</sup> For a detailed analysis on the linkages between economic growth, employment creation and poverty reduction, see Azizur Rahman Khan, *Asian Experience on Growth, Employment and Poverty: An overview with special reference to the findings of some recent case studies* (Colombo, UNDP Regional Centre, 2007).

<sup>3</sup> Labour force participation is defined here as the share of the labour force (those employed and unemployed) in the total working-age population (ages 15-64).

<sup>4</sup> ILO, Global Employment Trends Model, 2006.

Between 2000 and 2006, ASEAN's labour force increased by 35.8 million, or 13.5 per cent.<sup>5</sup> In some countries, this growth puts pressure on the labour market. Cambodia, most notably, experienced explosive labour force growth of 52.8 per cent, although Malaysia, the Philippines, and the Lao People's Democratic Republic also saw their labour forces expand by 16.6 per cent, 20 per cent and 24.5 per cent respectively. Labour force expansion in Brunei Darussalam, Indonesia, and Myanmar, on the other hand, remained less than 14 per cent; in Singapore and Thailand – a reflection of ageing populations – it was less than 9 per cent.

In addition to demographic dynamics and labour force participation, the spread of HIV/AIDS may also affect labour supply. Although overall HIV/AIDS prevalence is comparatively low in the region, it has serious implications for the productive population in ASEAN (Box 2.1).

### Box 2.1 The impact of HIV/AIDS on the labour force in ASEAN

An estimated 1.5 million people are living with HIV/AIDS in the ASEAN region.<sup>\*1</sup> HIV/AIDS rates in ASEAN Member Countries are relatively low, with most ranging below 1 per cent. In some countries, HIV/AIDS prevalence is actually falling due to successful prevention programmes. On the other hand, Indonesia has the fastest growth rate of HIV infection among Asian countries, as a result of high prevalence rates in the province of Papua, where HIV prevalence is 20 times higher than the national average.<sup>\*2</sup> Indeed, given the diversity of populations and geographical conditions in ASEAN Member Countries, some provinces are experiencing many more times the national prevalence rates, and some groups are slipping through the cracks of national programmes. This is especially true for sex workers, injecting drug users, young people, and migrant workers. Since the majority of the infected population is of working age, implications for the labour force are considerable.

Table 2.1 Estimated HIV prevalence among persons ages 15-64 in the labour force, selected countries

Country	Number of HIV-positive persons in the labour force (2005)	Share of HIV-positive persons in the labour force (%) (2005)	Average annual reduction in GDP growth attributable to HIV/AIDS (%) (1992-2004)
Cambodia	110 000	1.6	0.1
Myanmar	326 000	1.2	–
Thailand	483 000	1.4	0.1
China	620 000	0.1	–
India	3 855 000	0.9	–

Sources: ILO, *HIV/AIDS and work: global estimates, impact on children and youth, and response* (Geneva, 2006); ILO, Laborsta, Economically Active Population Estimates and Projections (Version 5).

In 2005, among the three ASEAN Member Countries for which estimates are available, Thailand had the largest number of HIV-positive workers – about 483,000, or 1.4 per cent of the labour force aged 15 to 64 years. In Cambodia, HIV-positive people comprised about 1.6 per cent of the labour force. In Myanmar, an estimated 1.2 per cent of the labour force, or 326,000 workers, were HIV-positive. In comparison, the estimated share of workers with HIV living in China and India in 2005 was 0.1 per cent and 0.9 per cent, respectively.

(continued on page 14)

<sup>5</sup> Ibid.

(continued from page 13)

The spread of HIV/AIDS could have a devastating effect on labour forces, labour productivity, and poverty reduction efforts. Between 1992 and 2004, the loss in both Cambodia and Thailand in annual GDP growth due to HIV/AIDS was an estimated 0.1 percentage points. This amounts to losses of approximately US\$500 million in annual GDP in these two countries alone. Unchecked, HIV/AIDS could slow economic development and undermine social gains in ASEAN Member Countries.

\*1 ILO-ASEAN, *HIV and AIDS and the World of Work in ASEAN* (Jakarta, ILO, 2005).

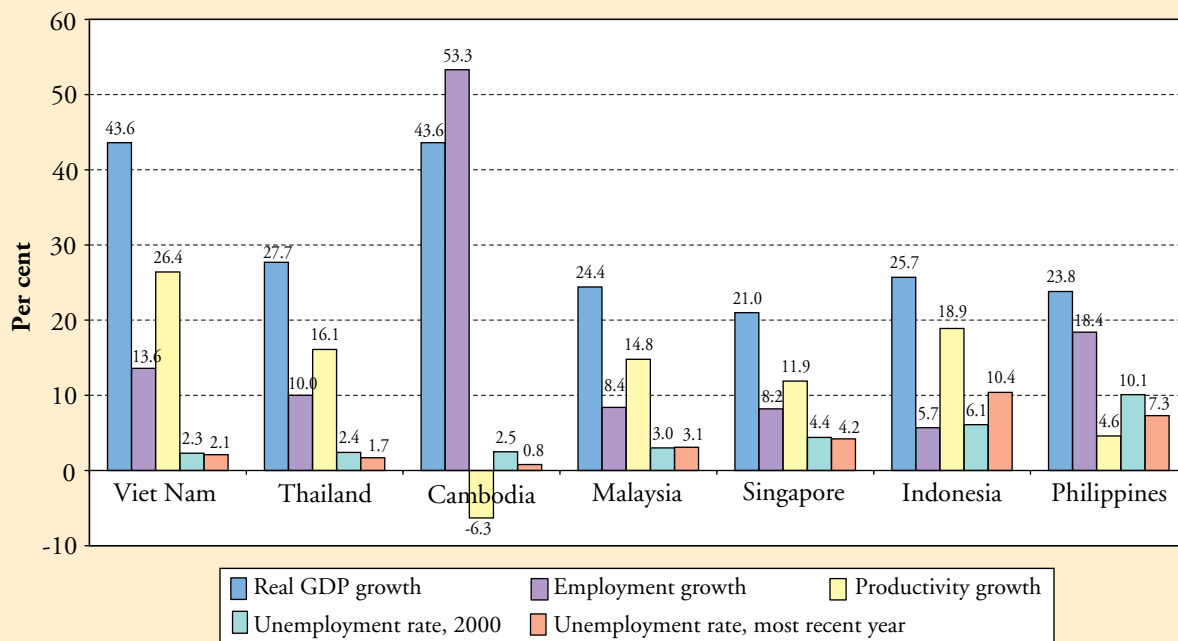
\*2 Indonesia National AIDS Commission, *Country Report on the Follow-up to the Declaration of Commitment on HIV/AIDS* (Jakarta, 2006).

*Job growth and labour productivity equally important*

Except in Indonesia, where job creation remained weak and unemployment accelerated between 2000 and 2006, employment growth broadly mirrored labour force trends in the region. But the employment performance of an economy cannot be assessed only on the basis of job growth. The quality of jobs, such as skills content, working conditions and wages and benefits, is also important. Job quality, in turn, significantly depends on the growth of labour productivity, as part of the productivity gains can be distributed to workers through higher wages, improved working conditions or investment in human resources. Therefore, it is important to consider trends in both employment growth and labour productivity.

Labour productivity growth and employment growth are two engines driving economic growth and development. In the long run, however, it is productivity growth that determines whether economic growth translates into improvements in living standards and sustainable poverty reduction.

**Figure 2.2 Growth in GDP, employment and productivity, 2000-2005, and unemployment rates in 2000 and most recent year, selected economies (%)**



Sources: For GDP, employment and productivity growth: The Conference Board and Groningen Growth and Development Centre, Total Economy Database, January 2007, www.ggdc.net; for unemployment rates: ILO, Key Indicators of the Labour Market (KILM) 4<sup>th</sup> Edition; National Statistical Office data.

Striking differences emerge when looking at national labour market performance between 2000 and 2005, in terms of both job growth and productivity improvements. Cambodia and Viet Nam, for example – the best economic performers of the region with exactly the same rate of real GDP growth – experienced rather different labour market performance. Viet Nam’s rapid economic growth was based on exceptional productivity growth (26.4 per cent, the highest in the region), and was supported by a sizeable employment expansion (13.6 per cent). In contrast, employment in Cambodia grew at a much faster pace (an astonishing 53.3 per cent, which was higher than the overall GDP growth rate), whereas labour productivity declined sharply (-6.3 per cent). This not only reflects enormous labour supply pressure but also suggests a pursuit of export competitiveness that relies mainly on cheap and unskilled labour (Chapter 4, Box 4.1). Without improving productivity through upgrading technical and human resources, Cambodia will face a daunting challenge to maintain its competitiveness in a volatile global environment.

The Philippines experienced a similar pattern of rapid job creation combined with low productivity growth, although at a much lower GDP growth rate. If the country’s poor productivity record continues, poverty reduction could be impeded. In addition, as the Philippines faces strong and growing competition from lower-cost producers, notably China, continued slow growth in productivity also carries the risk of losing more labour-intensive manufacturing capacity.

Malaysia, Singapore, and Thailand experienced economic growth rates similar to that of the Philippines, but more balanced between gains in jobs and gains in productivity. Indonesia’s labour productivity expanded by 18.9 per cent over the period. However, the country’s poor job creation record, together with high unemployment, indicates that overall labour market performance would benefit from growth that balances gains in productivity with gains in decent jobs.

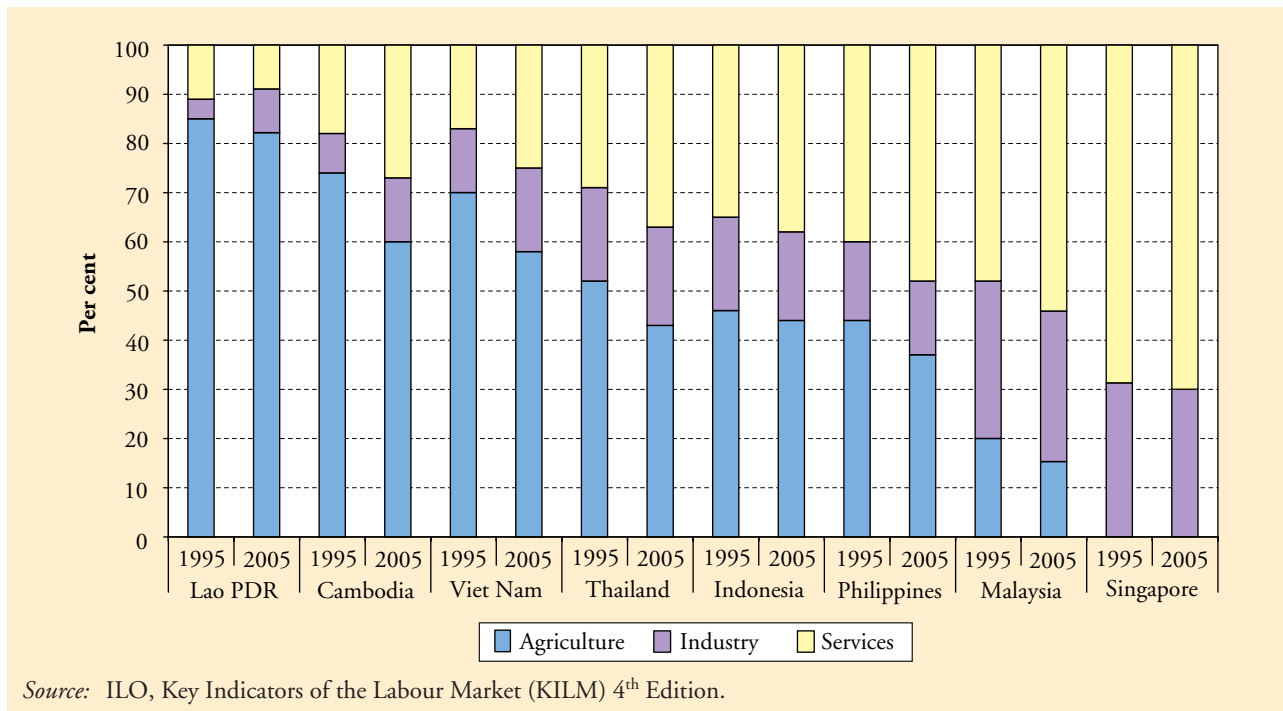
Labour productivity growth in ASEAN has been boosted by a sectoral shift in employment, with workers moving from lower to higher productivity sectors. The effect of this shift on aggregate productivity depends on (a) inter-sectoral differences in productivity levels and (b) the scale and speed of the employment shift from agriculture to industry and services. Table 4.3 (Chapter 4) shows that productivity levels are much higher in industry and services than they are in agriculture, and Figure 2.3 provides evidence of changes in the sectoral composition of employment in selected economies.

*Employment shifts  
from agriculture to  
industry and services*

Main trends include the following:

- The share of agricultural employment declined everywhere between 1995 and 2005, although agriculture remained the largest sector in terms of employment, except in Malaysia, the Philippines, and Singapore.
- Other than in the Lao People’s Democratic Republic, the share of service-sector employment increased significantly, indicating that in most ASEAN economies, this sector was the main source of employment growth.
- With industrial employment, the story becomes mixed. The share of industrial employment increased in Cambodia, the Lao People’s Democratic Republic, Thailand, and Viet Nam, while it declined in other countries.
- The largest movement of workers from agriculture to industry and services occurred in Cambodia and Viet Nam, the countries with the fastest economic growth since 1995. Given the different labour productivity records

Figure 2.3 Distribution of employment (%) by country, 1995 and 2005, selected ASEAN Member Countries



Source: ILO, Key Indicators of the Labour Market (KILM) 4<sup>th</sup> Edition.

in the two countries, it appears that, while increased productivity resulting from sectoral shift had a positive effect on Viet Nam's aggregate productivity growth, such gains were instead dampened by labour supply pressures in Cambodia.<sup>6</sup> Trends in employment, productivity and competitiveness are discussed in greater detail in Chapter 4.

*Unemployment high in Indonesia, declining or low elsewhere*

Since 2000, the number of unemployed people in ASEAN has increased to 18.6 million, or 6.6 per cent, in 2006. Much of this increase, however, is attributable to the Indonesian experience, where unemployment rose from 6.1 per cent in 2000 to 10.4 per cent in 2006.<sup>7</sup> With the largest labour force in the region, Indonesia accounted for about 60 per cent of ASEAN's total unemployment last year. The jobless rate in the Philippines stood at 7.3 per cent in 2006, down from 10.9 per cent two years earlier. In other ASEAN Member Countries where data are available over time, unemployment rates have remained fairly stable at around 3 or 4 per cent, and in some cases they have been even lower and declining.

<sup>6</sup> In addition to labour supply pressures, Cambodia benefited less from sectoral shifts for two other reasons: it had a smaller productivity gap between industry and agriculture, and it had a smaller proportion of workers in industry and services. Many other factors influence labour productivity – e.g. increases in physical capital per worker, improvements in labour quality, and growing total factor productivity – and these require further analysis. For a comprehensive overview, see IMF, *World Economic Outlook: Financial Systems and Economic Cycles* (Washington, D.C., September 2006), Chapter 3: "Asia Rising: Patterns of Economic Development and Growth", pp. 75-104.

<sup>7</sup> While this report relies on unemployment figures from the Indonesia Labour Force Survey (LFS), note that the data tends to overestimate the size of unemployment in the country. This is because in 2001 the National Statistical Office introduced a broader definition of unemployment compared to that employed in international standards. Since then, the LFS has included "discouraged workers" (those who stopped looking for work) in the group of unemployed, thereby increasing the number of unemployed. According to the standard international definition, discouraged workers are not part of the unemployed population; they lie outside the labour force. For detailed discussion, see D. Suryadama; A. Suryahadi; S. Sumarto, "The measurement and trends of unemployment in Indonesia: The issue of discouraged workers", SMERU Working Paper (Jakarta, July 2005).

Moreover, unemployment is mainly a problem of the more educated workforce – a small minority in developing Asia. The share of educated unemployed (those with secondary or higher educational attainments) in total unemployment was 57.6 per cent in Indonesia (2004), 64.4 per cent in Malaysia (2003), and 73.4 per cent in the Philippines (2006).<sup>8</sup> These high proportions reflect not only a mismatch of skills but also the ability of the better educated, many of them coming from wealthier families, to search and queue for “good jobs”. They can do without income while looking for jobs, but, for the economy as a whole, joblessness among educated people represents an immense loss of productive potential.

Applying unemployment as an indicator of labour market performance has many weaknesses. Care is needed in comparing unemployment figures across countries at different levels of development and over time, even in the same economy. Unemployment levels in more developed economies tend to reflect economic cycles. In developing countries with large informal economies, on the other hand, labour market adjustments typically occur through changes in wages and working conditions in the informal economy, rather than through changes in unemployment level. Most workers in developing countries simply cannot afford to be unemployed. Moreover, as urban unemployment is generally higher than the corresponding rates in rural areas, a rapid population shift from rural to urban areas can raise the level of aggregate unemployment. This is probably one reason, among many others, behind rising unemployment in Indonesia: between 1995 and 2005, Indonesia’s urban population expanded by 92 per cent, while its rural population shrunk by 8 per cent.

## 2.2 Working poor and the informal economy

The ASEAN region has seen a remarkable decline in income poverty. Based on the US\$1 per day threshold, poverty has been virtually eliminated in Malaysia and Thailand. Between 1990 and 2003, the latest year for which data are available, Indonesia and Viet Nam halved the number of people living on less than US\$1 per day. These countries have already achieved the Millennium Development Goal (MDG 1) of halving the US\$1 per day poverty rate by 2015. The Lao People’s Democratic Republic and the Philippines are close to achieving this goal. Yet the vast majority of people in Cambodia and the Lao People’s Democratic Republic still live below the US\$2 per day poverty line (Statistical Annex, Table IV.1.1). In Indonesia, half of the population lives below the US\$2 per day poverty line.<sup>9</sup>

*Significant reductions in poverty, yet ASEAN remains home to nearly 150 million working poor*

In addition to poverty among the population at large, it is important to examine poverty among those working to earn an income. In large parts of ASEAN, as in other developing regions where efficient social protection systems and social safety nets might not provide adequate coverage or not exist at all, the poor, as remarked earlier, cannot afford to be unemployed; they must work to survive and support their families. This means the problem is not so much the absence of economic activity, but rather the unproductive nature of that activity and the resulting inadequate earnings. Most poor people are working long, hard hours, but in low-productivity jobs that provide insufficient earnings to lift themselves and their families out of poverty. If people working in poverty had the opportunity to be more productive and earn more, poverty would decline. This is why access to decent and productive employment is essential as a sustainable route out of poverty.

<sup>8</sup> World Bank, World Development Indicators, 2006; Philippines Labour Force Survey 2006.

<sup>9</sup> World Bank, *Making the New Indonesia Work for the Poor* (Jakarta, 2006).

“Working poor” refers to employed persons living in a household whose members are estimated to live below the poverty line.<sup>10</sup> Of the 263 million workers in ASEAN, in 2006, nearly 150 million still did not earn enough to lift themselves and their families above the US\$2 per day poverty line. Among these working poor, 28.5 million lived with their families in extreme poverty on less than US\$1 per day. Even though this is less than it was 10 years ago, it still means that about every tenth worker in ASEAN has to face the difficult situation of surviving on less than US\$1 per day for each family member (Table 2.2).

**Table 2.2 Working poor indicators, 1996 and 2006**

	US\$1 a day working poor				US\$2 a day working poor			
	Millions		Share in total employment (%)		Millions		Share in total employment (%)	
	1996	2006	1996	2006	1996	2006	1996	2006
ASEAN	36.7	28.5	16.9	10.8	140.1	148.7	64.5	56.5
East Asia	145.0	95.0	20.3	12.1	442.9	347.2	61.9	44.2
South Asia	250.8	196.9	51.9	33.0	427.1	500.2	88.4	83.7

*Source:* ILO, Trends Working Poverty Model, 2006. For more information on estimation methodology, see S. Kapsos, “Estimating growth requirements for reducing working poverty: Can the world halve working poverty by 2015?”, Employment Strategy Paper, 2004/14 (Geneva, ILO, 2004); available online at [www.ilo.org/public/english/employment/strat/download/esp14.pdf](http://www.ilo.org/public/english/employment/strat/download/esp14.pdf).

If applying the US\$2 per day poverty line, 56.5 per cent of the workers in ASEAN did not earn enough to lift themselves and their families out of poverty. The corresponding figures are 44.2 per cent for East Asia and 83.7 per cent for South Asia. Within ASEAN, according to the latest available data, the proportion of workers out of the total employed population living in extreme poverty (less than US\$1 per day) was more than 30 per cent in Cambodia and the Lao People’s Democratic Republic, and about 20 per cent in the Philippines (Statistical Annex, Table IV.1.1). Again, applying the US\$2 per day poverty line, more than 80 per cent of the workers in Cambodia and the Lao People’s Democratic Republic, over 70 per cent of those in Indonesia, and about 66 per cent of those in the Philippines did not earn enough to lift themselves and their families out of poverty.

*Rising income inequalities weaken poverty reduction efforts*

The challenge of poverty reduction cannot be disassociated from that of equity. When income inequalities are large or rising, the working poor benefit less than high-income groups from economic growth and productivity gains, and this impedes poverty reduction. Available data indicate that income inequality has been increasing in some ASEAN economies. The Gini coefficient,<sup>11</sup> a common indicator of income inequality, increased most notably in the Lao People’s Democratic Republic (from 30.4 in 1992 to 34.6 in 2002), but also in the Philippines (from 42.9 in 1994 to 46.1 in 2000) and in Viet Nam (from 35.7 in 1993 to 37.5 in 2002).<sup>12</sup> Since 2000, it has also increased in Indonesia.

<sup>10</sup> ILO, Key Indicators of the Labour Market, 3<sup>rd</sup> Edition (Geneva, 2003), p. 722. Also, Nomaan Majid, “The size of the working poor in developing countries”, Employment Paper No. 16 (Geneva, ILO, 2001).

<sup>11</sup> The Gini coefficient is a measure of income inequality. It is defined as a ratio with values between 0 and 1, where 0 corresponds to perfect income equality (i.e. everyone has the same income) and 1 corresponds to perfect income inequality (i.e. one person has all the income, while everyone else has zero income). Therefore, an increase in the Gini coefficient indicates rising income inequality in a country.

<sup>12</sup> World Bank, World Development Indicators, 2006.



The informal economy is characterized by decent work deficits in terms of low quality, unproductive and poorly remunerated jobs. These jobs are often not recognized or protected by law, offer little or no social protection and are typically characterized by an absence of rights at work and a lack of representation and voice in the workplace.<sup>13</sup> Although the links are not always simple, it is clearly poverty that forces people to undertake unattractive jobs in the informal economy, and the insufficient incomes that such jobs provide contribute to a vicious circle of poverty.<sup>14</sup>

*Informal economy  
employment remains  
massive*

Given problems of definition and lack of comprehensive and reliable data, it is difficult to capture the informal economy, especially trends over time, in quantitative terms.<sup>15</sup> Available data, however, suggest that despite robust economic growth in recent years, the size of the informal economy in the ASEAN region remains massive. If data on own-account workers and contributing family workers are used as a proxy for informal employment, an estimated 156 million people, or nearly 60 per cent of the ASEAN workforce, worked in the informal economy in 2006.<sup>16</sup>

These numbers certainly underestimate the size of the informal economy, since they do not include informal wage workers. Informal wage employment comprises employees of informal enterprises as well as various types of informal wage workers who work for formal enterprises, households, or who have no fixed employer. These include casual day labourers; domestic workers; industrial outworkers (notably homeworkers); undeclared workers; and part-time or temporary workers without secure contracts, workers' benefits, or social protection. Unfortunately, reliable statistics on informal wage workers are not readily available. They are usually included within the category "wage and salary workers", together with regular (formal-sector) wage workers.

Regarding changes over time, two ASEAN regional trends stand out: a slight decline in the relative size of the informal economy and an expansion of the urban informal economy.

*Urban informal  
economy expanding*

The first trend is evident from the declining proportion of informal employment compared to total employment (from 63.7 per cent in 1996 to 59.4 per cent in 2006).<sup>17</sup> The indirect evidence for the expansion of the urban informal economy comes from the fact that, between 1996 and 2006, the population shift from rural to urban areas was much stronger than the estimated contraction of the informal economy. The share of the rural population in ASEAN declined by 8.4 percentage points (with a corresponding increase in urban population), while the share of informal employment to total employment declined by only 4.3 percentage points. Given that rural areas are typically dominated by the informal economy, especially in the less developed ASEAN Member Countries, the strong population shift from rural to urban areas suggests the expansion of the urban informal economy.

<sup>13</sup> ILO, *Decent work and the informal economy*, Report IV, International Labour Conference, 90<sup>th</sup> Session (Geneva, 2002), p. 4.

<sup>14</sup> ILO, *Realizing decent work in Asia*, Report of the Director-General, Fourteenth Asian Regional Meeting (Busan, Republic of Korea, August-September 2006), p. 34.

<sup>15</sup> For a comprehensive definition, see *Guidelines concerning a statistical definition of informal employment endorsed by the Seventeenth International Conference of Labour Statisticians* (November-December 2003).

<sup>16</sup> ILO, Global Employment Trends Model, 2006.

<sup>17</sup> Despite this decline in the relative share of informal employment, the number of informal economy workers increased by an estimated 28 million during the period in question.

The regional average masks significant variation by country. The share of own-account workers and contributing family workers in total employment, for example, ranges from around 80 per cent in Cambodia, the Lao People's Democratic Republic, and Viet Nam to 53 per cent in Thailand and just 8.8 per cent in Singapore (Statistical Annex, Table II.6.1).

The informal economy is characterized by strong gender segregation, moreover, with own-account workers being predominantly male and contributing family workers predominantly female. In Indonesia, for example, 47.8 per cent of the men and 28.1 per cent of the women were own-account workers, while 8.1 per cent of the men and 36.9 per cent of the women worked as contributing family workers. When the two status groups are combined, informal employment generally appears as a larger source of employment for women than for men. At the same time, female unemployment rates are generally much higher than male unemployment rates within the region – a particularly worrying trend in countries where female labour force participation remains low. Women in these economies have limited employment opportunities, and, where employed, they generally earn less than their male counterparts.

Since reliable data on informal wage employment are not widely available, the trends referred to above can provide only a partial picture of informal work. Trends in informal wage employment, furthermore, may be different from overall trends in the number of own-account workers and contributing family workers. Better statistics on informal employment are needed. Without them, attempts to measure and understand the larger segment of the labour force in ASEAN's less developed economies will remain inadequate. In consequence, it will be difficult to formulate appropriate policies or to monitor and evaluate the impact of policies promoting decent and productive employment.

## Youth employment

The ASEAN Member Countries include approximately 108 million women and men between the ages of 15 and 24 years.<sup>1</sup> These people comprise the “Millennium Generation” – the generation of young Asians entering the labour force for the first time in the twenty-first century. What they achieve as workers, entrepreneurs, innovators, agents of change, citizens, leaders, and parents will shape future economic, social, political, and technological developments.

They are the region’s greatest assets, but their potential is not being fully realized. In large part this is because they lack access to productive and decent work and, oftentimes, to sufficient educational opportunities. This situation can only adversely affect regional growth, competitiveness, and productivity. In recognition, ASEAN leaders in 2003 adopted the Manila Declaration on Strengthening Participation in Sustainable Youth Employment, containing a range of commitments including prioritizing youth entrepreneurship and strengthening partnerships with educational institutions.<sup>2</sup>

### 3.1 Youth employment challenges in ASEAN Member Countries

Regional unemployment has risen in recent years, but young workers have borne the brunt. Although only 21.6 per cent of the labour force is aged 15 to 24 years, this group accounted for 58.7 per cent of the region’s jobless in 2006. The ASEAN regional unemployment problem is thus primarily a youth unemployment issue.

*Nearly 11 million unemployed youth, a majority of whom live in Indonesia*

This situation has changed for the worse over the past decade. The total number of unemployed young people has nearly doubled from approximately 5.5 million (9.6 per cent) in 1996 to nearly 10.9 million (18 per cent) in 2006 (Table 3.1). The rise started with the Asian financial crisis. However, despite regional recovery, youth have found it increasingly difficult to secure decent and productive employment in some ASEAN Member Countries. Youth unemployment rates reached 11.7 per cent in Malaysia (2004), 16.9 per cent in the Philippines (2006) and an especially alarming 30.6 per cent in Indonesia (2006) (Table 3.2). But youth unemployment rates in most other countries remained below 6 per cent, indicating that the youth unemployment challenge is a serious problem primarily in Indonesia, Malaysia, and the Philippines, and less so in other ASEAN economies.

<sup>1</sup> This report, applying the widely accepted statistical convention, defines youth as those aged 15 to 24 years. See *Statistical charts and indicators on the situation of youth, 1970-1990* (New York, UN, 1992). Yet persistent differences remain among definitions of youth applied by many national statistics offices.

<sup>2</sup> Full text of the Declaration can be found at <http://www.aseansec.org/15074.htm>.

**Table 3.1 Youth unemployment in Asia-Pacific subregions, 1996 and 2006**

	Youth unemployment rate (%)		Ratio of youth to adult unemployment rates	
	1996	2006	1996	2006
ASEAN	9.6	18.0	5.5	5.2
East Asia	7.3	7.4	2.8	2.7
South Asia	10.4	11.0	3.7	2.9
Developed economies in Asia-Pacific	8.3	8.7	2.5	2.4

Source: ILO, Global Employment Trends Model, 2006.

*On average, youth five times more likely than adults to be unemployed*

The ratio of youth unemployment to adult unemployment provides a good indicator of the problems that young jobseekers face compared to their adult counterparts. Although the ratio for ASEAN as a whole decreased slightly from 5.5 to 5.2 from 1996 to 2006, the region has one of the highest ratios of youth to adult unemployment rates in the world. In comparison, youth in the developed (industrialized) Asia-Pacific economies are approximately 2.4 times as likely as adults to be without work.

It is important to note, however, that the high ratio of youth to adult unemployment rates for ASEAN as a whole is heavily influenced by trends in Indonesia, the most populous country in the region. In most ASEAN Member Countries, the ratio of youth to adult unemployment rates remains below 4 or 3.

In several of the ASEAN Member Countries for which data are available, jobless young people account for more than half of the total unemployed (Table 3.2). Unemployed youth represent 52.4 per cent in Thailand and more than 60 per cent in Cambodia, Indonesia, and Malaysia.

**Table 3.2 Youth unemployment indicators in selected Asian countries**

	Youth unemployment rate (%)	Ratio of youth to adult unemployment rates	Share of youth unemployed in total unemployed (%)
Cambodia (2004)	1.5	2.5	61.0
Indonesia (2006)	30.6	6.0	61.8
Malaysia (2004)	11.7	8.4	68.2
Philippines (2006)	16.9	3.6	49.5
Singapore (2005)	5.2	1.3	15.5
Thailand (2005)	4.8	6.3	52.4
Viet Nam (2004)	4.6	3.2	46.2
India (2004)	10.5	3.0	45.8
Japan (2005)	8.7	2.2	18.7
Korea, Republic of (2005)	10.2	3.3	23.4

Sources: ILO, Key Indicators of the Labour Market (KILM) 4<sup>th</sup> Edition; National Statistical Office data.

One reason for this lies in the changing demographic profile of the countries as a result of rapid population growth. Another reason is rapid urbanization involving massive migration from rural areas to cities and metropolises. Typically, young women and men, who represent the majority of migrants, are more mobile than adults. As a result of rural-to-urban migration, the employment status of young people may change, at least for a short period, from underemployment in rural settings to unemployed job-seeking in urban areas. In addition, following the analysis in the previous chapter, it is likely that a significant portion of the young workers who are able to find employment in urban areas are likely to be engaged in the expanding urban informal economy.

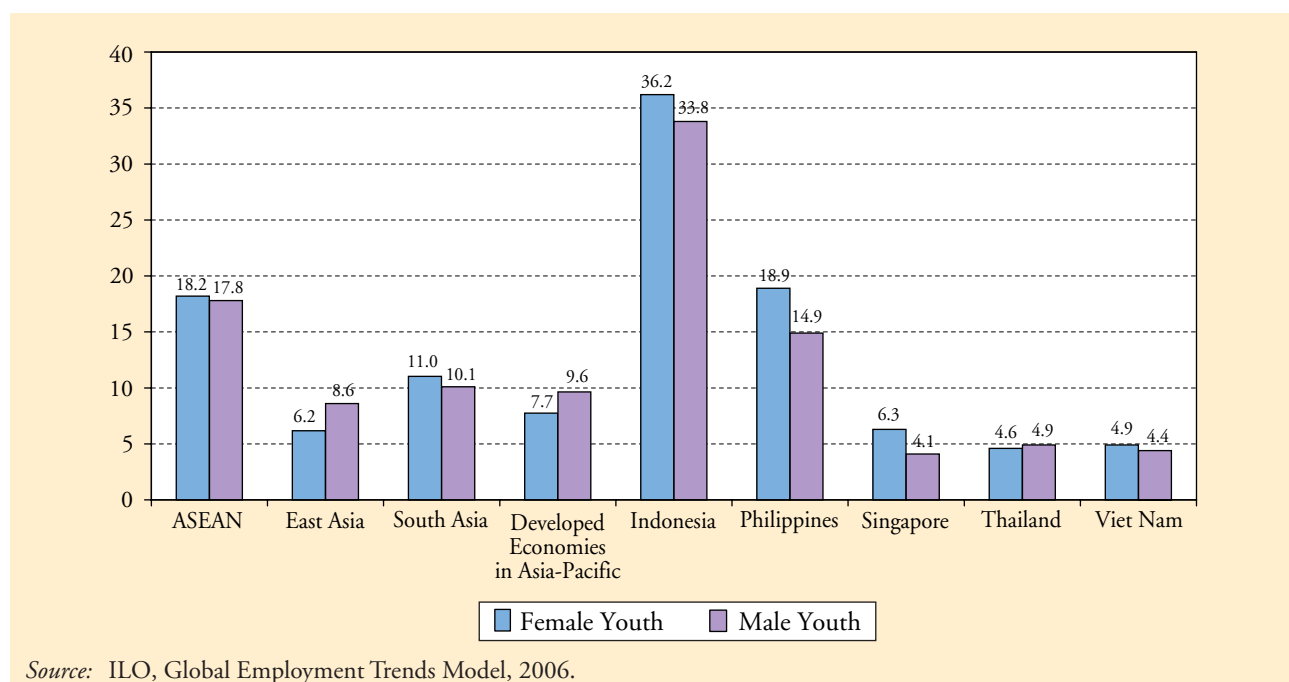
Equally important is that job creation in these countries is insufficient to absorb a large number of new entrants into the labour market. In countries with higher income levels, young people account for a smaller share of the total unemployed. Singapore, for instance, which has an ageing population and a low birth rate, has the lowest proportion of young people among their unemployed (Table 3.2).

They may lack work experience, but young people tend to be highly motivated and capable of offering new ideas and insights that are important for driving economic and productivity growth. To neglect this potential is to waste important economic and social resources. Greater access to decent work early in their working life would help young people to avoid a vicious cycle of unemployment or underemployment, poor working conditions, and social exclusion. Given widespread poverty and lack of opportunity, growing numbers of disaffected youth have often been associated with an escalation of crime in urban areas, outbursts of ethnic violence, and political instability.

Unemployment among young women in the ASEAN region is higher than it is among young men (Figure 3.1). Since unemployment is also higher for adult females than for adult males, this gender differential may persist into the next generation. On the other hand, in the developed (industrialized) Asia-Pacific economies young women

*Gender differentials in youth unemployment*

**Figure 3.1 Youth unemployment rate by sex, 2006 (%)**



experience lower unemployment rates than young men (7.7 per cent compared with 9.6 per cent in 2006). The gender gap also appears in terms of significant differences in income and in access to productive resources and credit. While their participation in economic activities is growing, young women still undertake a disproportionate share of unpaid work including household responsibilities and childcare.

*Unemployment among educated youth particularly high*

Unemployment is particularly high among educated youth – those with secondary and tertiary education often account for more than 50 per cent of the total unemployed youth. This indicates that economic development has failed to keep pace with rapid increases in educational attainment. It also reflects only sluggish progress to high-growth paths demanding higher levels of education and skills. Other factors include the quality and relevance of educational curricula and the mismatch of skills.

Unemployment among educated youth also reflects reservations regarding jobs and wages – they are more likely than the less educated to search and queue for “good” jobs, as well as to reject job opportunities perceived to be inadequate according to social or cultural norms. Typically, well-educated young people from wealthier families are over-represented in unemployment numbers because it is only these relatively advantaged youth who can afford to spend time looking for work and forego earning an income.

*Young working poor*

Concentrating on unemployment trends in countries without effective unemployment support mechanisms runs the risk of excluding from the analysis the less fortunate – those who simply cannot afford to be openly unemployed. Joblessness among young people is a serious problem in Indonesia, the Philippines and, to a lesser extent, Malaysia. But some ASEAN economies face much bigger challenges in addressing poor working conditions among those youth who are employed.

Compared with the 5.5 million unemployed youth in ASEAN economies, an estimated 30.3 million young people, or 60.8 per cent of all employed youth in the region, were working in 2006 but still living below the US\$2 per day poverty line, a decrease from 34.6 million in 1996.<sup>3</sup> Although the share of young working poor among employed youth is close to the share of all working poor in total employment, those ASEAN economies that experience both rapid youth labour force growth and high levels of working poverty (such as Cambodia, the Lao People’s Democratic Republic, and the Philippines) face a daunting youth employment challenge.

### 3.2 Demographic, economic, and age-specific factors

A number of factors are responsible for the youth employment challenge. In some countries, demographic changes partly account for the increase in youth unemployment and underemployment. Despite longer periods spent in the educational system and declining youth labour force participation rates, rapid population growth in some ASEAN economies increased the supply of young labour market entrants. Between 1996 and 2006, the youth labour force expanded by 6.8 per cent in the ASEAN region (Table 3.3). The largest increases in the youth labour force occurred in Cambodia (78.7 per cent), the Lao People’s Democratic Republic (35.1 per cent), and the Philippines (23.6 per cent).

<sup>3</sup> Authors’ calculations based on ILO, Global Employment Trends Model, 2006; ILO, Working Poverty Model, 2006. For further discussion on the calculations and methodology, please see ILO, *Global Employment Trends for Youth* (Geneva, 2006), pp. 23-26.

**Table 3.3 Youth labour force growth and participation in Asia, 1996 and 2006**

	Youth labour force ('000s)		Change (%) 1996-2006	Youth labour force participation rate (%)	
	1996	2006		1996	2006
Brunei Darussalam	25	29	14.8	44.9	42.7
Cambodia	1 292	2 310	78.7	71.0	66.5
Indonesia	21 510	22 311	3.7	52.9	52.9
Lao PDR	513	693	35.1	55.8	55.9
Malaysia	1 908	2 324	21.8	49.0	49.8
Myanmar	6 101	6 334	3.8	66.1	63.2
Philippines	7 303	9 027	23.6	51.3	52.7
Singapore	247	248	0.3	50.3	43.4
Thailand	6 826	5 260	-22.9	60.2	48.5
Viet Nam	11 194	12 230	9.3	75.2	69.0
ASEAN	56 919	60 766	6.8	58.4	56.3
East Asia	169 701	151 458	-10.8	74.6	65.3
South Asia	124 236	146 314	17.8	49.5	46.9
Developed Economies in Asia-Pacific	10 918	8 512	-22.0	51.3	49.5

*Source:* ILO, Laborsta, Economically Active Population Estimates and Projections (Version 5).

In contrast with ASEAN, the youth labour force in East Asia contracted significantly during the same period (10.8 per cent), especially in the Republic of Korea (17.5 per cent) and China (7.7 per cent). Among the developed (industrialized) economies in Asia, it is noteworthy that Japan's youth labour force declined by 29.3 per cent. Two factors are responsible: a low population growth rate, which is the largest contributing factor in Japan and the Republic of Korea, and an increasing rate of youth participation in education, which is responsible for a large portion of the decline in China's youth labour force. Within ASEAN, the same trends can be observed in Thailand, where the youth labour force contracted by 22.9 per cent.

Although the youth employment challenge is closely linked to the general economic and employment situation, it has its own age-specific dimensions (See Box 3.1). The ILO school-to-work transition survey provides a tool to capture both the quantitative and qualitative aspects of the age-specific difficulties young people face. By identifying factors related to the relative ease or difficulty of the school-to-work transition, the survey helps to gauge ways in which countries can better match youth-labour supply and demand. The survey has been undertaken in several ASEAN Member Countries including Indonesia, the Philippines, and Viet Nam.

**Box 3.1 Age-specific causes of the youth employment challenge**

Young people face age-specific difficulties in making the transition from the educational system to the labour market. Therefore, while young people can benefit from a broad range of policies and programmes that promote economic growth, enhance productivity, and create jobs, it is crucial to address the age-specific difficulties. These include the following:

- lack of labour market information and job-search experience;
- wage and job reservations that youth have about entering the labour market – there is often a mismatch between youth and parental aspirations and labour market realities;
- lack of employment experience – employers prefer experienced workers, so young people often find themselves at the end of the queue for jobs;
- “insider-outsider” effects related to aspects of labour market regulations (adults already in the labour market have an advantage over youth trying to enter);
- constraints on self-employment and entrepreneurship (young people lack business experience and access to financing because they usually have no collateral); and
- lack of organization and voice – often young people are not represented in trade unions or employers’ organizations, and find few channels through which their voice may be heard.

### 3.3 Linkages between youth employment and child labour

*Child labour and lack of access to education exacerbates youth employment challenge*

There is cruel irony in the existence of child labour alongside youth unemployment and underemployment: there is demand for labour met by children who should not be working, while a supply of labour available from young people goes unused or under-utilized.<sup>4</sup> In the Philippines, for example, about 0.8 million children aged 5-14 years were working in 2005, despite the fact that nearly 1.3 million youth were unemployed.<sup>5</sup> Measures that promote better-functioning labour markets would help to reorient the demand for labour away from children and towards young jobseekers. At the same time, effective safeguards must ensure that young people are protected from exploitation in the forms of work available to them.

Young people older than the legal minimum working age and younger than 18 years are generally free to work, as long as they are not engaged in the worst forms of child labour.<sup>6</sup> Nevertheless, an estimated 51.9 million 15-17 year old youth are exposed to hazardous work, most of them in Asia and the Pacific.<sup>7</sup> A recent ILO study covering Indonesia, the Philippines, and Viet Nam shows that working youth aged 15-17 years

<sup>4</sup> For further discussion, see ILO/IPEC, *Child Labour and youth employment linkages* (Geneva, 2004).

<sup>5</sup> ILO, Key Indicators of the Labour Market (KILM) 4<sup>th</sup> Edition; Philippines Labour Force Survey.

<sup>6</sup> For further discussion on the ILO Minimum Age Convention, No. 138 (1973) and the Worst Forms of Child Labour Convention, No. 182 (1999), which serve as the principal international instruments in defining child labour, please see ILO, *Combating child labour in Asia and the Pacific: Progress and challenges* (Bangkok, 2005), pp. 5-7.

<sup>7</sup> *The end of child labour: Within reach*, Global Report under the Follow-up to the ILO Declaration on Fundamental Principles and Rights at Work, Report of the Director-General to the 95<sup>th</sup> Session of the International Labour Conference (Geneva, 2006), p. 6.



are often forced to drop out of school due to financial constraints and are more likely to work for lower wages in hazardous conditions than are their older youth counterparts.<sup>8</sup>

Child labour tends to exacerbate the problem of youth employment, insofar as it prevents children from acquiring the education and skills needed to compete later as young adults in the labour market. Children who drop out of school and begin working at too early an age tend to become youth with poor employment prospects who cannot lift their own families out of a poverty trap, cannot become parents who give their children a better life, and cannot contribute effectively to national development. The 2006 Indonesia survey examined these relationships between early school drop-out, child labour, and future career and life development (Box 3.2).

### Box 3.2 Linkages between dropping out of school early, child labour, and youth employment

In early 2006, the ILO undertook a survey in Indonesia that looked at the labour market situation of disadvantaged youth, and the impact of early school drop-out and child labour on future life and work experience. The survey interviewed more than 2,500 young people aged 15-29 years in 8 provinces. Survey findings included the following:

- Dropping out from basic education was motivated not by employment prospects but instead by costs of participation in education.
- Early school drop-out had resulted in child labour as well as a large pool of unemployed youth who lacked the knowledge and skills to find decent work.
- Youth unemployment was extremely high among those aged 15-17 years (71 per cent), with the rate gradually declining with age.
- The average age at both marriage and birth of the first child was 2.3 years younger among those who dropped out of school.
- Earnings among those who had completed junior secondary school were 56 per cent higher than those who had not.
- Those who had completed junior secondary school were three times more likely to have a contract than those that had dropped out.
- Fourteen per cent of those surveyed had experienced a work-related accident or illness.
- Those who had completed junior secondary school recorded higher satisfaction according to a range of indicators – job security, safety and health, use of qualifications, representational security and perception of well being – than those who had dropped out.

*Source:* ILO, *Decent work 2006: Indonesia's youth labour market and the impact of early school drop out and child labour on work and life experience* (Jakarta, 2006).

Education and skills training relevant to local labour market needs are crucial to preventing child labour, as well as to improving the employability of young people. ASEAN Member Countries as a whole have made great strides in increasing primary education enrolment rates (Table 3.4). Due to poor attendance and completion rates, however, universal primary education has yet to be achieved in several countries, notably

<sup>8</sup> ILO, *Regional working paper on youth training and employment to combat worst forms of child labour* (Bangkok, 2006).

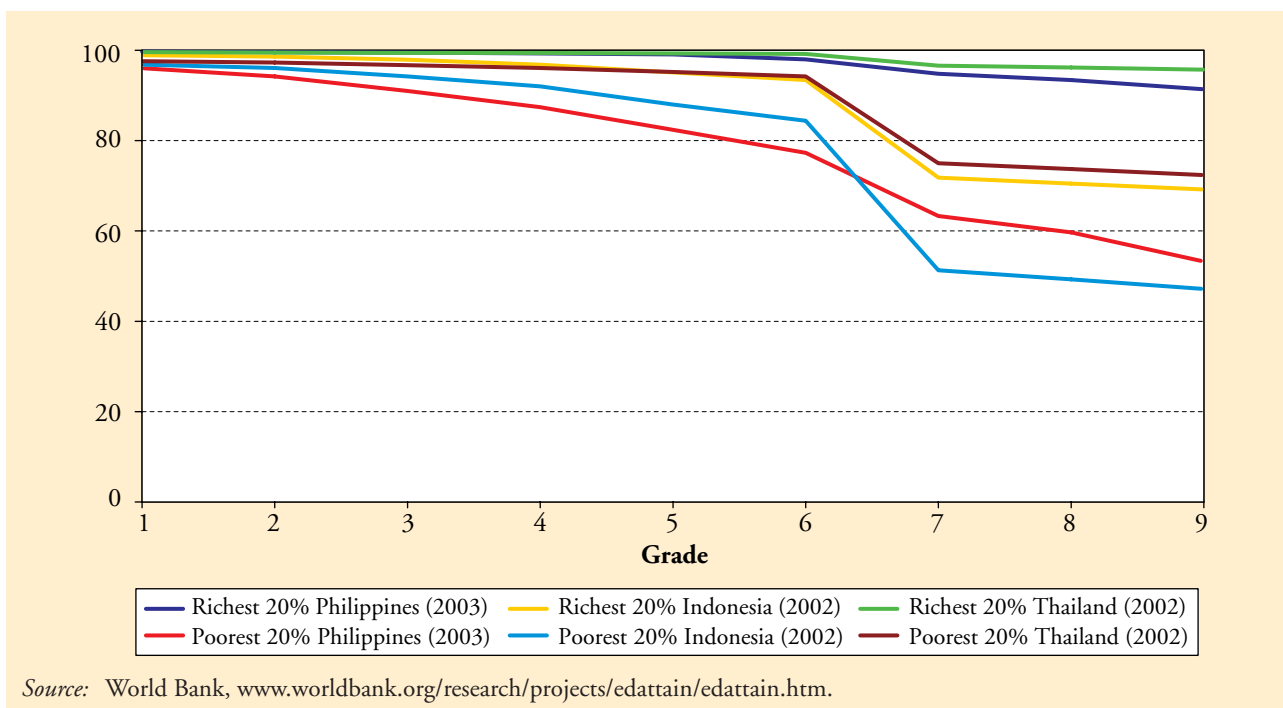
**Table 3.4 Education enrolment and completion rates, selected ASEAN Member Countries**

	Net enrolment rate (%)			Survival rate to grade 5	
	Year	Primary	Secondary	Year	(%)
Cambodia	2004	97.6	25.8	2003	59.7
Indonesia	2004	94.3	56.9	2003	92.1
Lao PDR	2004	84.4	37.1	2003	62.6
Malaysia	2003	93.2	75.5	2002	98.4
Myanmar	2005	90.2	37.2	2004	69.9
Philippines	2004	94.0	61.1	2003	75.3
Viet Nam	2002	92.9	64.8	2002	86.8

Source: UNESCO Institute for Statistics, [www.uis.unesco.org](http://www.uis.unesco.org).

Cambodia and the Lao People's Democratic Republic, where survival rates to Grade 5 in 2003 were 59.7 per cent and 62.6 per cent, respectively.

Providing a primary education is essential. But a smooth transition from school to work means young people need access to quality secondary education and training that is relevant to the job market. In most ASEAN Member Countries, however, enrolment in secondary education has been relatively low, particularly among children from poor families unable to make the transition from primary to secondary school (Figure 3.2). Opportunities and experiences during these formative school years are critical later in providing lifelong access to decent work, as well as job security and employment protection. Policy interventions should ensure that education and training systems reach disadvantaged children and youth.

**Figure 3.2 Completion of each grade (%), selected ASEAN Member Countries**

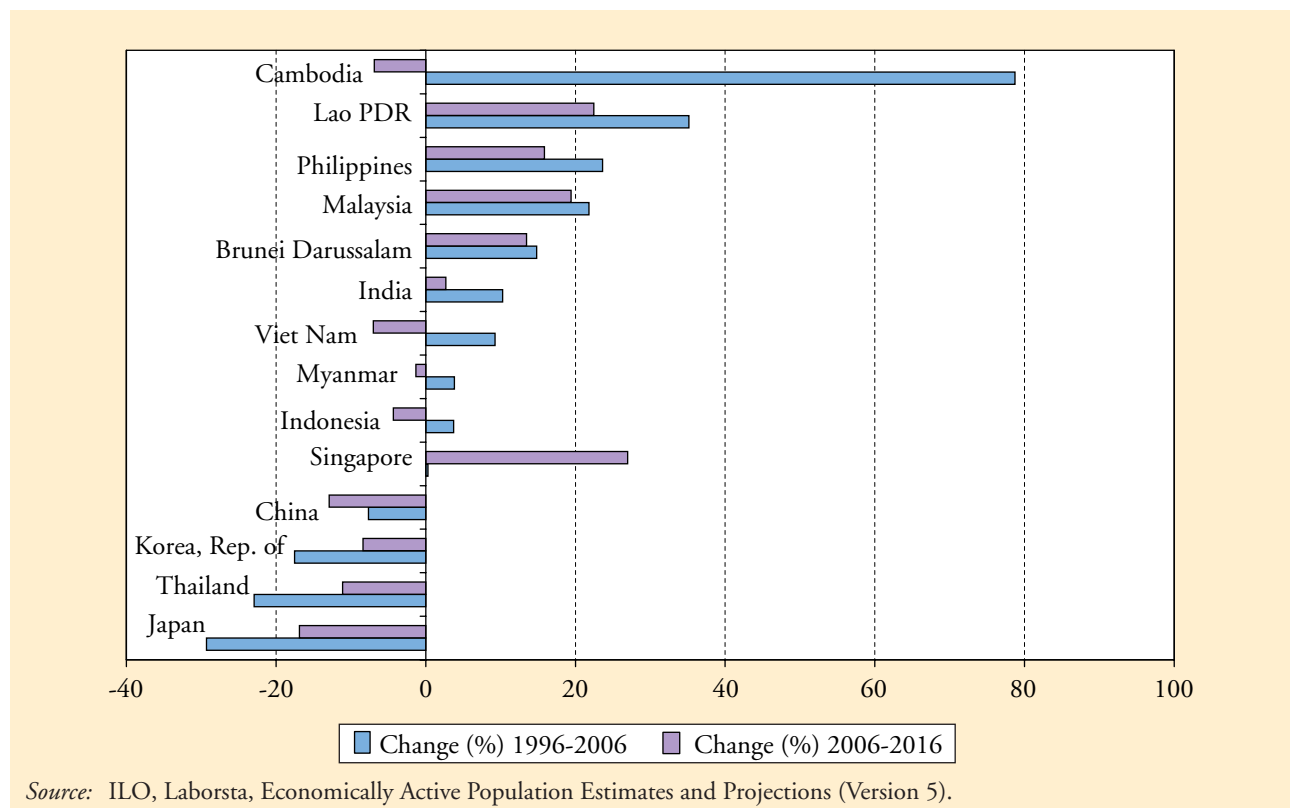
### 3.4 Youth labour force projections

Over the next decade, according to the terms of the Millennium Declaration, all those involved are committed to “develop and implement strategies that give young people everywhere a real chance to find decent and productive work” (Paragraph 20).

Demographic trends bode well for some ASEAN Member Countries, as population growth rates are declining throughout much of the region. Furthermore, young people are increasingly likely to stay longer in the education system, and their labour force participation rates are expected to decline. These developments will relieve some of the youth labour market pressure. For example, while the youth labour force in Cambodia increased by 78.7 per cent between 1996 and 2006, it is expected to decline by 6.9 per cent between 2006 and 2016. The youth labour force is also projected to decline by 4.3 per cent in Indonesia, around 11 per cent in Thailand, and 7 per cent in Viet Nam (Figure 3.3). Countries with declining youth labour forces will have the opportunity to focus on job quality, particularly among the young working poor, while ensuring that young women have the same opportunities as young men.

*Future bodes well for some countries, presents huge challenges for others*

**Figure 3.3 Change in youth labour force, selected Asian economies, 1996-2006 and 2006-2016 (%)**



However, youth labour force growth remains huge in other countries. Between 2006 and 2016, the economically active youth population is expected to expand by 13.5 per cent in Brunei Darussalam, more than 22 per cent in the Lao People’s Democratic Republic, more than 19 per cent in Malaysia, and nearly 16 per cent in the Philippines. These countries will face enormous pressure in the coming decade to create jobs for millions of young labour market entrants.

The youth employment challenge in ASEAN will also be affected by internal and cross-border migration (see Chapter 6) and HIV/AIDS. Poverty and the scarcity of employment opportunities are often the principal reasons that young people engage in high-risk work such as commercial sex, in this case also increasing their vulnerability to HIV infection. HIV/AIDS is directly destroying the potential of youth productivity and reducing the likelihood of securing decent jobs.

*Policies to address the youth employment challenge*

Policies and programmes to promote decent work for young people vary by national circumstances. Depending on the causes and the extent of the problems, there are four major policy areas to consider. First, addressing the youth employment challenge should start with moving children out of work and into education. Such policies could go a long way towards pre-empting youth employment problems. When children are attending school, they can obtain the necessary education and skills needed to compete in the job market as young adults. Efforts need to focus on not only out-of-school children but also those most at-risk of dropping out of school, in particular children from poor families.

Second, education and training policies need to ensure that the supply of young people in terms of skills, knowledge and attitudes meets the demand of businesses. Employers also have a key role to play in bridging the gap between educational institutions and the business sector. The third policy area concerns the demand for young workers. High and sustained economic growth is a necessary condition for employment generation, including quality employment for young people. This requires sound macroeconomic policies, within the context of economic and political stability, that support sustainable employment growth through expanded investment, enhanced productive capacity and increased aggregate demand.

Finally, the fourth policy area relates to the age-specific causes of the youth employment challenge. Depending on the most critical issues facing youth in a particular country, improved labour market information, job-search assistance, apprenticeship programmes and other measures could ease the school-to-work transition.

# Competitiveness, productivity and jobs

The ASEAN region has benefited from globally competitive wages in dynamic industries such as electronics and semiconductors. Nevertheless, a recent study argues that the region is losing its competitive edge in the global economy.<sup>1</sup> ASEAN economies, according to this argument, cannot rely solely on low labour costs to ensure their competitiveness. This will instead depend largely on increasing worker productivity and streamlining the production value chain. Indeed, competition based on low wages alone is rarely a winning long-term strategy, as this often occurs alongside poor working conditions, including lack of trade union representation and collective bargaining power.<sup>2</sup> Adverse working conditions, in turn, are often related to low productivity employment, which erodes competitiveness.

Non-cost factors such as institutional quality, macroeconomic environment, workforce education and skill levels, efficiency, and labour productivity are also important and interrelated determinants of competitiveness and are recognized as such in the ASEAN Vision 2020.<sup>3</sup> This chapter notes the significance of all these factors, but focuses on trends in labour productivity in gauging the longer-term competitive prospects of ASEAN economies vis-à-vis Asian economic powerhouses such as China, India, and Japan.

## 4.1 ASEAN's competitiveness in the global economy

While the 10 ASEAN nations account for about 8.3 per cent of Asia's total GDP, in recent years ASEAN has produced around 22 per cent of Asia's total exports.<sup>4</sup> Exports from ASEAN totalled US\$650 billion in 2005, placing the region behind China, Asia's largest exporter, but ahead of Japan.<sup>5</sup> Indeed, exports comprise a huge portion of the

*Export orientation  
raises stakes of  
competitiveness*

<sup>1</sup> A. Schwarz; R. Villinger, "Integrating Southeast Asia's economies", *The McKinsey Quarterly*, 2004 (No. 1).

<sup>2</sup> For instance, see ILO, *Labour and Social Trends in Asia and the Pacific* (Bangkok, 2006); ILO, Key Indicators of the Labour Market (KILM) 4<sup>th</sup> Edition.

<sup>3</sup> For the full text of the ASEAN Vision 2020, see [www.aseansec.org/1814.htm](http://www.aseansec.org/1814.htm).

<sup>4</sup> Author's calculations based on World Bank, World Development Indicators, 2006 and ASEAN Trade Database, [www.aseansec.org/stat/Table17.xls](http://www.aseansec.org/stat/Table17.xls). At purchasing power parity, ASEAN comprises 13 per cent of Asia's total GDP. Export share is for 2004.

<sup>5</sup> ASEAN Trade Database, [www.aseansec.org/stat/Table17.xls](http://www.aseansec.org/stat/Table17.xls) and World Bank, World Development Indicators, 2006.

total GDP in many ASEAN Member Countries – 28 per cent in the Lao People’s Democratic Republic, 38 per cent in Indonesia, 46 per cent in the Philippines, more than 60 per cent in Cambodia and Viet Nam, more than 70 per cent in Thailand, and well over 100 per cent in Malaysia. This strong export orientation means ASEAN nations must maintain highly efficient production systems, given that their economic growth and development prospects rely heavily on competitiveness in the global marketplace.

*A large market,  
but unequal  
investment*

At the same time, ASEAN represents a large consumer market, with some 562 million consumers spending more than US\$400 billion every year. This is more than the total for India, despite the fact that India has twice ASEAN’s population.<sup>6</sup>

Taking ASEAN’s sizeable consumer market together with its large, export-oriented production base, the region clearly has great potential to attract foreign investment; the US\$38 billion in FDI in 2005 represented the largest-ever annual regional inflow (see also Chapter 5 on Economic integration and labour markets). Yet levels of foreign investment in the region have been quite volatile in recent years, at the same time they have been heavily skewed toward a few select economies. For instance, Singapore, with only 0.8 per cent of ASEAN’s population, received 52.7 per cent of the region’s total FDI in 2005.

Table 4.1 examines the relationship between FDI per capita to ASEAN Member Countries and their ranking in the World Economic Forum’s Global Competitiveness Index, which applies nine criteria including institutions, infrastructure, macro-economy, health and primary education, higher education and training, market efficiency, technological readiness, business sophistication, and innovation.

**Table 4.1 Per capita FDI flows versus competitiveness rankings**

	FDI per capita (US\$)	WEF GCI Ranking
Singapore	4 585.0	5
Brunei Darussalam	755.5	–
Malaysia	153.7	26
Thailand	61.9	35
Indonesia	27.1	50
Cambodia	26.6	103
Viet Nam	23.7	77
Philippines	13.4	71
Lao PDR	4.6	–
Myanmar	1.4	–
China	55.0	54
Korea, Republic of	150.5	24

Sources: ASEAN, *Foreign Direct Investment Database*; World Economic Forum, *Global Competitiveness Report 2007*. FDI figures are for 2005.

Singapore, which scores high marks across the nine pillars, particularly in the areas of institutions, macro-economy, infrastructure, technology and efficiency, attracts nearly US\$4,600 in FDI per capita. Malaysia scores particularly high marks in terms of its institutions, infrastructure, the efficiency of its markets and business sophistication and

<sup>6</sup> World Bank, *World Development Indicators*, 2006.

attracts roughly the same FDI per capita as the Republic of Korea, which has a similar competitiveness ranking. Thailand's macroeconomic performance and market efficiency support its high ranking. On the other hand, Cambodia and Viet Nam score relatively low marks in terms of technological readiness and higher education and training, while the Philippines' institutions and infrastructure receive relatively low scores.

China's FDI per capita, at US\$55 in 2005 is higher than one might expect, given its competitiveness ranking of 54. Indeed, with an FDI inflow of over US\$72 billion, China remains the world's number one destination for FDI. For one thing, investment is attracted by the large scale of China as a single market. The country's low relative production costs, together with its soaring workforce productivity, are other key factors behind its success in competing for both foreign investment and export market share. It is important to note that of the ASEAN economies ranked in terms of competitiveness, Singapore has the highest labour costs, followed by Malaysia.<sup>7</sup> Thus, it is clear that non-wage factors play a tremendously important role in determining countries' competitiveness.

## 4.2 Labour productivity trends in ASEAN<sup>8</sup>

China's success highlights the crucial role that labour productivity can play in development. Increased productivity is essential in at least two respects:

*A crucial ingredient for competitiveness and poverty reduction*

- *Growth in productivity is one main determinant of a country's overall competitiveness.* Cost competitiveness can be measured with unit labour costs, defined as the cost of labour to produce a unit of output. Unit labour costs, in turn, are determined by wages, relative prices and labour productivity. In the absence of increased productivity, higher wages result in higher unit labour costs and lower competitiveness. Higher productivity, on the other hand, leads to lower unit labour costs and increased competitiveness. Indeed, increased productivity makes it possible to increase wages while at the same time increasing overall cost competitiveness. Thus productivity improvements may help a country to compete more successfully in the global marketplace and attract increased investment.
- *Growth in productivity is essential in improving general living standards.* Increased labour productivity can lead to higher wages, shorter working hours for equal or even greater remuneration, or both. For the nearly 150 million ASEAN workers living with their families on less than US\$2 per person per day, productivity growth provides an important route out of poverty – the working poor do not suffer from lack of work, but rather from low productivity and consequent poor remuneration for their labour.

Figure 4.1 presents labour productivity trends in China, India, and ASEAN (excluding Brunei Darussalam and the Lao People's Democratic Republic, for which comparable data are unavailable).

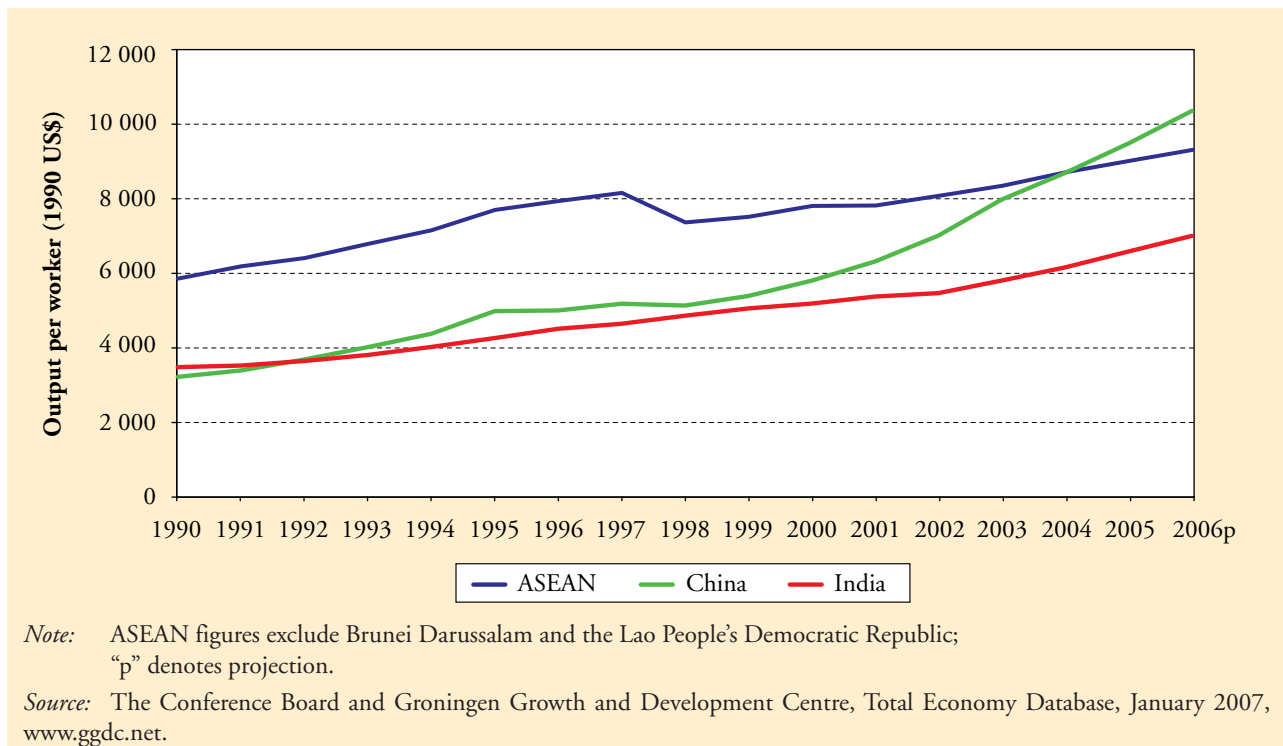
*China overtakes ASEAN, gap with India shrinking*

In 1990, output per worker in ASEAN was approximately US\$5,860. Regionally, the average level of labour productivity was about 80 per cent greater than the prevailing

<sup>7</sup> Based on labour cost per hour data presented in Economist Intelligence Unit 2007 Country Reports.

<sup>8</sup> In this chapter, "labour productivity" refers to output per worker. Labour productivity figures are adjusted for purchasing power parity.

Figure 4.1 Output per worker, 1990-2006 in ASEAN, China, and India



level in China. In 1992, however, the gap between China and ASEAN began to shrink, and by 1997 China's output per worker was only 57 per cent lower than that of the ASEAN region. During the Asian financial crisis, productivity in ASEAN declined sharply, and it did not recover to pre-crisis levels until 2003. Regional growth has picked up in recent years, but China, with its surging growth, has overtaken ASEAN in terms of output per worker. Since the Asian financial crisis, the productivity gap between India and ASEAN has also narrowed, standing at about 33 per cent in 2006, down from 70 per cent in 1990.

### *Large disparities in ASEAN Member Countries' productivity*

Table 4.2 provides country-level productivity and employment growth data for ASEAN Member Countries, India, Japan, and the Republic of Korea.

Singapore, at US\$47,975 in 2005, showed by far the highest level of labour productivity within ASEAN – a level even higher than that of Japan. The difference between Singapore and the other ASEAN members was stark: its productivity level was nearly 17 times that in Cambodia, 10.6 times that in Myanmar, and 10 times that in Viet Nam.

### *Productivity improvements widespread, but not universal*

Over the previous decade, total labour productivity growth in every ASEAN Member Country except Myanmar has been lower than in China.<sup>9</sup> Compared with India, on the other hand, only Myanmar and Viet Nam registered greater growth. Yet

<sup>9</sup> GDP growth estimates for Myanmar show large variations in recent years. For instance, the International Monetary Fund (IMF), World Economic Outlook Database, September 2006 estimates that Myanmar's real GDP growth rate was 13.2 per cent in 2005. The equivalent figure estimated by the Asian Development Bank (ADB) is 12.2 per cent, while the Economist Intelligence Unit estimates the rate at 5.2 per cent. The labour productivity estimates presented in Table 4.2 are derived from the Groningen Growth and Development Centre, Total Economy Database, January 2007, which provides the same GDP growth estimates for Myanmar as those produced by the IMF. To the extent there is uncertainty in the underlying economic growth rates, there is also a degree of uncertainty in the respective labour productivity growth rates.



**Table 4.2 Output per worker 1995, 2000, and 2005, and employment growth, 2000-most recent year, selected economies**

	Output per worker, constant 1990 US\$			Growth (%)		Growth (%), average annual		Employment growth (%), average annual
	1995	2000	2005	1995-2005	2000-2005	1995-2005	2000-2005	2000-MRY
Singapore	38 888	42 888	47 975	23.4	11.9	2.1	2.3	1.6
Malaysia	18 473	19 254	22 112	19.7	14.8	1.8	2.8	1.7
Thailand	11 871	11 984	13 915	17.2	16.1	1.6	3.0	1.9
Indonesia	8 205	7 588	9 022	10.0	18.9	1.0	3.5	1.1
Philippines	6 195	6 952	7 271	17.4	4.6	1.6	0.9	3.4
Viet Nam	3 094	3 803	4 809	55.4	26.5	4.5	4.8	2.5
Myanmar	2 328	3 017	4 541	95.1	50.5	6.9	8.5	3.9
Cambodia	2 297	3 037	2 845	23.9	-6.3	2.2	-1.3	9.2
ASEAN	7 699	7 810	9 019	17.1	15.5	1.6	2.9	1.8
Japan	38 741	40 725	44 361	14.5	8.9	1.4	1.7	-0.3
Korea, Republic of	26 624	31 826	36 729	38.0	15.4	3.3	2.9	1.6
China	4 987	5 804	9 486	90.2	63.4	6.6	10.3	1.1
India	4 263	5 189	6 587	54.5	26.9	4.4	4.9	2.9

*Note:* ASEAN productivity figures exclude Brunei Darussalam and the Lao People's Democratic Republic.

*Sources:* The Conference Board and Groningen Growth and Development Centre, Total Economy Database, January 2007, www.ggdc.net; Statistical Annex; ILO, Global Employment Trends Model, 2006.

productivity growth during the past five years has improved in every ASEAN Member Country except Cambodia and the Philippines (excluding from the analysis, as mentioned earlier, Brunei Darussalam and the Lao People's Democratic Republic). Most significantly, average annual growth increased to 3.5 per cent in Indonesia, 2.8 per cent in Malaysia, 8.5 per cent in Myanmar, and 3.0 per cent in Thailand. In the majority of ASEAN Member Countries, furthermore, recent productivity growth has gone hand-in-hand with employment growth, indicating there need not be a trade-off between the two.

The Philippines, on the other hand, has experienced extremely low productivity growth over the last five years – less than 1 per cent per year on average – while output per worker in Cambodia has actually declined. Nevertheless, as the size of their populations continues to grow rapidly, both countries have experienced rapid labour force and employment growth. But rapid employment growth together with stagnant or falling labour productivity is troubling – it suggests that many new job entrants are underemployed and taking on low-productivity, poorly remunerated work.

While trends in total economy productivity provide valuable insights into economic performance, sector-level data often add additional colour to the analysis. Table 4.3 presents output per worker in the three main economic sectors: agriculture, industry, and services. In addition, average productivity levels in agriculture are shown as a percentage of industrial labour productivity to shed light on differences, in each economy, in worker productivity across the sectors.

*Sector productivity trends highlight inequalities*

Table 4.3 Output per worker by sector, selected economies

	Output per worker, most recent year (constant 2000 US\$)			Average annual growth, 2000 to most recent year			Agriculture as % of Industry	
	Agriculture	Industry	Services	Agriculture (annual % change)	Industry (annual % change)	Services (annual % change)	2000	Most recent year
Cambodia	320	1 445	789	-1.4	-5.3	-14.9	18.8	22.1
Indonesia	738	5 394	2 351	3.1	2.3	4.4	13.2	13.7
Lao PDR	479	2 290	2 331	1.0	4.0	3.3	22.8	20.9
Malaysia	6 095	17 670	8 487	7.0	3.7	1.7	30.4	34.5
Philippines	1 163	5 789	3 268	0.4	1.1	1.5	20.9	20.1
Thailand	751	9 710	5 470	1.5	2.1	-0.4	7.9	7.7
Viet Nam	359	2 294	1 491	4.1	-1.1	1.4	12.7	15.6
China	581	4 847	2 979	4.2	9.3	5.9	14.5	12.0
India	583	2 055	3 196	2.9	0.9	5.0	25.7	28.4

*Notes:* Base year 2000 except India (1999) and the Lao People's Democratic Republic (2001); most recent year is 2004 except in Indonesia, the Philippines, and Thailand (2005).

*Sources:* Author's calculations from ILO, Key Indicators of the Labour Market (KILM) 4<sup>th</sup> Edition; World Bank, World Development Indicators, 2006; India National Sample Survey Organization; *China Statistical Yearbook* (2005).

- In Cambodia, productivity has fallen in all three sectors, with the service and industry sectors showing the greatest decline. All three sectors grew in terms of value-added over the period, but employment rose at a much more rapid pace, leading to the decline in output per worker. In the service sector, employment grew by over 125 per cent between 2000 and 2004, while in industry it shot up by more than 110 per cent. In the latter sector, surging clothing exports have drawn in tens of thousands of new workers. But an observed decline in labour productivity raises alarms – the competitiveness in this industry may be relying much more on the country's abundant and relatively cheap labour pool rather than on improved technology and production processes (see Box 4.1 for further details).
- Similarly, while overall productivity has grown rapidly in Viet Nam over recent years, none of the individual sectors have grown as rapidly as the economy as a whole. This counterintuitive result is due to a substantial shift in the national structure of employment. More and more workers are leaving relatively low-productivity agricultural jobs to take up higher value-added industrial jobs. This has contributed to a significant increase in average productivity throughout the economy as a whole, despite mixed performance in the three sectors. Indeed, as industrial employment surged by nearly 54 per cent over the period (compared with an increase of 22.4 per cent in services and a decline of 2.2 per cent in agriculture), labour productivity in industry actually fell by over 1 per cent per year.
- Industrial productivity growth in the Philippines has also been stagnant. Box 4.1 indicates that this may be another case where export competitiveness is driven more by increased employment than by productivity growth. Observations suggest low productivity growth throughout all three sectors.

### Box 4.1 Sources of competitiveness in leading export industries: ASEAN, China and India

Table 4.4 Labour market trends in leading manufacturing export industries

Country	Period	Industry	Share of total manu- factured exports in 2002 (%)	Avg. annual employ- ment growth (%)	Avg. annual real produc- tivity growth (%)	Avg. annual real wage growth (%)	Share of real wages in value-added (%)	
							Year 1	Year 2
Cambodia	1995- 2000	Clothing ex. leather	91.3	100.6	-1.5	5.0	18	25
Indonesia	1998- 2003	Clothing ex. leather	10.7	5.6	6.1	12.4	25	33
Malaysia	2000- 2003	Office machines	35.8	-7.4	17.0	4.2	23	16
Philippines	1996- 2003	Office machines	49.9	17.3	-6.0	-7.9	22	19
Singapore	1995- 2003	Office machines	44.0	-5.9	-4.0	1.4	16	24
Thailand	1996- 2000	Office machines	22.4*	-6.3	1.3	-4.7	33	26
Viet Nam	1998- 2000	Clothing ex. leather; footwear	43.0	28.3	11.4	-11.3	74	47
China	1995- 2003	Clothing ex. leather	21.8	6.5	4.9	–	–	–
India	1998- 2003	Clothing ex. leather	20.6	6.6	-8.9	1.9	24	42

Sources: Authors' calculations based on United Nations Industrial Development Organization, [www.unido.org/doc/3474](http://www.unido.org/doc/3474); World Bank, World Development Indicators, 2006. \* Denotes data for 2001.

Export growth plays a large role in the overall economic growth and development of each ASEAN Member Country. Countries can compete in global export markets in different ways, however – e.g. through either capital or labour-intensive production – taking into account their unique labour market characteristics. Export growth can occur by increasing employment, increasing worker productivity, or both. In some countries, this expansion is driven by high employment growth alone. In Cambodia, for example, where the garment industry dominates the export market, from 1995 to 2000 employment increased by more than 100 per cent annually, while labour productivity declined. The office machinery industry in the Philippines showed a similar trend where, from 1996 to 2003, employment grew 17.3 per cent annually, on average, but worker productivity actually fell by 6.0 per cent. Conversely, productivity-driven growth can be seen in Malaysia's leading manufacturing export industry, where average annual productivity expanded by 17.0 per cent while employment in the industry decreased annually by 7.4 per cent. Finally, in other cases, export growth has been balanced between employment growth and increased productivity, as seen in the leading manufacturing export markets of Indonesia and Viet Nam.

Productivity growth does not guarantee comparable wage growth. In Malaysia's office machinery industry, productivity rose by 17 per cent annually, while wages grew by only 4.2 per cent. Holding other factors (including exchange rates) constant, if worker productivity grows faster than wages, unit labour costs decline and overall cost competitiveness increases. In other ASEAN export industries, workers have faced an even more disturbing scenario. Despite substantial productivity growth in Thailand's and Viet Nam's key export industries, real wages fell. This reflects worsening worker incomes and livelihoods despite increased worker efficiency.

- Indonesia has experienced rapid and fairly balanced productivity growth across the three sectors. Employment growth has stagnated, however, and the unemployment rate has risen from 8.1 per cent in 2000 to 10.4 per cent in 2006 (see Statistical Annex Table II.3.1 for further details).
- Malaysia's agricultural sector has seen a large decline in employment together with rapid productivity improvements. This is characteristic of structural economic change. It suggests the importance of skills development and social safety nets for workers who find themselves out of work due to changing economic realities.
- Employment in Thailand's industrial and service sectors grew by nearly 25 per cent between 2000 and 2005. In the industry sector, this was accompanied by rising productivity, but in the country's service sector, productivity declined, which points to surplus workers who are likely to be underemployed.
- Outside ASEAN, India's low industrial productivity growth stands in contrast to the performance in agriculture and service, reflecting the sharp rise in industrial employment over the past several years.

Table 4.3 also provides insights into trends in within-country inequalities among workers in different sectors.

- In Thailand, the average value of production for an agricultural worker is only 7.7 per cent of the average for a worker in industry, and the gap has grown slightly since 2000.
- The gap between workers in agriculture and industry in China has grown substantially in recent years, evidence of widening domestic inequalities, as growth in the predominantly urban and coastal industrial sector continues to outpace the mainly rural and inland agricultural sector.
- The Lao People's Democratic Republic and the Philippines also have widening gaps between agricultural and industrial productivity.
- On the other hand, differences in sector productivity levels have declined in Cambodia, Indonesia, Malaysia, and Viet Nam.

*Sustainable improvement in competitiveness requires a balanced approach*

Given their strong export orientation, ASEAN Member Countries aim to maintain competitive production systems, particularly in the leading export industries. Yet economies can take different routes to realizing this goal. A common "low-road" strategy is to rely almost exclusively on cheap labour to remain competitive. Where this approach is applied, workers in export industries often have little collective bargaining power vis-à-vis wages and working conditions, and scant opportunity to upgrade their skills and knowledge. This low road tends to yield only temporary competitive advantage – especially if competing economies make more sustainable reductions in unit labour costs by means of increasing workers' productivity through innovation, improved conditions in the workplace, and more training. Low-road successes can be especially transitory in export industries where social values partly govern consumer choice.

Finding an effective "high road" is the key competitive challenge currently facing many of ASEAN's labour markets, particularly in the lower-income economies. In

ASEAN Member Countries with a “labour surplus” due to rapid population and labour force growth, economic development and social harmony will doubtless require boosting the number of available jobs. But if these new jobs are of insufficient quality to provide adequate incomes, there is little chance they will help reduce poverty. Export expansion is a sound key component, but this must be combined with the goal of increasing workers’ purchasing power. This, in turn, will increase domestic demand, further expanding the ASEAN consumer base; allow for improvements in living standards; and, ultimately, result in higher rates of economic growth.

But a focus on increasing wages alone is not enough. Wage growth without improved productivity is often inflationary and corrosive of competitiveness. Policies are needed to encourage companies to enhance workers’ skills, improve workplace conditions, increase access to new technologies, and improve production efficiency.<sup>10</sup> Such policies will promote productivity growth, which in turn allows for non-inflationary increases in real wages and increased consumption. Wages, however, do not rise automatically with productivity. Government intervention may be necessary in order to establish effective minimum wages and to promote more equitable income distribution. In addition, stronger collective bargaining systems would help to ensure that productivity improvements boost workers’ wages and living standards as well as firms’ profits.

Finally, the private sector in ASEAN economies should not bear the full cost of skills and educational enhancements. Increased public investment in education – particularly in primary and secondary education, in the lower-income ASEAN economies, and tertiary education in the higher-income ASEAN economies – could be an important driver of enhanced productivity. In China, where labour productivity has soared in the past decade, the annual number of tertiary education graduates increased by 275 per cent in the decade to 2004, while the number of secondary education graduates rose by over 90 per cent.<sup>11</sup> This occurred while the total number of young people aged 15-24 years fell by over 6 per cent, suggesting a large increase in the average educational level of China’s youth. In the Republic of Korea, enrolment rates in tertiary education shot up from 52 per cent to 89.9 per cent between 1995 and 2005.<sup>12</sup> Within ASEAN, Malaysia and Thailand have benefited from large increases in enrolment in secondary and tertiary education while Singapore has high enrolment rates across all education levels. Economies such as these clearly demonstrate the importance of productivity growth in promoting economic development. They also provide roadmaps for how to promote sustainable improvements in productivity for enhanced competitiveness.

<sup>10</sup> See A.R. Kemal, “Skills Development for International Competitiveness, Productivity, FDIs, Exports and Overseas Migration”, in S. Ghayur, ed., *Action Plan For Decent Employment Generation and Skills Development in Pakistan* (2006).

<sup>11</sup> *China Statistical Yearbook* (2005).

<sup>12</sup> World Bank, EdStats Database, [www1.worldbank.org/education/edstats](http://www1.worldbank.org/education/edstats).

# Economic integration and labour markets

The search for greater competitiveness has driven ASEAN Member Countries towards closer regional integration. In 2003, ASEAN members adopted the Declaration of ASEAN Concord II (Bali Concord II), which aimed to realize the ASEAN Community based on three pillars: ASEAN Security Community, ASEAN Economic Community, and ASEAN Socio-Cultural Community.

In 2007, this commitment was given further impetus when ASEAN leaders agreed to advance the establishment of the ASEAN Community from 2020 to 2015. A number of initiatives, including the ASEAN Free Trade Agreement (AFTA) and the ASEAN Investment Area (AIA), have supported the realization of the Economic Community, conceived as a single market with free flows of capital, goods, services, and skilled labour. These initiatives affect the economic structure and economic outcomes of ASEAN Member Countries, while having important implications for labour markets.

This chapter examines regional economic integration, focusing on trade and investment and their implications for labour markets, building upon the joint ILO/ASEAN study on the labour and employment effects of AFTA.<sup>1</sup> The joint study had highlighted that trade policy could not be formulated in isolation, given the positive and negative effects of trade liberalization. It was necessary to share information among ministries, enterprises, and workers so that all involved had a clear picture of the trade liberalization process and its employment effects. Furthermore, trade policies had to be well integrated into industrial, social, innovation, exchange rate, and regional policies.

## 5.1 Trends in trade integration

Cross-border trade in goods and services, both among ASEAN Member Countries and with the rest of the world, has increased significantly since the early 1990s, this growth proving particularly rapid in recent years (Figure 5.1). Between 2002 and 2005, exports from ASEAN countries grew by 70 per cent, and the share of exports in GDP rose from 60 per cent to 72 per cent.

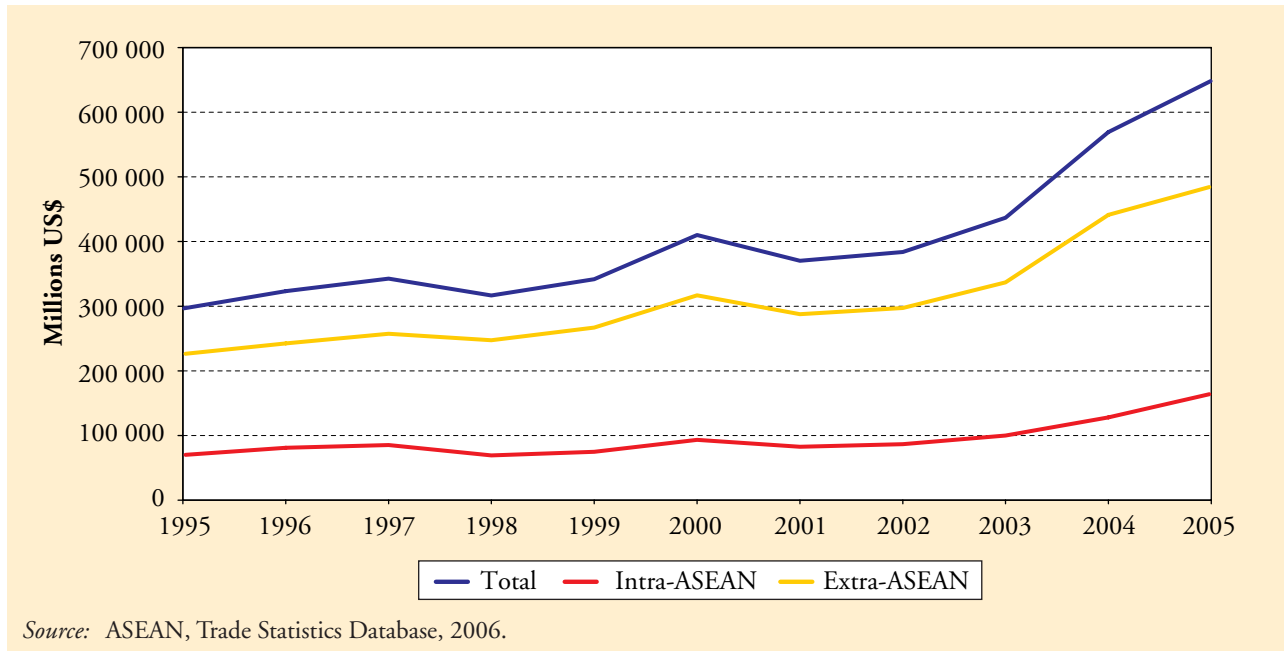
*Intra-regional trade increasing*

While intra-ASEAN exports increased to around US\$164 billion in 2005, the share of intra-ASEAN exports in total exports has remained rather stable, at about 25 per cent, since AFTA was established in 1992. The relatively low share of intra-regional trade

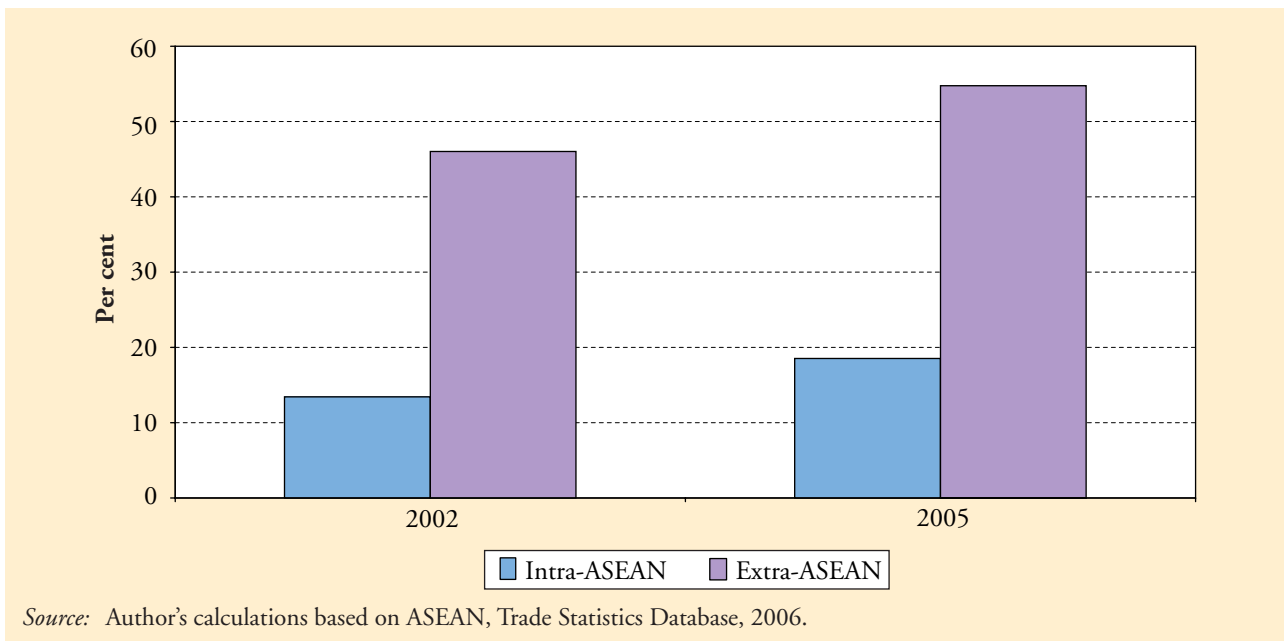
<sup>1</sup> ASEAN Secretariat and ILO, *Labour and Employment Implications of the ASEAN Free Trade Agreement* (Geneva, ILO, 2005).

contrasts with that of other regional blocs, such as the EU-25 and NAFTA, where intra-regional trade accounts for over half of total trade. Nonetheless, it is important to note that the shares of intra-ASEAN and extra-ASEAN exports in total regional GDP have both been increasing since 2002 (Figure 5.2).

**Figure 5.1 ASEAN exports (1995-2005)**



**Figure 5.2 Ratio of intra- and extra-ASEAN exports to GDP (2002 and 2005)**

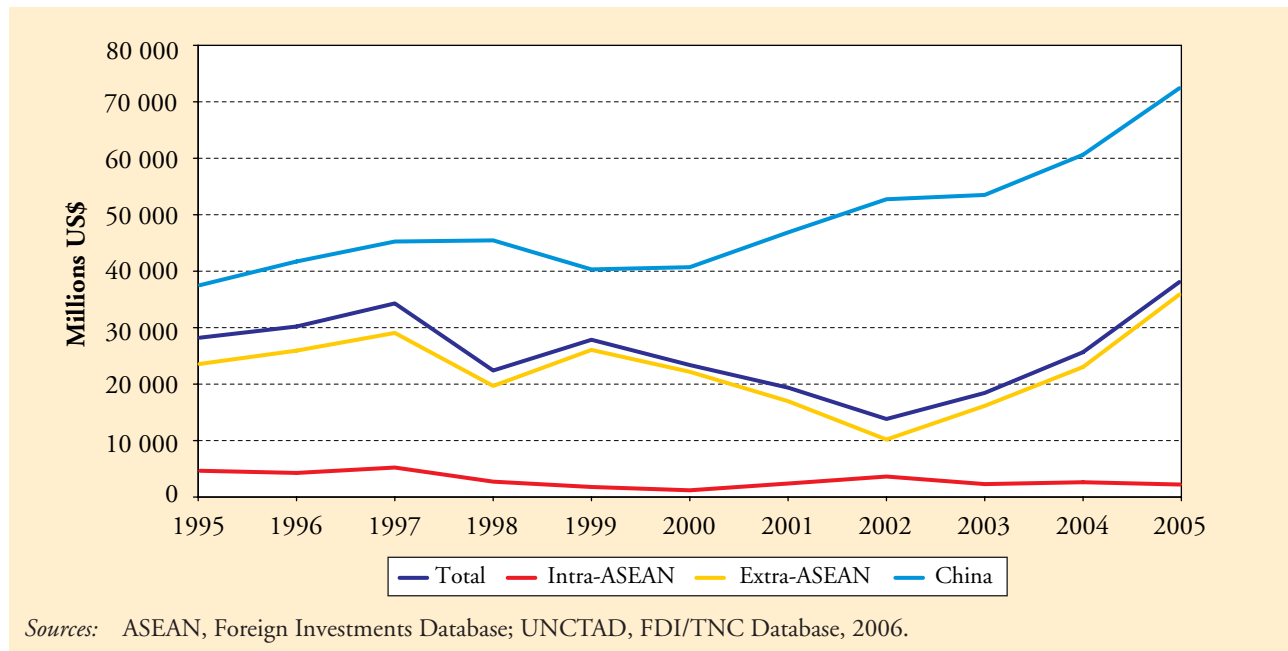


## 5.2 Trends in investment integration

Foreign direct investment (FDI) into ASEAN Member Countries showed a downward trend from 1997 to 2002, but has since risen strongly (Figure 5.3). In 2005, FDI inflows in the ASEAN region reached a historical peak of US\$38 billion. Strong growth in recent years has helped allay concerns that China is crowding out foreign investment in the ASEAN region. FDI inflows into both China and ASEAN have grown strongly since 2002, illustrating that FDI is not a zero-sum game.

*Intra-regional investment remains stagnant*

**Figure 5.3 Foreign direct investment in ASEAN and China (1995-2005)**



Intra-ASEAN FDI inflows are much smaller than extra-ASEAN inflows, and, while total FDI inflows into ASEAN have increased since 2002, intra-ASEAN FDI inflows have decreased from US\$3.6 billion in 2002 to US\$2.2 billion in 2005. The absolute level of intra-regional FDI flows has yet to reach pre-Asian financial crisis levels. As a consequence, the share of intra-regional FDI flows decreased from 26 per cent in 2002 to less than 6 per cent in 2005.

### Box 5.1 The impact of regional integration on FDI

Given the complementary and substitutive nature of FDI and trade, the effects of regional integration on the level of FDI into the region are complex. In addition, the effects may vary depending on FDI motives and existing regional integration arrangements. In theory, as expanding markets enable firms to achieve economies of scale, regional integration in the form of trade liberalization is expected to stimulate extra-regional investment. Extra-regional investment is also expected to rise if tariff and non-tariff barriers against non-members is increased, or is expected to increase, making production within the free trade area a more cost-efficient alternative to exporting to the area.

Effects of regional integration on intra-regional FDI are more ambiguous. Tariff-jumping FDI (investment undertaken as a result of trade barriers) may decrease, as lower

*(continued on page 44)*



*(continued from page 43)*

tariff and non-tariff barriers can make exporting a more economical means of serving the regional market. On the other hand, intra-regional FDI may increase in the case of vertically integrated FDI, where investment is fragmented according to locational advantages. Over the long run, both extra- and intra-regional FDI should increase if regional integration leads to greater efficiency due to reduced transaction costs and a more predictable investment climate, and if higher levels of competition raise economic growth rates among Member Countries.\*

To some extent, this theoretical framework is supported by the evidence. Extra-ASEAN FDI has increased over the long run, while intra-ASEAN FDI has tended to decrease in the past decade – possibly because only a few multinational enterprises from ASEAN Member Countries are capable of vertically segmenting production across the region.

Yet, while integration is expected to lead to greater levels of total FDI inflows into the region as a whole over the long run, this does not mean that all ASEAN Member Countries will receive higher levels of FDI. Instead, production could concentrate in countries with the best locational advantages. In fact, FDI inflows in the ASEAN region are highly concentrated, with just three countries – Malaysia, Singapore, and Thailand – accounting for 80 per cent of total FDI inflows between 1995 and 2005.

\* M. Blomström; A. Kokko, “Regional integration and FDI”, NBER Working Paper No. W6019 (Cambridge, 1997).

### 5.3 Regional economic integration, impact on employment

*Export growth  
has created millions  
of jobs*

Whether in the context of regional integration or other multilateral and bilateral trading agreements, it is not easy to disentangle the effects of trade liberalization on labour markets. Yet it is clear that the vast majority of ASEAN Member Countries have benefited from such liberalization. It has provided opportunities for export growth, which in turn have brought millions of people from low-productivity agriculture into higher-productivity manufacturing, fuelling economic growth and employment creation.

*But competitive  
pressure increases  
employment  
insecurity*

Export growth in ASEAN has been accompanied by the growth of intermediate and other imports, reflecting the increasing integration of ASEAN firms into global and regional production networks. Nevertheless, while consequent competition with cheaper imports has led to productivity growth in some sectors, it has also led to plant closures and employment losses, heightened job insecurity, and the spread of atypical forms of work including subcontracted work, which do not offer many of the rights and benefits that apply to regular employees.

In addition, trade liberalization drives structural transformation, resulting in increased labour market turnover and adjustment costs. This is evident in employment trends by sector in ASEAN Member Countries (see Chapter 2). While all countries have experienced changes in the sectoral share of employment – in particular, a shift from agricultural employment to employment in industry and services – countries such as Cambodia and Viet Nam, which opened their economies to trade at a later stage than did other ASEAN Member Countries, are now experiencing greater changes in the composition of employment, and are hence likely to suffer significant adjustment-related issues. The declining share of employment in industry for most high- and middle-

income ASEAN countries also suggests that workers in these countries are moving to service-sector jobs. These types of employment shifts are neither automatic nor without concomitant difficulties, and thus require the attention of policy-makers.

In recent years, demand for highly skilled labour has increased in ASEAN. In consequence, the level of employment and wages for skilled workers has also increased, widening the wage gap between low-skilled and high-skilled workers. Using industry-level wage data as a proxy for skill levels, average wages in the finance and business services sector in Indonesia, for example, increased by 90 per cent between 2000 and 2006, while average wages in the agriculture and fishery sectors increased by 62 per cent.

*Wage inequalities are widening*

### Box 5.2 Export concentration and adjustments in ASEAN Member Countries

Garments represent the largest share of exports in Cambodia (65 per cent) and the Lao People's Democratic Republic (24 per cent), while garments and textiles account for the second largest share of exports in Viet Nam (15 per cent). Since the end of 2004, all three countries have enjoyed significant export growth despite heightened competition in the post-MFA era. In the first six months of 2006, Cambodian garment exports, for example, rose by 27 per cent, while in Viet Nam output of garments rose by 16 per cent.

Lao garment firms have adjusted to the competition through specialization, while firms in Cambodia have built a reputation on compliance with international labour standards. But there is concern that, when EU and US "safeguards" against imports from China expire in 2008, competition will further intensify. The Lao Government is already exploring how to adjust the structure of production and employment by attracting investment in the agro-processing industry.

Electronics represent the largest share of total exports in other ASEAN Member Countries. In Malaysia, one half of total exports are electronics, while the corresponding figure for the Philippines is 66 per cent. In fact, electronics was the largest export commodity of ASEAN in 2004, accounting for 30 per cent of total exports. Malaysia is seeking to diversify its exports through promoting services exports, such as professional services in engineering and architecture, as well as IT services. A National Professional Services Export Council (NAPSEC), which seeks to promote the export of professional services, and a Professional Services Development Corporation (PSDC), which aims to enhance the skills and knowledge of Malaysian professionals, have been established to facilitate the export diversification process.

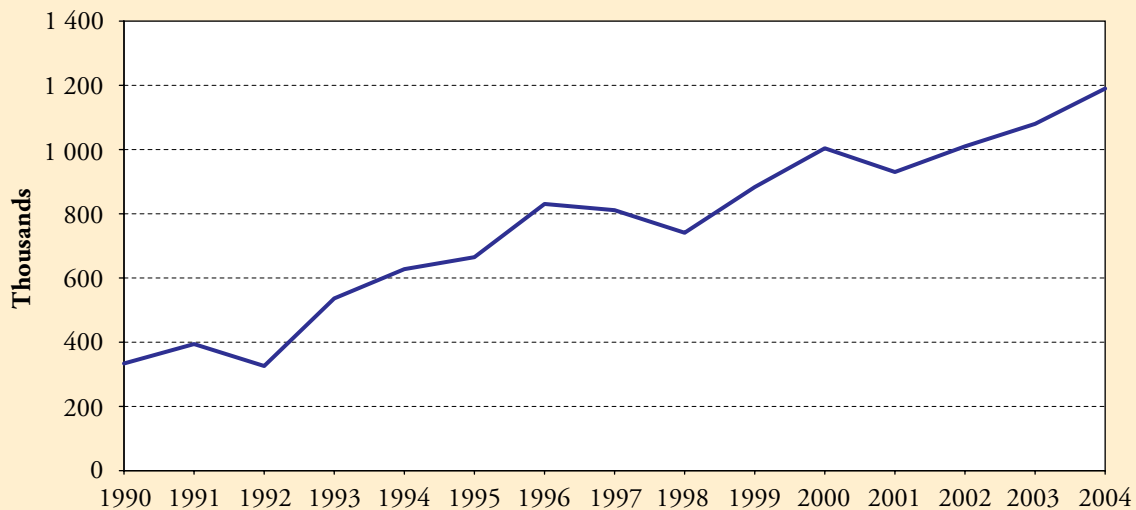
*Sources:* Economist Intelligence Unit, *Country Reports* for Cambodia, the Lao People's Democratic Republic, and Viet Nam (London, 2007); L. Cheen, "Malaysia: Strategies for the Liberalization of the Services Sector", available at [http://www.wto.org/English/res\\_e/booksp\\_e/casestudies\\_e/case25\\_e.htm](http://www.wto.org/English/res_e/booksp_e/casestudies_e/case25_e.htm).

Where multinational enterprises (MNEs) establish new plants, for example, FDI creates direct employment opportunities. At the same time, however, it may also crowd out domestic investment. And, since domestic firms are generally less capital-intensive than MNEs and subsequently rely more intensively on labour for their production, expansion in domestic firms may be associated with greater employment generation than a comparable expansion in MNEs. This suggests that a higher share of FDI in total investment may reduce the overall employment intensity of growth.

*The impact of FDI on jobs is mixed*

Yet an ILO study on the effects of FDI on employment in ASEAN Member Countries produced encouraging results.<sup>2</sup> MNE operations in the region spurred economic development in host ASEAN Member Countries by encouraging manufactured exports and creating employment. As Figure 5.4 shows, the number of employees working in Japanese MNEs operating in four ASEAN Member Countries grew from around 200,000 in 1989 to nearly 1.2 million persons in 2004.

**Figure 5.4 Employment in Japanese MNEs operating in ASEAN4\* (1990-2004)**



\* ASEAN4: Indonesia, Malaysia, the Philippines, and Thailand.

Source: Based on data provided by the Ministry of Economy, Trade and Industry (METI), Japan.

Direct employment in MNEs represents a small percentage of total employment in the ASEAN region. In Viet Nam, employment in foreign firms, it is estimated, represents only about 1 per cent of total employment. Similar shares are likely to exist for other ASEAN Member Countries with a large percentage of the population engaged in agricultural activities. In more-developed Singapore, however, around 20 per cent of the workforce is employed in MNEs. MNEs also account for a significant share of manufacturing employment in a number of ASEAN Member Countries, accounting for 21 per cent, 38 per cent, 41 per cent, and 22 per cent of manufacturing employment in Indonesia, Malaysia, Thailand, and Viet Nam respectively.

In addition to these direct employment effects, MNEs have the potential to create indirect employment through subcontractors and suppliers. Local procurement practices by MNEs provide a useful – if only partial – picture of the indirect employment effects of MNEs. A survey of Japanese manufacturing firms operating in Asia in 2002 indicates that the majority of Japanese multinationals operating in the ASEAN region procured less than half of their parts and materials locally.<sup>3</sup> In the Philippines and Viet Nam, most firms' local procurement rates were less than 20 per cent. In Indonesia, 38.6 per cent of Japanese MNEs procured more than half of the materials and parts locally, while the corresponding figures for Malaysia, Thailand, and Singapore were 44.8 per cent,

<sup>2</sup> ILO, "Multinational enterprises, labour and employment in the ASEAN region: A background paper to the tripartite symposium on promoting the MNE Declaration in ASEAN countries", (Geneva, 2005).

<sup>3</sup> JETRO, "Japanese-affiliated manufacturer in Asia: Survey 2002, Summary" (Tokyo, 2003).

42.9 per cent, and 45.6 per cent respectively. Where local procurement rates are low, one would expect limited linkages with the domestic economy, hence minimal indirect employment effects from FDI.

Regional integration in the form of trade liberalization may in fact play a role in weakening the indirect employment effects of FDI. With higher trade barriers, it may be more cost effective for MNEs to procure their inputs from the local market; but trade liberalization may make importing, particularly from other ASEAN Member Countries, a more attractive option.

While creating indirect employment opportunities, MNEs may also out-compete local firms, resulting in net job losses in the economy. In Thailand, for example, while global retailers such as Tesco, Carrefour, and Makro have invested heavily in the country since 1998, research indicates that this competition has pushed 200,000 local retail stores out of business.<sup>4</sup> Building the capacity of local firms is key to ensuring that MNEs build backward and forward linkages with domestic firms, such that they can compete with MNEs, thereby contributing to indirect employment creation.

*Strengthening the capacity of local firms is critical*

In terms of employment quality, the available evidence indicates that MNEs often provide better employment opportunities than domestic firms.<sup>5</sup> Foreign firms in Malaysia, for example, are more likely to train than local firms even after controlling for

### Box 5.3 South-South FDI and its implications for employment

FDI from developing countries (including the newly industrializing economies) has grown, amounting to about US\$130 billion in 2005, accounting for 17 per cent of world FDI outflows.<sup>\*1</sup> A small number of economies attracted the bulk of these outflows from developing countries, including a few ASEAN Member Countries – notably Indonesia (3 per cent), Malaysia (3 per cent), and Singapore (5 per cent). Most FDI flows from developing countries are estimated to go to other developing economies, in particular those within the same region. While it was noted above that intra-ASEAN FDI was modest and had decreased in the recent years, FDI between the ASEAN region and other Asian regions (in particular East Asia) is significant. For instance, nearly 50 per cent of Singapore's FDI outward stock was within Asia (with 22 per cent in ASEAN Member Countries and 27 per cent in other Asian countries).

Can one expect a different impact on employment from the growth of South-South FDI as compared to North-South FDI? Commentators have noted that investment by Southern MNEs may present added opportunities for developing countries receiving low levels of FDI as Southern MNEs, more familiar with the economic, political, and cultural conditions of developing countries, may be more willing to invest in these countries.<sup>\*2</sup> Furthermore, Southern MNEs tend to use more labour-intensive technologies and processes, indicating that their employment-creating potential may be greater than that of their Northern counterparts. On the other hand, many Northern MNEs bring with them higher labour standards as part of their corporate social-responsibility practices, but these practices may not be as widely implemented by Southern MNEs.

<sup>\*1</sup> UNCTAD, *World Investment Report 2006: FDI from developing and transition economies: Implications for development* (New York and Geneva, 2006).

<sup>\*2</sup> World Bank, *Global Development Finance 2006: The development potential of surging capital flows* (Washington, 2006).

<sup>4</sup> ILO, *Employment effects of mergers and acquisitions in commerce* (Geneva, 2003).

<sup>5</sup> See ILO (2005), op. cit.

factors such as firm size and exports,<sup>6</sup> and wage data from Indonesia indicate that, in 1999, manufacturing wages in foreign enterprises were on average 1.5 times higher than in domestic firms, although the wage premium has tended to decrease over time.<sup>7</sup> Wage differentials, on the other hand, between foreign and domestic firms were greater for skilled workers.

Furthermore, MNEs often have a larger stake in undertaking corporate social responsibility (CSR) initiatives, and as a result may directly provide qualitatively better employment opportunities or encourage their suppliers and business partners to operate in a socially responsible manner. More and more firms in the ASEAN region have recognized that socially responsible practices, by integrating international standards and practices into their operations, can contribute to the sustainability of their enterprises.

*Labour institutions and policies key for ensuring trade and integration benefits all*

The analysis of trade and investment integration on labour markets points to a need for ASEAN Member Countries to establish labour market policies and institutions for providing adjustment assistance to workers, in particular to low-skilled workers. Given the recent export boom, now more than ever, many ASEAN Member Countries have greater fiscal space to strengthen education and (re)training programmes, develop social safety nets for workers who lose their livelihoods due to competitive pressures, and invest in statistical capacity to provide more current and reliable labour market information, so that policies can be appropriately targeted and efficiently implemented.

ASEAN Member Countries will also need to address growing inequalities, both within and between countries. Sound labour market institutions aimed at reducing inequalities are needed to support both high-skilled and low-skilled workers. Moreover, ASEAN Member Countries need to build the capacities of local firms, both to compete more effectively with MNEs and to absorb spillovers associated with FDI. These measures include ensuring that the promotion of FDI does not create an uneven playing field to the disadvantage of domestic investors and domestic enterprises, and supporting firm competitiveness through decent and productive workplaces.

<sup>6</sup> H. Tan; G. Batra, "Enterprise training in developing countries: Overview of incidence, determinants and productivity outcomes", World Bank Private Sector Development Department Occasional Paper No. 9 (Washington, 1996).

<sup>7</sup> R. Lipsey; F. Sjöholm, "Foreign firms and Indonesian manufacturing wages: An analysis with panel data", NBER Working Paper No. 9417 (Cambridge, 2003).

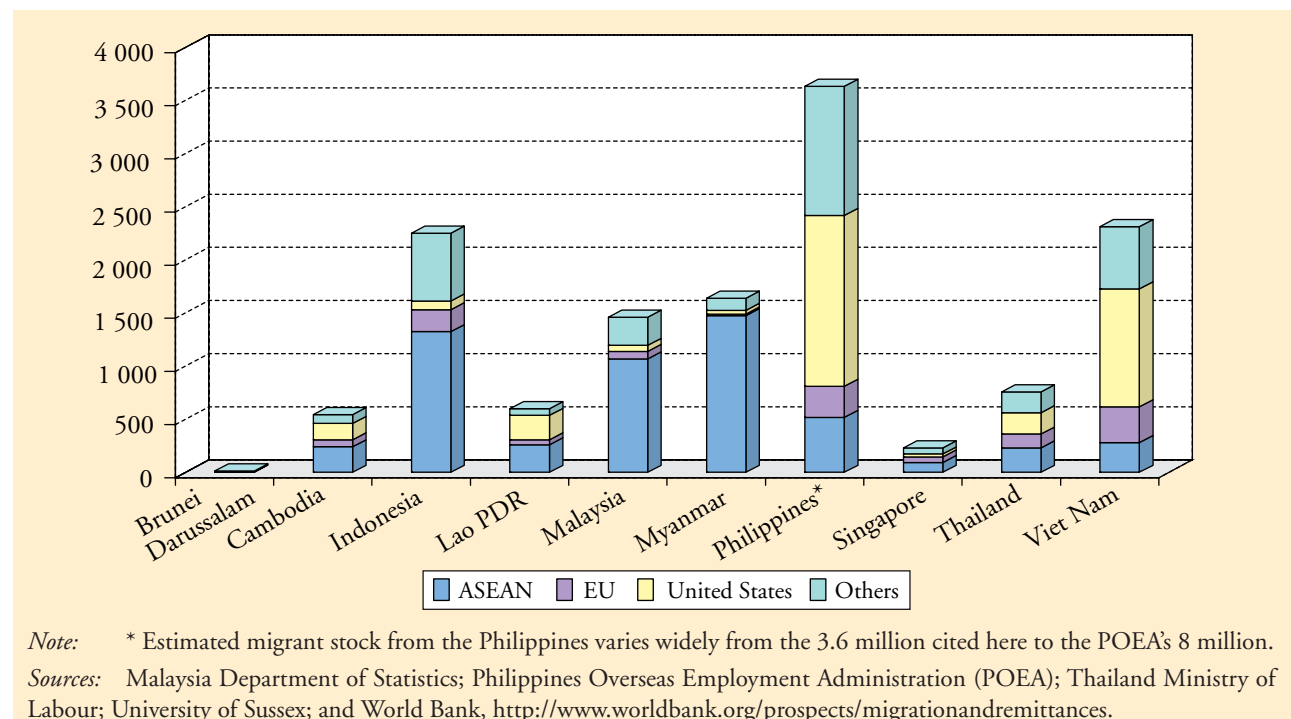
## Intra-regional labour migration in ASEAN

Apart from trade, fast-growing intra-regional movements of workers probably present the clearest evidence of growing integration among ASEAN Member Countries. As indicated in the previous chapter, labour mobility is an important element of the ASEAN Economic Community and the ASEAN Socio-Cultural Community.

There are significant potential benefits of migration for both sending and receiving countries, including productivity improvements, increased income and employment generation and higher overall rates of economic growth. As a result, the ability of ASEAN Member Countries to implement effective labour migration policies is likely to play a vital role in determining the success of overall regional integration.

The total number of migrants originating from ASEAN is estimated at about 13.5 million in 2005 (Figure 6.1). Of these, 39 per cent, or 5.3 million people, were in other ASEAN Member Countries; 26 per cent worked in the United States; 9 per cent in the European Union; and 26 per cent in other regions, primarily the Middle East.

**Figure 6.1 Migrants from ASEAN Member Countries by destination**



## 6.1 Labour migration trends

Member Countries absorb a large proportion of ASEAN's migrant workforce, although relative proportions vary widely by country according to income differentials, demographic trends, geographic proximity, and other factors.

Of Myanmar's estimated total workforce abroad of 1.6 million, for example, 90 per cent are in ASEAN Member Countries – almost entirely in neighbouring Thailand, which has 8 times Myanmar's per capita income. The majority of migrants from Cambodia and the Lao People's Democratic Republic are also in Thailand. Of Indonesia's 2.3 million workers abroad, 59 per cent are in ASEAN, mainly in Malaysia, which has 3 times Indonesia's per capita income. Large reciprocal migration is evident between Malaysia and Singapore – 73 per cent of Malaysia's estimated 1.5 million workers abroad are employed in Singapore, while about 40 per cent of Singapore's 230,000 migrants occupy high-skill jobs in Malaysia.

Increasing cross-border worker movements have posed complex challenges to Governments. Porous borders and large informal economies in many countries have made the management of migration problematic, especially the task of protecting the rights of migrant workers. The ASEAN Declaration on the Protection and the Promotion of Rights of Migrant Workers, signed on 13 January 2007 at the 12<sup>th</sup> ASEAN Summit, Cebu, the Philippines, signals recognition of the increasingly important role of migrant workers in regional economies and of the responsibility all Member States share in ensuring the protection of the rights of migrant workers (Box 6.1).

### Box 6.1 ASEAN Declaration on the Protection and Promotion of the Rights of Migrant Workers: Summary of main provisions

#### *Recognition*

- migrant workers contribute to the society and economy of both receiving and sending states of ASEAN;
- the sovereignty of States in determining their own migration policy relating to migrant workers;

#### *Agreement*

- to cooperate in resolving cases of migrant workers who involuntarily became undocumented;

#### *Obligation of receiving state*

- to provide migrant workers with adequate access to the legal and judicial system;
- to facilitate the exercise of consular function to consular or diplomatic authorities of states of origin when a migrant worker is arrested or committed to prison or custody or detained in any manner;

#### *Obligation of sending state*

- to set up policies and procedures to facilitate recruitment, preparation for deployment of overseas and protection of migrant workers, as well as repatriation and reintegration to the countries of origin, and other aspects of worker migration;
- to establish and promote legal practices to regulate recruitment of migrant workers and adopt mechanisms to eliminate recruitment malpractices;

*(continued on page 51)*

(continued from page 50)

### **Commitment by ASEAN**

- to establish and implement human resource development and reintegration programmes for migrant workers in their countries of origin;
- to take concrete measures to prevent or curb human smuggling and trafficking by, among others introducing stiffer penalties for those involved;
- to facilitate data-sharing on matters related to migrant workers, for the purpose of enhancing migrant worker policies and programmes in both sending and receiving states;
- to promote capacity building by sharing information on best practices as well as opportunities and challenges encountered in relation to protection and promotion of migrant workers' rights and welfare;
- to extend assistance to migrant workers of ASEAN Member Countries who are caught in conflict or crisis situations outside ASEAN in the event of need and based on capacity and bilateral consultations and arrangements;
- to task relevant ASEAN bodies to develop an ASEAN instrument on the protection and promotion of the rights of migrant workers, consistent with ASEAN's vision of a caring and sharing Community.

The principal destinations for Filipino and Vietnamese migrants lie outside ASEAN, notably in the United States. The Philippines, at 3.6 million,<sup>1</sup> has the largest migrant population abroad of all the ASEAN Member Countries, but only 14 per cent are in ASEAN Member Countries, primarily as contract workers in Malaysia and Singapore; the United States accounts for 44 per cent and the Middle East for 39 per cent. Viet Nam has a total migrant population of 2.3 million, 48 per cent of whom are in the United States and 12 per cent in ASEAN, mainly in Cambodia and Malaysia.

The main host countries for intra-ASEAN migration are Thailand and Malaysia, with each hosting about 35 per cent of the region's migrants (Table 6.1). Other host countries include Singapore (with 21 per cent) and Cambodia (6 per cent), receiving from the neighbouring countries of Viet Nam and Thailand. The main source countries for intra-regional migration are Myanmar and Indonesia, accounting for 27 per cent and 23 per cent, respectively, of the total intra-regional migrants.

Much anecdotal evidence suggests that migrant workers are largely absorbed into occupations such as domestic service, construction, farming, and labour-intensive manufacturing, but official statistics are scarce. The Philippines, for example, reports an occupational breakdown of migrant workers bound for all destinations. In 2006, professionals and technical workers accounted for 12 per cent of all migrants from the Philippines and service workers made up 48 per cent. In Thailand, based on similar data for 2001, only 3.4 per cent were deployed as professionals and technical workers.

<sup>1</sup> See note in Figure 6.1.



**Table 6.1 Bilateral estimates of migrant stocks in ASEAN (thousand), 2006**

Source	Destination										
	Brunei Darussalam	Cambodia	Indonesia	Lao PDR	Malaysia	Myanmar	Philippines	Singapore	Thailand	Viet Nam	ASEAN
Brunei Darussalam	0	0	0	0	0	0	1	0	0	0	1
Cambodia	0	0	0	2	7	0	0	0	232	0	240
Indonesia	6	0	0	0	1 215	0	5	96	1	0	1 323
Lao PDR	0	1	0	0	0	0	0	0	257	0	258
Malaysia	68	1	0	0	0	0	0	994	3	0	1 066
Myanmar	0	0	0	0	92	0	0	0	1 382	0	1 475
Philippines	23	1	0	0	353	0	0	136	3	0	516
Singapore	3	1	0	0	87	0	0	0	2	0	92
Thailand	11	129	0	3	86	0	0	0	0	0	229
Viet Nam	0	157	0	15	86	0	1	0	20	0	279
ASEAN	111	290	0	20	1 925	0	8	1 226	1 900	0	5 480

Sources: Malaysia Department of Statistics; Philippines Overseas Employment Administration (POEA); Thailand Ministry of Labour; University of Sussex; and World Bank, <http://www.worldbank.org/prospects/migrationandremittances>.

### *Feminization of labour migration*

Women constitute a large and increasing proportion of the region's migrant workforce. In 2006, 72 per cent of workers newly deployed from the Philippines to all destinations were women, comprising not only domestic workers but also nurses and caregivers. Among Indonesian migrants in 2004, 81 per cent of those who registered before leaving for work abroad were women. Female labour migration is strongly concentrated in a very limited number of female-dominated occupations associated with traditional gender roles, mainly domestic work and the "entertainment" industry. While these jobs do not necessarily have to be exploitative, the circumstances of the jobs themselves often entail vulnerability to abuse and exploitation.

The dominance of women in labour migration flows is likely to be even stronger in the future, given rapidly growing demand for service-sector workers, especially health workers, as a consequence of population ageing in some major destination countries.

## **6.2 The benefits of migration**

Growing labour mobility across borders provides significant benefits for both receiving and sending countries, as well as for the migrants themselves.

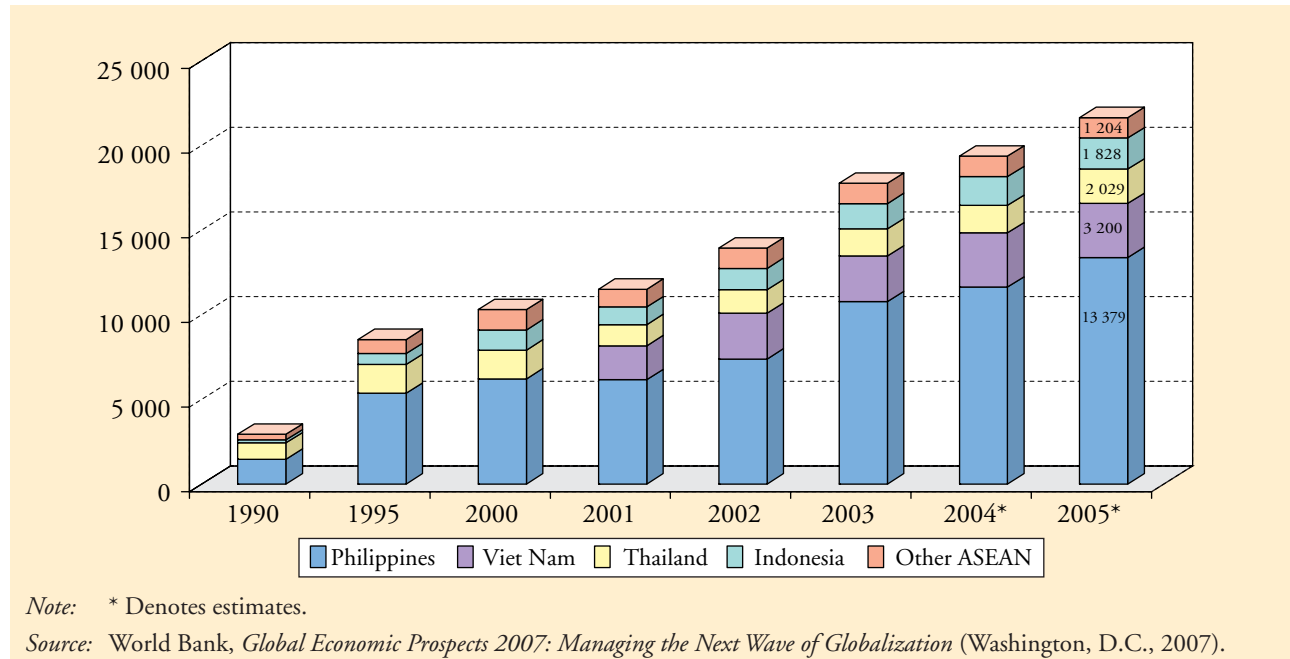
Worker movements from lower- to higher-wage countries suggest that the region's resources are being allocated from less to more productive employment, contributing to productivity, income generation, and job creation in ASEAN as a whole. For receiving countries, benefits have included alleviation of labour shortages and higher rates of economic growth. For sending countries, migration has had a positive impact on poverty reduction.

### *Remittances and development*

Remittance inflows into ASEAN totalled an estimated US\$26 billion in 2005, of which Indonesia accounted for 8 per cent, the Philippines 62 per cent, Thailand 9 per cent, and Viet Nam 15 per cent. The total figure is probably an underestimate,

since a substantial portion of remittances in countries such as Cambodia, the Lao People's Democratic Republic, Myanmar, and even Indonesia still go through informal channels. The 2005 level was more than 7 times the 1990 remittance level of US\$3 billion, and more than twice the 2000 level of US\$10.3 billion (Figure 6.2).<sup>2</sup>

**Figure 6.2 Remittance Inflows into ASEAN (US\$ million)**



How effectively have these countries used these inflows for development, and do they compensate for the potential negative effects of the outflow of skilled workers? This widely discussed issue has emerged in the remittance-receiving countries – particularly in the Philippines, the third largest recipient of remittances in the world after India and China. With the Philippines, some evidence suggests that remittance is a force for good. Households with members who are overseas workers spend about twice as much, as a percentage of total family income, on education as households not receiving remittances. Children from remittance-receiving households are also significantly more likely to be enrolled at all levels than those from non-remittance receiving households. This compensates, to some extent, for the large outflow of skilled workers. Households able to send workers abroad are also able to climb the income ladder very quickly – by an average of about 6 percentile points in about a year – enabling a significant number of the poor to rise out of poverty.<sup>3</sup> Furthermore, remittances often have multiplier effects on local economies.

Nevertheless, aside from these important benefits, labour migration also involves costs such as brain drain and the risk of dependency. The huge and growing number of irregular migrants, moreover, signals the immense problem of managing intra-regional migration (Box 6.2).

<sup>2</sup> Of course, some part of the observed increase is simply due to better data capture, as an increasing number of migrants shift to formal remittance channels.

<sup>3</sup> ILO, *OFW remittances in the Philippines: Effect on household poverty, investment, savings, and employment decisions* (forthcoming).

### Box 6.2 Irregular migration in Thailand and Malaysia

Thailand and Malaysia each have large populations of migrant workers in irregular situations, and these remain a major challenge of increasing concern for the respective national authorities. In 2005, Thailand hosted an estimated 1.1 million irregular migrant workers, mainly from the neighbouring countries of Cambodia, the Lao People's Democratic Republic, and Myanmar. In 2006, Malaysia had an estimated 700,000 irregular migrants, 70 per cent of whom were Indonesians, while most of the rest were Chinese and Indian nationals who overstayed after entering the country legally as tourists.

Both Thailand and Malaysia have undertaken periodic amnesties and registrations, but these have so far failed to resolve the issues. Malaysia offered amnesty to irregular migrants in a four-month period bridging late 2004 and early 2005. But only about 380,000 of the estimated 0.8 to 1.2 million irregular migrants availed themselves of this opportunity. Thailand conducted a registration campaign and offered amnesty to irregular migrants from July to August 2004, with about 1.3 million actually registering. Subsequent re-registrations attracted many fewer, however, with the figure falling off to 344,000 by June 2005.

To stem further irregular migration, both countries have negotiated bilateral arrangements with labour-sending countries. The mechanisms of this approach to solving irregular migration are still being fine tuned, and its effectiveness is so far unclear. Malaysia has also decreed that workers could be admitted only from 12 designated countries: Cambodia, Indonesia, the Lao People's Democratic Republic, Myanmar, the Philippines, Thailand, Viet Nam, India, Nepal, Kazakhstan, Turkmenistan, and Uzbekistan – with the country of source dependent on the sector of employment. Thailand has signed Memoranda of Understanding with its three major source countries – Cambodia, the Lao People's Democratic Republic, and Myanmar. As a result, nationals of these countries are allowed to work legally in Thailand provided they go through established procedures for recruitment in their countries of origin, register with the Thai authorities, and obtain a Thai ID.

*Sources:* Thailand Ministry of Labour; S. Kanapathy, "Migrant workers in Malaysia: An overview", Paper prepared for the Workshop on the East Asian Cooperation Framework for Migrant Labour (Kuala Lumpur, 6-7 December 2006); and P. Martin, *The contribution of migrant workers to Thailand: Towards policy development* (Bangkok, ILO, 2007).

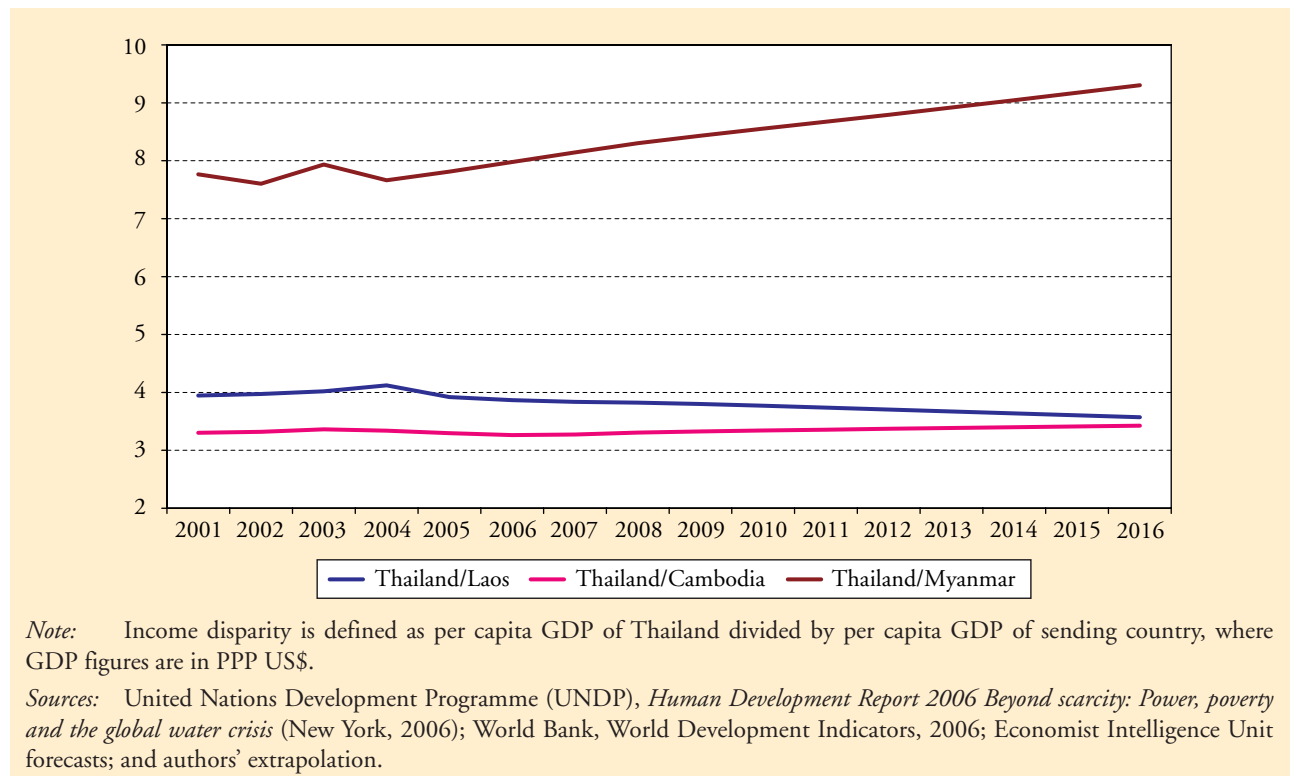
## 6.3 Economic growth and migration pressure

Growth prospects in ASEAN are almost surely going to affect future intra-regional migration levels. The ASEAN region as a whole is expected to grow relatively rapidly over the next five years (2007-2011), averaging annual GDP growth of about 5.5 per cent.<sup>4</sup> With the exception of Myanmar, somewhat faster economic growth is expected in labour-sending countries than in the more developed receiving countries. Nevertheless, uneven demographic trends, closer economic integration, and wide and persistent income differentials between receiving and sending countries are likely to generate an increasing flow of migrants within the ASEAN region. As a result, Malaysia, Singapore, and Thailand are expected to absorb large numbers of foreign workers in the coming five years.

*Number of migrants likely to increase sharply*

As for sending countries, "push factors" will be particularly strong in Myanmar, where slower growth is expected to widen further the income disparity with Thailand (Figure 6.3). More difficult to predict will be the responses from Cambodia and the Lao People's Democratic Republic, Thailand's other major labour-source countries. On

<sup>4</sup> The Economist Intelligence Unit, *Country Forecast: Asia and Australasia* (2007).

**Figure 6.3 Income disparity: Thailand and labour source countries**

the one hand, per capita GDP is expected to increase faster in Cambodia and the Lao People's Democratic Republic than it is in Thailand, reducing relative income disparity.<sup>5</sup> On the other hand, absolute income disparity will remain large despite the higher income growth.<sup>6</sup>

Indonesia's relative income level, compared with Malaysia, is expected to remain stable till 2011. As for Thailand as a sending country, a combination of solid economic growth with and an increasingly ageing population will likely lead to declining out-migration flows from the country in coming years (Figure 6.4).

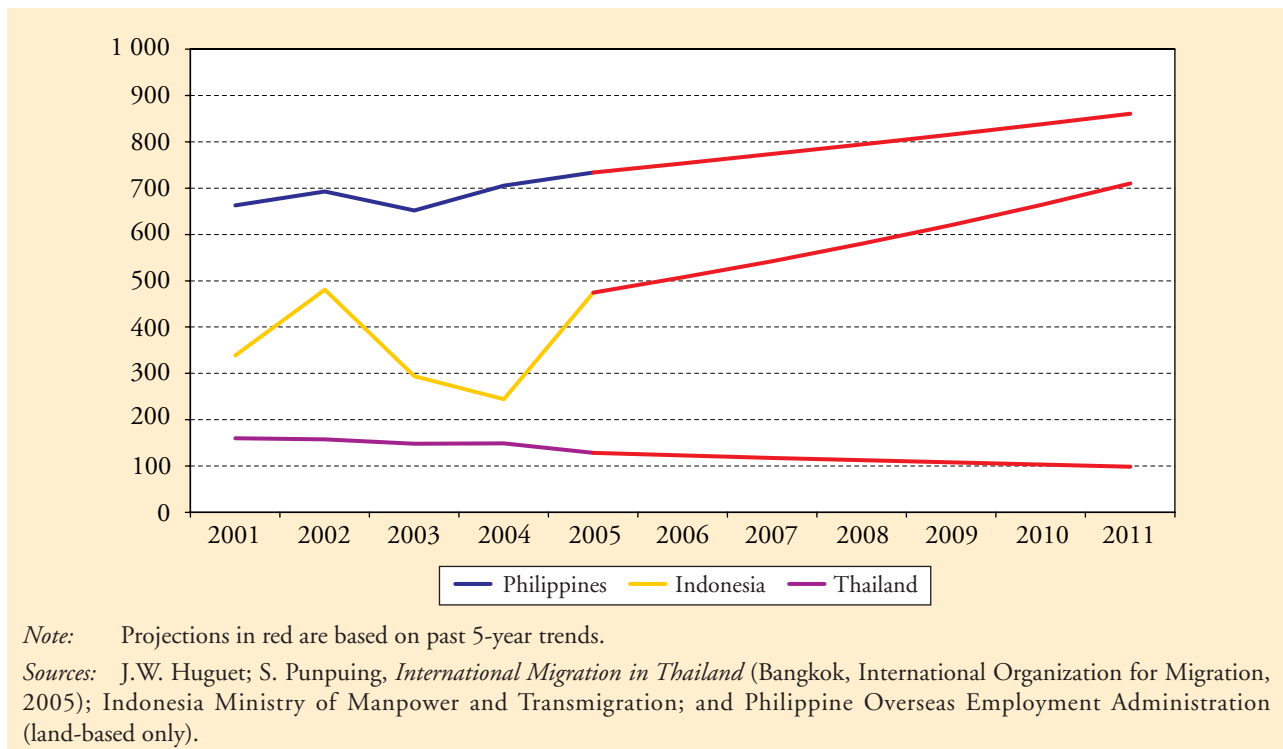
The Philippine Government expects the out-migration of workers to continue in the near future. A total of 768,000 Filipino contract workers left in the first 11 months of 2006;<sup>7</sup> 474,000 Indonesian workers emigrated through legal channels and registered in 2005; and 129,000 left Thailand. Outflows from Viet Nam in recent years have been estimated at about 75,000 per year.

<sup>5</sup> This raises the interesting question of whether migration in Cambodia and the Lao People's Democratic Republic, through remittances or other avenues, have contributed to the recent and expected future rapid growth in the two countries – leading to a form of growth convergence with the destination countries, particularly Thailand. Data to test this hypothesis are not readily available. For instance, it is unlikely that remittance figures for Cambodia and the Lao People's Democratic Republic, mainly channeled by informal means, are adequately captured. But it is worth noting that, in the case of Cambodia, a major driver of growth is private consumption; judging from studies of other countries such as the Philippines, this is often spurred by remittances.

<sup>6</sup> In addition, there is the argument of the "migration hump", which hypothesizes that migration will first increase as income increases before falling off after it reaches a high enough level of income.

<sup>7</sup> These figures do not include workers employed as seafarers. The Philippines Overseas Employment Administration registers all departing workers, which include newly hired workers and those going back to their jobs abroad after returning to the country for vacation.

Figure 6.4 Projected migration outflows from selected labour-sending countries



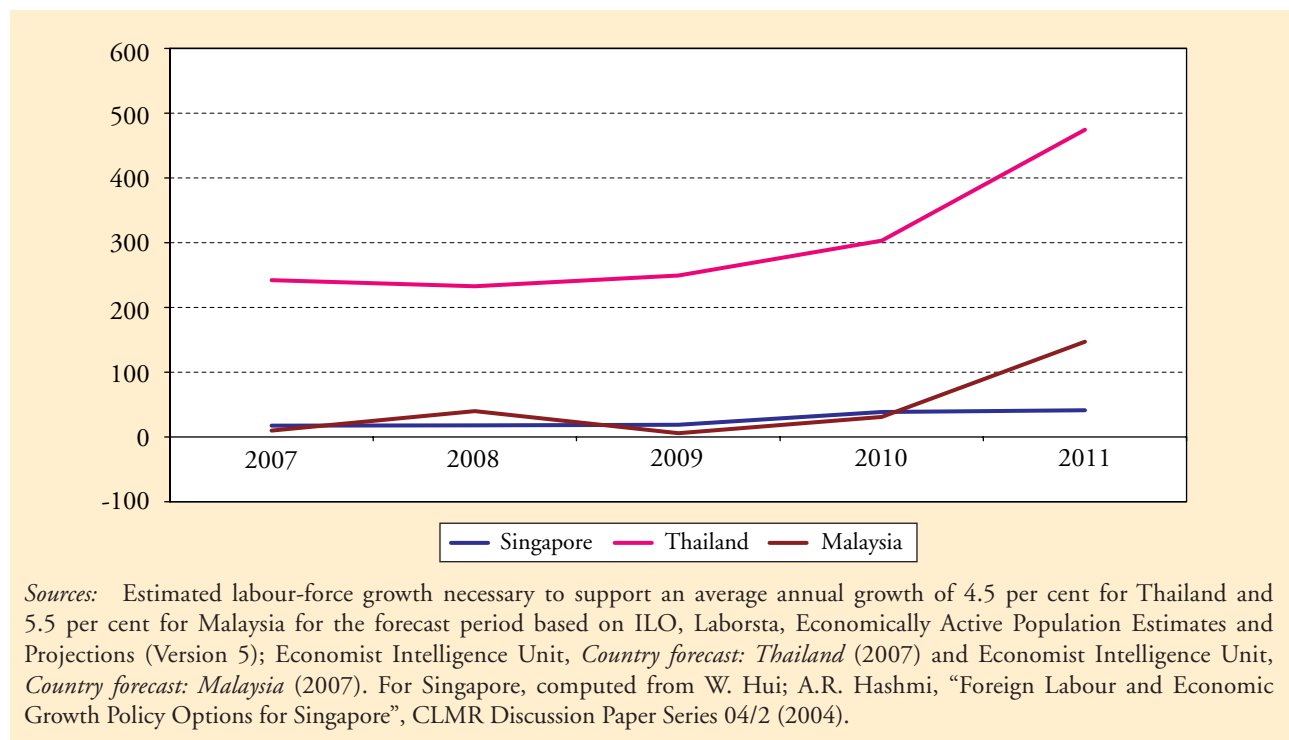
The estimated regional demand for additional foreign labour is expected to remain strong in the medium term (Figure 6.5). In Thailand, where the labour force is projected to grow by only about 1 per cent a year, GDP growth of around 4.5 per cent a year is expected to create an excess demand for labour of about 243,000 for 2007, rising to 474,000 by 2011. In Malaysia, the labour force is growing more rapidly at 2.3 per cent per year, but additional demand for foreign labour is nonetheless expected because of a higher GDP growth of 5.5 per cent. Projections have excess demand growing from 10,000 in 2007 to 147,000 in 2011. In Singapore, additional demand for foreign labour is projected to grow from 17,000 in 2007 to 41,000 in 2011.<sup>8</sup>

### *Managing intra-regional migration key for ASEAN*

The past few decades have seen the emergence of a labour migration system in the ASEAN region. Several factors have contributed to a growing integration of the regional labour market: including unbalanced growth and widening income differentials, demand for workers in large informal economies, ease of crossing borders between neighbouring states with strong ethnic affinities, and population ageing in the more developed economies.

Assessments of future economic prospects for the ASEAN economies suggest that these factors will continue to spur cross-border worker movements, and that it will be some time before incomes converge sufficiently to reduce the pressures. An important expected feature of these future movements is even greater participation of women. Among other implications, this is likely to impact on the supply and demand for care-givers and nurses.

<sup>8</sup> W. Hui; A.R. Hashmi, "Foreign Labour and Economic Growth Policy Options for Singapore", CLMR Discussion Paper Series 04/2 (2004). Available online at [www.cbs.curtin.edu.au/files/04\\_2.pdf](http://www.cbs.curtin.edu.au/files/04_2.pdf).

**Figure 6.5 Projected additional foreign labour demand in selected labour-receiving countries**

Intra-regional migration may have contributed to the region's economic dynamism, and there is evidence that it has helped reduce poverty. At the same time, however, it has raised issues regarding labour and social policy. A large group of workers now suffers irregular status and remains vulnerable to exploitation. Guest-worker programmes have also often featured controls that unfairly limit workers' rights. If migration is going to be mutually beneficial for all parties concerned, there is a need to consider, among other issues, the effectiveness of measures designed to:

- regulate admissions;
- ensure equal treatment;
- register the undocumented and extend legal status; and
- penalize employers hiring undocumented migrant workers.

The recent ASEAN Declaration on the Promotion of the Rights of Migrant Workers indicates that political will is growing in the region to tackle the significant challenges facing this important group of workers. The promotion of the ILO Multilateral Framework on Migration, which provides non-binding principles, guidelines, and examples of good practices for a rights-based approach to labour migration, could contribute significantly to improving governance of labour migration in the region.<sup>9</sup> If intra-regional migration is properly managed, the rising mobility of ASEAN's human resources, both skilled and unskilled, can become a unique source of comparative advantage in the increasingly competitive global environment.

<sup>9</sup> For further information, see <http://www.ilo.org/public/english/protection/migrant/download/tmmflm-en.pdf>.

# Occupational safety and health (OSH)

Securing safety and health at work presents an increasingly important concern for both workers and employers in the ASEAN region. Occupational accidents and diseases affect the lives of individual workers as well as the productivity and profitability of their enterprises. Ultimately, they impair the welfare of whole societies. According to the latest ILO global accident and disease estimates, there are 2.2 million work-related deaths each year.<sup>1</sup> The poorest, least protected, least informed, and least trained are the most affected. Women, children, disabled workers, migrant workers, and ethnic minorities are often involved.

## 7.1 OSH trends in ASEAN

Over the past decade, the ASEAN Member Countries have seen different trends with regard to the incidence of occupational injuries and fatalities. However, care is needed when comparing occupational injuries between countries, since different countries have different industrial structures, reporting systems and coverage, and apply different methods in calculating injury rates.<sup>2</sup>

*Mixed picture across ASEAN*

Bearing in mind these data limitations, Figure 7.1 describes trends in reported occupational injuries. Following a sharp rise in reported occupational injuries and fatalities in the 1980s, in step with rapid industrialization, during the 1990s Malaysia and Thailand began to see a decrease in occupational injuries. The subsequent rise in the number of occupational injuries reported in Thailand in recent years reflects improved coverage by workmen compensation systems.

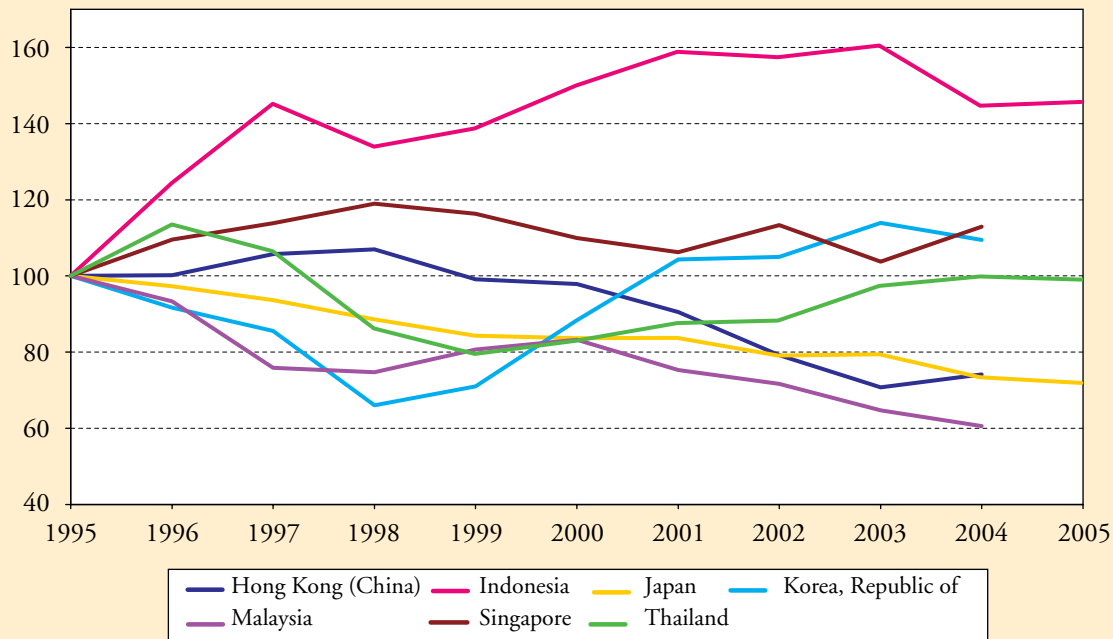
In Indonesia and Viet Nam (not depicted in Figure 7.1), rapid increases in reported occupational injuries and fatalities have also been associated with industrial development.

In comparison, Hong Kong (China) and Japan have shown a significant decrease in occupational injuries in the past decade. The Republic of Korea registered a decrease in occupational injuries during the mid- to late-1990s; the sharp increase in incidence since 1998 is probably due to improved worker coverage and increased reporting

<sup>1</sup> J. Takala, *Introductory report: Decent work – safe work* (Geneva, ILO, 2005).

<sup>2</sup> For instance, the reported injury rate in Thailand uses data that include injuries causing less than a three-day absence, while Malaysia calculates the injury rate by using workmen compensation data covering injuries causing more than a four-day absence.

Figure 7.1 Trends in occupational injuries, 1995 = 100



Sources: Ministry of Manpower, Singapore, *Occupational safety and health (OSH) profile for Singapore* (2006); Department of Labour Protection and Welfare, Ministry of Labour, Thailand, *Yearbook of labour protection and welfare statistics 2005* (2005); Korea Occupational Safety and Health Agency (KOSHA), *Annual report* (2005); Japan International Center for Occupational Safety and Health (JICOSH); Social Security Organisation (Pertubuhan Keselamatan Sosial) Malaysia; Labour Department, Government of the Hong Kong Special Administrative Region; ASEAN Occupational Safety and Health Network (ASEAN OSH NET).

through the Accident Compensation Insurance Act of 2002, in which all workplaces employing more than one employee are covered. Economic trends also influence the number of occupational injuries and the reporting of injuries. The drop in injuries in Indonesia, Malaysia, the Republic of Korea, and Thailand in 1997 was clearly influenced by the slowdown of economic activities during and following the Asian financial crisis.

Preventing occupational diseases both to protect workers and to establish productive work environments presents an increasingly important challenge. Occupational diseases result from exposure to chemical, physical, biological, and ergonomic hazards. Such problems as occupational lung diseases and chronic chemical poisoning or musculoskeletal disorders develop after a period of exposure to work-related health hazards, making the detection of some occupational diseases more difficult.

Reported occupational diseases vary greatly by country (Table 7.1). Singapore reports many cases of noise-induced deafness. Thailand, on the other hand, reports many claims of diseases from moving heavy objects and from ergonomic hazards (e.g. repetitive body movements). These problems damage work efficiency and productivity as well as workers' health, and are an increasingly serious concern among managers. The Ministry of Public Health of Thailand receives occupational disease reports from hospitals, including more than 1,300 cases of pesticide poisoning in 2005 – clear evidence that preventative measures for farmers are urgently needed. In Viet Nam, occupational lung diseases, particularly among miners exposed to coal dust, require serious attention. It is important to note that occupational disease reporting is still limited. Increased awareness among workers and employers, enhanced diagnostic skills of doctors, and expanded



**Table 7.1 Reported cases of occupational disease**

Singapore (2005)		Thailand (2005)		Thailand (2005)		Viet Nam (2004)	
Noise-induced deafness	391	Injuries from lifting or moving heavy objects	4 569	Pesticide poisoning	1 321	Occupational lung disease	1 179
Industrial dermatitis	84	Contact dermatitis	2 070	Gas vapor poisoning	169	Physical hazards	263
Gassing and excessive absorption of chemicals	52	Diseases from ergonomic hazards	893	Occupational lung disease	137	Chemical poisoning	63
Others	17	* Occupational diseases	94	Petroleum products poisoning	122	Skin diseases	62
				Others	28	Infectious diseases	10

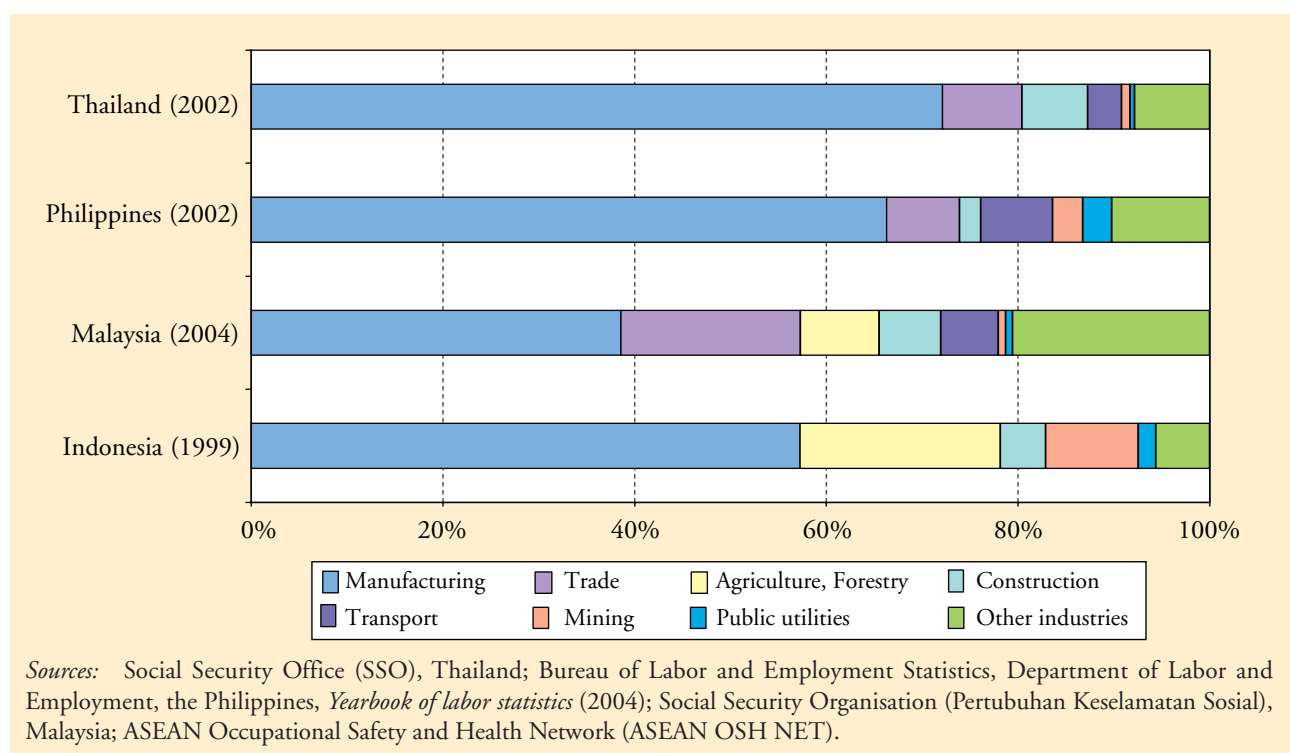
Note: \* Includes chemical poisoning, physical hazards, and infections.

Sources: Occupational Safety and Health Division, Ministry of Manpower, Singapore, *Annual report (2005)*; Ministry of Labour, Thailand, *Yearbook of labour protection and welfare (2005)*; Ministry of Public Health of Thailand, *Annual epidemiological surveillance report (2005)*; Bureau for Safe Work, Ministry of Labour, Invalids and Social Affairs, Viet Nam, *National profile on occupational safety and health in Viet Nam (2006)*; International Labour Office.

health surveillance and environmental monitoring systems for workers are needed for prevention and early detection of occupational diseases.

The greatest proportion of occupational injuries occurs in manufacturing, reflecting the relatively larger number of employees in the industry (Figure 7.2). Accordingly, the industry remains a primary target of OSH improvements. Construction, mining, and agriculture also merit special attention, as these sectors have specific OSH risks. Subcontractors, temporary workers, and migrants are often involved in these sectors, moreover, and their accidents and diseases often remain unreported.

*Occupational injuries vary by industry, age, and gender*

**Figure 7.2 Occupational injuries by industry, latest year**

Sources: Social Security Office (SSO), Thailand; Bureau of Labor and Employment Statistics, Department of Labor and Employment, the Philippines, *Yearbook of labor statistics (2004)*; Social Security Organisation (Pertubuhan Keselamatan Sosial), Malaysia; ASEAN Occupational Safety and Health Network (ASEAN OSH NET).

There are also serious OSH risks in the trade and transport sectors. Trade-sector workers often handle heavy and hazardous materials, and transport workers face frequent risk of traffic accident.

Government inspection and OSH training services have limited access to smaller workplaces, so underreporting of injuries in these enterprises is likely. Data from Thailand indicate that the larger portion of occupational accidents occurs in smaller enterprises, though it is not known whether this is disproportionate to the share of workers in small enterprises. In 2002, Thailand expanded the workmen's compensation scheme coverage to all enterprises employing more than one employee. This expanded coverage made possible more occupational injury claims from smaller enterprises. In 2005, around 70 per cent of occupational injuries were reported from enterprises employing fewer than 100 workers.<sup>3</sup>

*Young people  
disproportionately  
affected*

Young people bear the brunt of occupational injuries. In Indonesia and Thailand, more than half the reported injuries were from workers younger than 30 years, despite the fact that less than 35 per cent of Indonesia's labour force, and only around 28 per cent of Thailand's labour force, is younger than 30 years.<sup>4</sup> In Malaysia and Thailand, relatively higher numbers of occupational fatalities were reported among workers between 21 and 30 years of age. Special attention is thus required to prevent workplace accidents among young and new workers.

In Indonesia, Malaysia, and Thailand, male workers were responsible for about 79 per cent of occupational injury claims, although men made up only around 60 per cent of the total employed population in these three countries.<sup>5</sup> Male workers tend to be assigned high-risk jobs such as working at heights, carrying heavy and dangerous materials, and handling dangerous machines and electrical equipment.

It is important to note, however, that many women work in the informal economy, where accidents and diseases often remain outside the scope of governments' reporting systems.

*OSH outcomes  
linked to  
competitiveness*

National OSH outcomes can also have an important relationship with country competitiveness (see also Chapter 4 on productivity and competitiveness). The relationship between fatal accident rates and competitiveness ranking as measured by the World Economic Forum is clear: countries with lower occupational fatality rates tend to enjoy higher competitiveness rankings.<sup>6</sup>

Many other factors contribute to a country's competitiveness, but the productivity-enhancing benefits of improved OSH in the workplace can contribute to increased firm and economy-wide productivity and improved competitiveness. Accordingly, an increasing number of enterprises in Asia are actively seeking joint improvements in productivity, efficiency, and safety and health at work, often in consultation with workers and their representatives. Importantly, many of these improvements can employ low-cost local materials, and can be conducted not only in large enterprises but in small and informal workplaces as well.

<sup>3</sup> Social Security Office (SSO), Thailand.

<sup>4</sup> Ibid.; ASEAN Occupational Safety and Health Network (ASEAN OSH NET); ILO, Economically Active Population Estimates and Projections (Version 5).

<sup>5</sup> ASEAN Occupational Safety and Health Network (ASEAN OSH NET); Social Security Organisation (Pertubuhan Keselamatan Sosial), Malaysia; Social Security Office (SSO), Thailand; and ILO, Key Indicators of the Labour Market (KILM) 4<sup>th</sup> Edition.

<sup>6</sup> Takala (2005), op. cit.

## 7.2 National OSH policies and programmes

ASEAN Member Countries have progressively strengthened their national OSH policy and legislative frameworks, and have launched strategic national OSH programmes and plans with clear targets. These efforts are in line with the ILO Promotional Framework for OSH Convention, 2006 (No. 187).

Table 7.2 compares priorities in the latest national OSH programmes and plans, as well as key areas in OSH-related laws, regulations, and guidelines in selected ASEAN Member Countries. The major challenges include building clear OSH legal frameworks for workers and employers; improving law compliance and enforcement; establishing practical workplace OSH mechanisms (OSH management systems approaches, safety officers, active safety and health committees, etc.); special programmes and training for construction and mining and other hazardous occupations; reinforcing occupational accident- and disease-reporting systems; and extending OSH protection to small enterprises and rural and informal sectors.

**Table 7.2 Priority national OSH programmes and policies, selected ASEAN Member Countries**

	<b>Cambodia</b>	<b>Lao PDR</b>	<b>Indonesia</b>	<b>Malaysia</b>
Priorities in national OSH programme/ plan	Strengthening national OSH systems, inspection and compliance, OSH activities by workers' organizations, hazardous occupations, small enterprises, rural and informal sectors, hazardous child labour, linking OSH to HIV/AIDS prevention.	Tripartite consultation, government structure at central and provincial levels, legal frameworks, inspection, training and information, construction, small enterprises, agriculture, transportation, OSH management systems, injury reporting systems.	Coordination and synergy among Ministries and central-provincial levels, harmonizing laws and regulations, inspection, OSH and business (workplace commitment, high-risk sectors, small enterprises etc.), OSH competence, information.	Policy-legislative frameworks, strategic enforcement, analysis of accident data, safety and health culture, programmes to small enterprises, construction, and self-employed, extending training and information, OSH strategic alliance.
Major law in OSH	Labour Law (1997)	Labour Law (1994)	Manpower Act (2003)	Occupational Safety and Health Act (1994)
Key areas in regulatory frameworks for OSH	Inspection, occupational health services, work-related welfare facilities (hygienic toilets, safe drinking water, etc.), heavy materials handling, work environment (heat, noise, light).	Machinery and equipment, chemicals, consultation with trade unions or workers' representatives, light, noise, ventilation, welfare facilities (drinking water, toilets, etc.), information and training for workers.	Application of OSH management systems, inspection, OSH committee, accident reporting, medical examination, physical hazards, chemicals and safety sheets, mining, transportation, construction, agriculture.	Ensuring OSH of all workers, self-regulation concept, construction, classification and labeling of chemicals, office work, hygiene technicians and occupational health doctors, stress and violence, standing work, gender, visual display units.

*Sources:* Department of Occupational Health, Ministry of Labour and Vocational Training, Cambodia; Labour Department, Ministry of Labour and Social Welfare, the Lao People's Democratic Republic, *Occupational safety and health (OSH) master plan: 2005-2010* (2005); Labour Department, Ministry of Labour and Social Welfare, the Lao People's Democratic Republic, *Lao national occupational safety and health profile* (2005); National Occupational Safety and Health Council (DK3N), Indonesia, *Vision, mission, policy, strategy and program of national occupational safety and health 2007-2010* (2007); Department of Occupational Safety and Health, Ministry of Human Resources, Malaysia.

Types of OSH legal frameworks vary among ASEAN Member Countries. Malaysia and Singapore enacted the Occupational Safety and Health Act (1994) and Workplace Safety and Health Act (2006), respectively, and established strong OSH legislative frameworks. These two countries are taking progressive measures to cover all workers. Indonesia, the Philippines, Thailand, and Viet Nam have provided specific and detailed OSH provisions as an integral part of such priority labour policies as worker protection and manpower development. Cambodia and the Lao People's Democratic Republic incorporate fundamental OSH provisions in their labour laws, and are developing more detailed OSH provisions for greater worker protection.

*Labour inspection  
key for ensuring  
compliance*

Labour inspection plays a fundamental role in ensuring compliance with laws and regulations in OSH. Thailand's recent experience shows how important this can be – in 2005, inspections revealed that 20-25 per cent of enterprises in manufacturing, mining/quarrying, electricity, gas/water, and construction failed to comply with OSH legal requirements.<sup>7</sup> Stronger compliance systems, which should include advocacy, information, and training, are clearly needed.

*National approaches  
need to be focused*

Each ASEAN Member Country has its own emerging OSH issues, and must focus on specific country needs. Indonesia, for example, places special focus on linking business development and OSH. Malaysia and Singapore are adopting advanced approaches in their established OSH frameworks. For instance, “self-regulation” is a core concept in the Malaysian Occupational Safety and Health Act aimed at further advancing OSH performance. Singapore identifies and disseminates “OSH best practices” to convince companies of the benefits of workplace safety and health. The Philippines is concerned with OSH issues of overseas Filipino workers.

Viet Nam established a unique OSH protection system for farmers, and has trained farmer OSH trainers by means of the easy-to-apply WIND (Work Improvement in Neighbourhood Development) participatory training programme.<sup>8</sup> In Cambodia, the Government, workers' and employers' organizations, and NGOs have been working to reach informal enterprises (See Box 7.1).<sup>9</sup> In Thailand, the Ministry of Public Health, in collaboration with the Ministry of Labour, is examining practical steps towards the elimination of asbestos-related diseases. This effort is in line with the ILO Resolution Concerning Asbestos, adopted in 2006.<sup>10</sup>

### 7.3 Advancing OSH in ASEAN

*Improved OSH  
benefits both workers  
and employers*

In the context of globalization and increasing competitive pressure on enterprises – and the concomitant need to establish efficient and productive work environments – ASEAN Member Country agendas must continue to prioritize the prevention of occupational injuries and diseases.

Sound OSH practices are good for workers and good for business. Given the mutual benefits, social dialogue can provide a forum for consultation and negotiation on

<sup>7</sup> Ministry of Labour, Thailand, *Yearbook of labour protection and welfare* (2005).

<sup>8</sup> This experience is discussed in ILO, *Mid-term evaluation report: ILO/Japan programme on capacity building of occupational safety and health in agriculture* (2006); available online at [www.ilo.org/public/english/region/asro/bangkok/library/download/pub06-23.pdf](http://www.ilo.org/public/english/region/asro/bangkok/library/download/pub06-23.pdf).

<sup>9</sup> T. Kawakami, “Networking Grassroots Efforts to Improve Safety and Health in Informal Economy Workplaces in Asia”, in *Industrial Health*, Vol. 44, 2006, pp. 42-47.

<sup>10</sup> Report of the Committee on Safety and Health, International Labour Conference, 95<sup>th</sup> Session, 2006.

improved OSH. And both workers' organizations and employers' organizations have a role to play in implementing and monitoring sound OSH practices.

The role of governments is also critical. The decreasing trend in occupational injury rates in Malaysia, Singapore, and Thailand show that strong political will and coherent national policies in legislation, enforcement, advocacy, and training are providing a firm basis for improved OSH outcomes. Necessary measures include:

- Occupational injury and disease reporting systems should be strengthened to better understand the real magnitude of OSH problems and to establish responsive national policies for improvements.
- Practical OSH measures are needed to protect vulnerable groups of workers, including youth and migrants.
- Participatory training methods focusing on simple, low-cost solutions should be utilized.
- Effective programmes for hazardous occupations such as construction, mining, and agriculture should be further established and implemented.
- Stronger, more concerted actions by ASEAN Member Countries and the ASEAN Community are required to further accelerate the creation of safe, healthy, and competitive work environments throughout the region.
- Finally, given the identified problems with injury reporting systems and the data comparability issues across countries, ASEAN Member Countries should take advantage of their extensive experience and undertake joint studies of efficient occupational injury reporting systems for better analysis, comparison, and policy making.

**Box 7.1 Participatory approaches to improving safety, health, and working conditions in informal economy workplaces**

Providing adequate OSH protection to informal economy workplaces such as homes, small construction sites, and rural farms presents an increasingly important challenge in ASEAN. Informal-sector workers are often exposed to chemical, physical, and ergonomic workplace hazards without being aware of the health risks. Informal economy workplaces often lie outside the scope of OSH legislative frameworks, making it difficult for government inspectors to reach them. In addition, accidents and diseases are seldom reported to the Government.

Participatory training programmes to improve OSH have provided practical means to address these issues, and are increasingly applied in informal enterprises. WISH (Work Improvement for Safe Home) is a typical participatory training programme. Designed for homeworkers and small businesses, WISH training encourages participating home workers to apply an action checklist with illustrated “good examples”, coming to recognize OSH risks at work and to seek low-cost, quick solutions. Wherever possible, local good practices are presented as workable solutions. The WISH programme focuses on five technical areas including materials handling, workstations, physical environment, machine and electrical safety, and welfare facilities. Improvements in these technical areas contribute substantially to safety, health, and productivity.

Participatory training programmes have been incorporated into national OSH programmes and policies. In Cambodia, with technical cooperation from the ILO’s Informal Economy, Poverty and Employment project, government inspectors have worked collaboratively with local trade unions, employers’ organizations, and NGOs to train their representatives as participatory OSH trainers. Through local networks, trainers frequently visit home workplaces, small construction sites, and small farms and provide on-site OSH training. Rural villages, some of them without electricity, have participated in this practical OSH training, going on to implement improvements in safety, health, and productivity. With national support and strengthened networks, these practical programmes are gradually expanding their reach into more informal-economy workplaces.

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T. Kawakami; S. Arphorn; Y. Ujita, *Work Improvement for Safe Home: Action manual for improving safety, health and working conditions of home workers* (Bangkok, ILO, 2006); available online at [www.ilo.org/public/english/region/asro/bangkok/library/download/pub06-22.pdf](http://www.ilo.org/public/english/region/asro/bangkok/library/download/pub06-22.pdf).

# Looking ahead to 2015

The prospects for economic integration in ASEAN over the next ten years are significantly influenced by demographic factors, labour force trends, rapid technological change and global competition. But national policy responses are also important.

Projections regarding population growth, labour force participation, and labour supply are relatively straightforward, though margins of error increase the farther these projections extend into the future. But given an increasingly interdependent global economic environment, assessing economic growth and productivity improvements and their impact on labour markets and poverty levels is much more difficult. With these limitations in mind, this chapter highlights projected changes in the demographic structure and labour force, followed by projections of growth and productivity and the impact on the structure of employment and the level of poverty. The chapter concludes by highlighting some key policy issues.

## 8.1 Demographic structure and labour force growth

In looking at prospects for economic integration, we should begin with the supply side. What will happen to the growth of the working-age population, the primary source of labour force growth? Between 2005 and 2015, ASEAN's total population is expected to grow by 67 million (or 12.1 per cent) to around 620 million. Most of this growth, 43.5 million, will occur in the prime-age population, aged 25-54 years. Projections indicate the population aged 55 years and older will grow by 27.1 million (44 per cent), while the child and youth population younger than 25 years is expected to shrink by about 3.6 million (2.5 per cent).<sup>1</sup>

*Rapid population growth*

The projected increase in the relative share of ASEAN's prime-age population from 39.9 per cent in 2005 to 42.1 per cent in 2015, together with the expected decline in the proportion of economic dependents in the region, can result in a "demographic dividend". A larger potential labour force presents a window of opportunity, and the demographic dividend could be translated into higher rates of savings and greater investment. Rising investment, in return, can lead to capital deepening, an increase in economic growth potential and productivity growth in terms of output per worker.<sup>2</sup>

*Demographic trends, in some countries, favourable to economic growth*

<sup>1</sup> Population projections source: UN, World Population Prospects 2004 Revision Database.

<sup>2</sup> ILO, *Realizing decent work in Asia*, Report of the Director-General, Fourteenth Asian Regional Meeting (Busan, Republic of Korea, August-September 2006), p. 19.

Compared with China, where the share of prime-age people should remain stable between 2005 and 2015, demographic trends in ASEAN will be more favourable to economic growth – a potentially important advantage over ASEAN’s giant neighbour.

Countries such as the Republic of Korea, Singapore, and Thailand have already benefited in terms of rapid growth in investment, productivity, health, education, and employment. Studies indicate that favourable demographic trends in earlier decades in these countries accounted for between one-quarter and one-third of the total growth in per capita income.<sup>3</sup> Such a demographic dividend is not guaranteed, however. It depends critically, among other things, on whether countries can mobilize sufficient capital to productively employ new potential workers.

Within ASEAN, demographic projections vary significantly by country. Between 2005 and 2015, Cambodia, Indonesia, the Lao People’s Democratic Republic, Myanmar, the Philippines, and Viet Nam will all see an increase in their share of population aged 25-54 years – an opportunity to reap the benefits of their demographic dividends (Table 8.1). Where labour force participation among women is relatively low, for example in Indonesia (see Chapter 2), the benefits are likely to be smaller. Some countries have limited time remaining; in Indonesia and Viet Nam, for instance, the window of opportunity is closing rapidly, since the prime-age share of their total populations will stop growing after 2015.

**Table 8.1 Population ages 25-54 as a percentage of total population, 2005 and 2015**

	Total population ('000s)		Population ages 25-54 ('000s)		Share of population ages 25-54 in total (%)	
	2005	2015	2005	2015	2005	2015
Brunei Darussalam	374	453	169	206	45.1	45.3
Cambodia	14 071	17 066	4 268	6 204	30.3	36.4
Indonesia	222 782	246 813	91 477	108 049	41.1	43.8
Lao PDR	5 924	7 306	1 843	2 495	31.1	34.1
Malaysia	25 347	29 558	9 885	11 823	39.0	40.0
Myanmar	50 519	54 971	20 143	24 108	39.9	43.9
Philippines	83 054	96 840	29 699	37 801	35.8	39.0
Singapore	4 326	4 815	2 135	2 080	49.4	43.2
Thailand	64 233	69 064	28 465	30 292	44.3	43.9
Viet Nam	84 238	95 029	33 530	42 065	39.8	44.3
China	1 315 844	1 392 980	612 755	650 055	46.6	46.7
India	1 103 371	1 260 366	414 041	504 915	37.5	40.1
Japan	128 085	127 993	52 037	49 517	40.6	38.7
Korea, Republic of	47 817	49 092	23 052	22 880	48.2	46.6

Source: UN, World Population Prospects 2004 Revision Database.

<sup>3</sup> D.E. Bloom; J.G. Williamson, “Democratic transitions and economic growth in emerging Asia”, in *World Bank Economic Review*, Vol. 12, No. 3, September 1998, pp. 419-456.



In Brunei Darussalam and Malaysia, the share of prime-age population will remain relatively stable between 2005 and 2015, while in Singapore and Thailand it will decline. The latter countries are ageing relatively rapidly – a trend that will probably accelerate in the decades to come. Both countries are expected to see a nearly 100 per cent increase, between 2005 and 2025, in the number of people aged 55 and older. In these countries, in line with demographic trends, labour supply will decline while demand for services and products for older workers may increase, creating labour shortages in institutional, social, and home health-care services catering for the elderly.

*Other ASEAN Member Countries ageing rapidly*

Most of ASEAN's population increase will occur in urban areas. Aside from natural increases, rural-urban migration is expected to continue or even escalate. Between 2005 and 2015, the region's urban population is expected to grow by 76.1 million, while the rural population will shrink by 9.4 million. By 2015, an estimated 51 per cent of ASEAN's population will live in urban areas, compared with about 44 per cent in 2005. More than 80 per cent of the increase in the urban population will occur in Indonesia (35.9 million additional urban dwellers), the Philippines (15 million), and Viet Nam (8.3 million). Countries experiencing explosive urban population growth will face the challenge of job creation in their bulging cities and metropolises. Yet Cambodia, the Lao People's Democratic Republic, Myanmar, Thailand, and Viet Nam are projected to remain predominantly rural even beyond 2025.

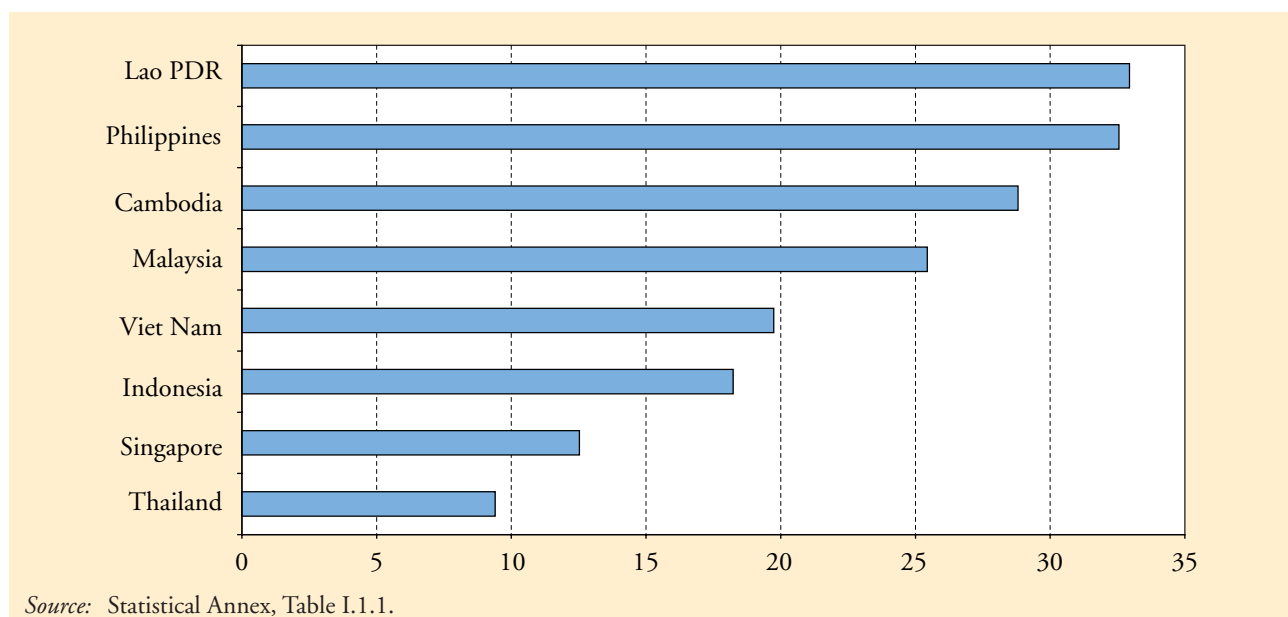
*Majority of ASEAN's population will live in urban areas by 2015*

ASEAN's labour force is large and growing. In 2005, it stood at about 275.8 million and it is expected to increase by around 55 million, or 19.8 per cent, between 2005 and 2015.

*ASEAN's labour force expanding by 55 million*

Figure 8.1 shows the fastest increases in labour force occurring in countries with the greatest numbers of working poor and the largest informal economies, among them Cambodia (28.8 per cent), the Lao People's Democratic Republic (32.9 per cent), and the Philippines (32.6 per cent). Malaysia and Viet Nam will also experience significant labour force growth (25.4 per cent and 19.7 per cent, respectively). In countries such as Singapore and Thailand, however, rates of labour force growth are slowing due to demographic trends, and they will face emerging labour shortages and the other

**Figure 8.1 Projected labour force growth in selected ASEAN economies, 2005-2015 (%)**



economic and social consequences of their gradually ageing workforces, including the growing importance of skills development and social security. Sustainable increases in living standards for ageing populations will also require higher productivity growth than in the past. Moreover, as seen in Chapter 6, uneven demographic trends, combined with persistent income gaps across countries, are likely to generate increasing cross-border migration.

## 8.2 Projected economic trends

Assuming that recent trends in economic growth continue, ASEAN will face two major challenges in establishing an economic community by 2015. The first challenge lies within ASEAN itself: persistent, albeit narrowing, development gaps among member countries, which tend to have a centrifugal effect in the region. The second is an external one: the rise of China and to a lesser extent India.

Between 2005 and 2015, development gaps between the more-developed and the less-developed ASEAN economies are likely to narrow, given that the latter countries are expected to develop relatively faster (Table 8.2). Nevertheless, GDP per capita in Singapore in 2015 is expected to remain 8-10 times higher than it is in Cambodia, Indonesia, and the Lao People's Democratic Republic. Levels of per capita GDP in the more-developed Brunei Darussalam, Malaysia, and Thailand will also be 3-5 times higher than they are in the less-developed economies in the region. These development gaps pose a challenge to closer regional economic integration.

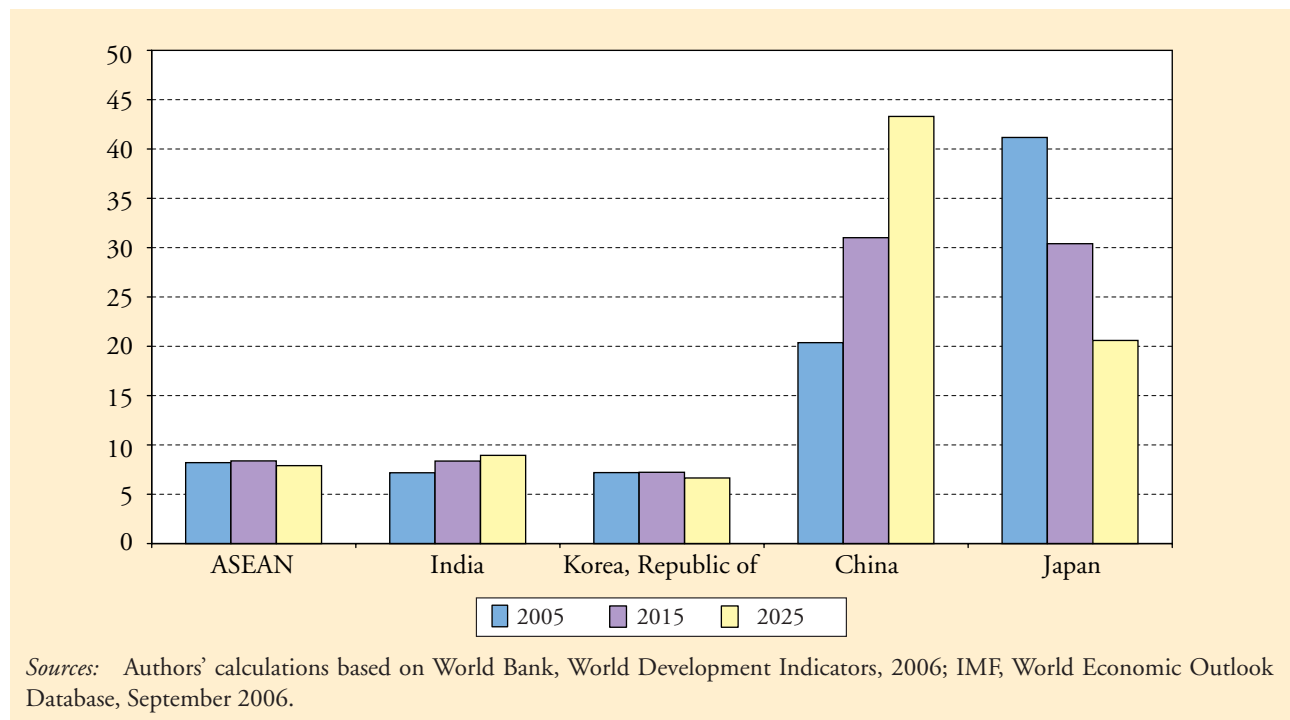
**Table 8.2 Per capita GDP in selected countries, 2005 and 2015, and average annual growth, 2000-2005**

	GDP per capita, (constant 2000 international \$)		GDP per capita, (constant 2000 international \$), % of Singapore level		Average annual growth (2000-2005)
	2005	2015	2005	2015	2000-2005
Lao PDR	1 952	3 749	7.3	9.8	4.4
Cambodia	2 321	4 513	8.7	11.8	4.5
Viet Nam	2 739	6 889	10.2	18.0	6.3
Indonesia	3 437	5 025	12.8	13.1	2.6
Philippines	4 401	5 742	16.4	15.0	1.8
Thailand	7 649	13 825	28.6	36.1	4.0
Malaysia	9 699	12 439	36.2	32.5	1.7
Singapore	26 764	38 327	100.0	100.0	2.4

*Source:* Authors' calculations based on World Bank, World Development Indicators, 2006.

Taking the current relative size of economies and using historical growth rates in the projections, Figure 8.2 shows how ASEAN as a whole is expected to fare over the coming 10- and 20-year periods.<sup>4</sup> While the ASEAN share of Asia's GDP between 2005 and 2015 is expected to remain flat, at just over 8 per cent, India is on track to match the economic size of ASEAN by 2015 and to overtake it by 2025. The rise of China is

<sup>4</sup> Assumptions: India's GDP grows at the recent historical average of 6.6 per cent per year; Japan's GDP grows at 2.3 per cent per year; and China's GDP grows at 8 per cent per year until 2015 and 6.5 per cent thereafter (versus recent historical average of 9-10 per cent per year).

**Figure 8.2 Projected share of total Asian GDP, 2005, 2015, and 2025, ASEAN and selected countries**

even more striking; based on recent trends China is projected to account for more than 31 per cent of Asia's GDP by 2015, up from 21 per cent in 2005. And even if China's growth rate decelerates after 2015, it could still account for over 43 per cent of Asia's GDP by 2025.

The challenge to ASEAN is not just that both China and India are growing faster. More importantly, their labour productivity levels are increasing more rapidly. China recently overtook ASEAN in terms of output per worker and, between 2005 and 2015, the China-ASEAN productivity gap is expected to widen. Labour productivity in the ASEAN region is still about one-third higher than it is in India, but if current trends persist, the gap is likely to narrow to less than 20 per cent by 2015.

Unsurprisingly, many ASEAN Member Countries worry that exports from China and India will flood their domestic markets, squeeze them out of global markets, and that the two giants will attract all the investment flows to Asia. Higher-income countries, on the other hand, fear that if these large emerging economies can easily acquire and master new technologies, their exports may soon dominate the global high-tech export industry. But there are mitigating factors in the medium and long term:

- The growth of China and India offers remarkable opportunities for many ASEAN Member Countries to increase exports. Importantly, such opportunities exist not only in the export sectors of the large emerging economies, but also in those sectors that serve their expanding domestic markets. The increasing role of domestic consumption is shown by a recent World Bank estimate that projects the middle class in China will skyrocket from 56 million people in 2000 to over 360 million in 2030.<sup>5</sup>

<sup>5</sup> World Bank, *Global Economic Prospects 2007: Managing the Next Wave of Globalization* (Washington, D.C., 2007), p. 74.

- Rapid export-led growth in China has been accompanied by rising real wages in manufacturing – an estimated 95 per cent increase between 1995 and 2002 – along with a gradual shift toward higher value-added production.<sup>6</sup> A continuation of this trend, underpinned by the gradual exhaustion of unskilled labour reserves in the country, will create space for latecomer low-income countries such as Cambodia and Viet Nam to move into the lower-skill activities vacated by producers in mainland China.

### 8.3 Structure of employment, the informal economy and the working poor

*Most people will be employed in the services sector*

Rapid technological change, trade in goods, and competitive pressures are expected to lead to further shifts away from agriculture to industry and services. Between 2005 and 2015, total employment in agriculture in ASEAN is projected to contract by 6.6 million, while employment in industry and services is expected to expand by around 24 million and 35 million, respectively.<sup>7</sup> Not only will the service sector be the main source of job creation, by 2015 it will also become the largest sector, representing about 40 per cent of ASEAN's total employment. The share of agricultural employment is expected to drop from 47.8 per cent in 2005 to 37.6 per cent in 2015, while the share of industrial employment is projected to grow from 17.4 per cent to 22.2 per cent during the same period.

The movement of workers from agriculture to industry and services is not an automatic process (see Chapter 4); its speed and extent reflect both the incentives and the ability of labour to move toward higher-productivity sectors, all of which are strongly influenced by the policy environment. Better labour market information regarding job opportunities plus provision of training for jobs available in emerging industries could accelerate the process. Moreover, the role of employment policies is likely to increase further in the coming decade as deeper integration into global markets, along with more rapid technological change and diffusion, brings increasing competitive pressures and greater volatility to national labour markets. This calls for strengthened labour protection – a combination of employment and income-support measures to ease labour market adjustments and to mitigate the costs to workers of such adjustments.

*Urban informal economy expanding*

If recent trends continue, ASEAN's informal economy will remain massive. Although the number of contributing family workers is projected to decline by 10 million – a reflection of declining agricultural employment – the number of own-account workers is expected to increase by over 43 million.<sup>8</sup> Their combined share in total employment is on track to decline from 63.7 per cent in 2006 to 56.1 per cent in 2015. At the same time, wage and salary employment is expected to increase by 56 million, though part of the increase will be in small enterprises operating in the informal economy. As a result, the informal economy is still likely to account for at least 60 per cent of ASEAN's total employment in 2015.

The rapid growth of many national urban populations in the region and the ongoing expansion of their service sectors make it clear that the urban informal economy

<sup>6</sup> ILO, *Labour and Social Trends in Asia and the Pacific: Progress towards decent work* (Bangkok, 2006), p. 100.

<sup>7</sup> ILO, *Global Employment Trends Model*, 2006.

<sup>8</sup> *Ibid.*

is expanding. This expansion is likely to become a pressing social and economic challenge in those countries – e.g. Cambodia, Indonesia, the Lao People’s Democratic Republic, and Viet Nam – that will see the most rapid increases in urban population.

By 2015, the estimated proportion of employed persons living in a household whose members subsist below the US\$1 per day poverty line is projected to fall from 10.8 per cent in 2006 to 7.8 per cent, yet it is likely that nearly half of all workers in ASEAN, or about 150 million, will not earn enough to lift themselves and their families above the US\$2 per day poverty line. Thus, between 40 and 50 per cent of the employed persons and other household members are likely to remain vulnerable to poverty in 2015, suggesting that poverty reduction strategies need to shift gradually from targeting people in extreme poverty towards mitigating vulnerability to poverty.

*Extreme poverty declining, but vulnerability to poverty remains massive*

## 8.4 Future scenarios point to a need for appropriate policy responses

ASEAN is a very heterogeneous region. Marked differences among Member Countries in areas such as income and productivity levels, employment structure, and demographic trends have wide-reaching implications for the region’s labour markets. Well-designed employment and social policies – at the country level, to address country-specific concerns, and regionally, to encourage cooperation in tackling issues of common interest – are likely to be the most effective means of ensuring that increasing growth and competitiveness has wide-reaching benefits in the region.

This report identifies several key areas that merit the attention of policy-makers in ASEAN Member Countries:

First, while export competitiveness is crucial for future growth and development in the region, this must be pursued not only through low-cost labour, but also through productivity improvements – the source of sustainable competitiveness and quality employment. To this end, policies that encourage companies to invest in workers’ skills and improve access to new technologies can improve productivity and strengthen competitiveness.

Second, increased investments in education, particularly in primary and secondary education in the lower-income ASEAN economies, and in tertiary education in the higher-income ASEAN economies, can be important drivers of enhanced productivity and poverty reduction.

Third, if ASEAN economies are to maintain their competitiveness while fostering sustainable growth and continued poverty reduction, they must work to ensure that gains from productivity growth are shared with workers through higher wages and improved working conditions.

Fourth, in an era of rapid structural changes and increasing competitive pressure, protecting workers is essential. This calls for strengthened labour protection – a combination of employment and income-support measures to ease labour market adjustments and to mitigate the costs to workers of such adjustments. It also requires improved occupational injury and disease reporting systems, stronger labour inspection regimes and expanded coverage of workers. This should be a win-win policy, as sound safety and health practices are good for workers as well as for business.

Fifth, an increasing flow of migrants within ASEAN is likely. If migration is going to be mutually beneficial for all parties there is a need to assess the impact and effectiveness of measures taken to regulate admissions, to ensure equal treatment, to register the undocumented, to discourage employers hiring undocumented migrants and to give migrant workers legal status. If intra-regional migration is properly managed, the increasing mobility of ASEAN's human resources – both skilled and unskilled – is likely to be a unique comparative advantage in an increasingly competitive global environment.

Crucially, social dialogue lies at the heart of the solutions to each of these diverse areas of concern. Effective dialogue between workers, employers and governments is a critical ingredient for achieving national consensus on the best combination of policies for a country to achieve its national development objectives. It will also help to ensure that the clear trend in ASEAN Member Countries toward greater regional and global integration produces benefits that are shared by all.

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Table I.1.1. Labour force – Total 1990, 1995, 2000, 2004-2006, 2015 &amp; 2020

*(thousand)*

	1990	1995	2000	2004	2005	2006	2015	2020
<b>ASEAN</b>								
Brunei Darussalam	110	128	147	160	164	167	198	213
Cambodia	3 698	5 084	5 410	7 556	7 994	8 267	10 297	11 394
Indonesia	76 615	86 182	98 742	106 278	108 361	110 432	128 117	136 917
Lao PDR	1 544	1 771	2 023	2 286	2 355	2 427	3 131	3 563
Malaysia	7 122	8 227	9 684	10 735	11 013	11 288	13 815	15 207
Myanmar	20 000	22 249	24 832	26 900	27 427	27 954	32 339	34 283
Philippines	23 439	27 399	30 761	35 916	37 093	38 294	49 170	54 475
Singapore	1 541	1 740	2 059	2 176	2 207	2 238	2 484	2 500
Thailand	30 442	31 501	33 586	35 293	35 715	36 136	39 071	39 781
Viet Nam	31 284	35 409	39 770	43 603	44 608	45 628	53 415	56 191
<b>“Plus 3” Countries and India</b>								
China	661 448	708 783	745 715	775 430	782 782	789 652	826 250	818 466
Korea, Republic of	19 128	21 300	22 501	23 889	24 121	24 341	25 895	26 301
Japan	63 905	66 903	67 705	67 020	66 702	66 361	61 650	59 646
India	329 794	363 303	398 363	430 445	438 766	446 883	522 763	562 377

*Note:* Cambodia: ages 10+; Derived from national statistical office data and the Conference Board and Groningen Growth and Development Centre, Total Economy Database, January 2007.

*Source:* ILO, Laborsta, Economically Active Population Estimates and Projections (Version 5).



Table I.1.2. Labour force – Male 1990, 1995, 2000, 2004-2006, 2015 &amp; 2020

(thousand)

	1990	1995	2000	2004	2005	2006	2015	2020
<b>ASEAN</b>								
Brunei Darussalam	74	85	96	106	108	110	130	139
Cambodia	1 755	2 457	2 606	3 666	3 966	4 107	5 161	5 721
Indonesia	47 153	53 590	61 467	66 098	67 292	68 463	78 175	82 870
Lao PDR	907	1 039	1 197	1 356	1 398	1 441	1 870	2 134
Malaysia	4 642	5 391	6 261	6 911	7 064	7 215	8 549	9 262
Myanmar	11 076	12 300	13 711	14 817	15 097	15 370	17 685	18 679
Philippines	14 871	17 204	19 257	21 777	22 334	22 895	27 950	30 573
Singapore	944	1 066	1 236	1 310	1 326	1 342	1 446	1 434
Thailand	16 256	17 386	18 311	19 064	19 229	19 390	20 569	20 862
Viet Nam	16 156	18 248	20 467	22 442	22 970	23 506	27 765	29 290
<b>“Plus 3” Countries and India</b>								
China	364 815	391 038	412 052	429 834	434 307	438 699	464 769	463 443
Korea, Republic of	11 606	12 897	13 433	14 151	14 264	14 372	15 111	15 219
Japan	37 943	39 840	40 238	39 561	39 302	39 011	35 246	33 610
India	235 100	260 143	286 968	308 728	314 475	320 096	372 272	399 336

*Note:* Cambodia: ages 10+; Derived from national statistical office data and the Conference Board and Groningen Growth and Development Centre, Total Economy Database, January 2007.

*Source:* ILO, Laborsta, Economically Active Population Estimates and Projections (Version 5).

Table I.1.3. Labour force – Female 1990, 1995, 2000, 2004-2006, 2015 &amp; 2020

*(thousand)*

	1990	1995	2000	2004	2005	2006	2015	2020
<b>ASEAN</b>								
Brunei Darussalam	35	43	51	55	56	57	68	74
Cambodia	1 942	2 628	2 805	3 890	4 028	4 159	5 136	5 674
Indonesia	29 462	32 591	37 276	40 180	41 069	41 968	49 942	54 047
Lao PDR	638	732	826	931	958	986	1 261	1 428
Malaysia	2 480	2 836	3 422	3 824	3 949	4 073	5 266	5 946
Myanmar	8 925	9 949	11 120	12 083	12 330	12 584	14 654	15 603
Philippines	8 568	10 195	11 504	14 139	14 759	15 398	21 219	23 902
Singapore	597	674	823	866	881	897	1 037	1 067
Thailand	14 186	14 115	15 275	16 229	16 486	16 746	18 502	18 920
Viet Nam	15 128	17 160	19 302	21 161	21 638	22 122	25 650	26 901
<b>“Plus 3” Countries and India</b>								
China	296 633	317 746	333 663	345 595	348 474	350 953	361 482	355 023
Korea, Republic of	7 522	8 403	9 068	9 738	9 857	9 969	10 784	11 082
Japan	25 962	27 063	27 467	27 459	27 399	27 350	26 404	26 036
India	94 694	103 160	111 395	121 717	124 291	126 787	150 492	163 041

*Note:* Cambodia: ages 10+; Derived from national statistical office data and the Conference Board and Groningen Growth and Development Centre, Total Economy Database, January 2007.

*Source:* ILO, Laborsta, Economically Active Population Estimates and Projections (Version 5).

Table I.2.1. Employment – Total 1990, 1995, 2000, 2002-2006

(thousand)

	1990	1995	2000	2002	2003	2004	2005	2006
<b>ASEAN</b>								
Brunei Darussalam	107	...	146	...	...	...	...	...
Cambodia	...	4 932	5 275	6 400	6 948	7 496	...	...
Indonesia	75 851	80 110	89 838	91 647	90 785	93 722	94 948	95 177
Lao PDR	...	2 167	...	2 490	2 537	...	2 740	...
Malaysia	6 685	7 645	9 322	9 543	9 870	9 987	...	10 442
Myanmar	15 221	16 817	...	...	...	...	...	...
Philippines	22 532	25 698	27 775	30 251	31 553	31 741	32 875	33 185
Singapore	1 537	1 702	2 095	2 017	2 034	2 067	2 267	2 444
Thailand	30 842	32 573	33 001	34 263	34 677	35 711	36 302	35 931
Viet Nam	30 286	34 590	38 368	40 162	41 176	42 316	...	...
<b>“Plus 3” Countries and India</b>								
China	639 090	680 650	720 850	737 400	744 320	752 000	...	...
Korea, Republic of	18 085	20 416	21 158	22 170	22 139	22 557	22 856	23 151
Japan	62 610	64 560	64 430	63 310	63 130	63 300	63 560	63 820
India	...	290 048	331 383	...	...	347 764	...	...

Note: India: 1995 column shows data for 1994; Brunei Darussalam: 2000 column shows data for 2001.

Source: ILO, Key Indicators of the Labour Market (KILM) 4<sup>th</sup> Edition, Table 2; ADB, Key Indicators, 2005; national statistical office data.

Table I.2.2. Employment – Male 1990, 1995, 2000, 2002-2006

*(thousand)*

	1990	1995	2000	2002	2003	2004	2005	2006
<b>ASEAN</b>								
Brunei Darussalam	72	...	86	...	...	...	...	...
Cambodia	...	...	2 538	...	...	3 793	...	...
Indonesia	46 428	51 686	55 439	58 583	59 909	60 582	60 719	61 864
Lao PDR	...	1 044	...	1 194	1 217	...	1 364	...
Malaysia	4 311	5 057	6 086	6 142	6 324	6 398	...	...
Myanmar	...	...	...	...	...	...	...	...
Philippines	14 347	16 193	17 258	18 440	19 498	19 836	20 205	20 419
Singapore	917	1 044	1 271	1 137	1 123	1 138	1 325	...
Thailand	16 456	17 778	18 165	18 872	19 082	19 699	19 470	19 863
Viet Nam	...	...	19 292	20 356	20 959	21 649	...	...
<b>“Plus 3“ Countries and India</b>								
China	...	...	...	...	...	...	...	...
Korea, Republic of	10 710	12 149	12 388	12 944	13 030	13 193	13 330	13 444
Japan	37 230	38 440	38 150	37 370	37 170	37 130	37 230	37 300
India	...	205 834	236 189	...	...	249 172	...	...

*Note:* India: 1995 column shows data for 1994; Brunei Darussalam: 2000 column shows data for 2001; Cambodia: 2002 column shows data for 2001.

*Source:* ILO, Key Indicators of the Labour Market (KILM) 4<sup>th</sup> Edition, Table 2; national statistical office data.

Table I.2.3. Employment – Female 1990, 1995, 2000, 2002-2006

(thousand)

	1990	1995	2000	2002	2003	2004	2005	2006
<b>ASEAN</b>								
Brunei Darussalam	34	...	60	...	...	...	...	...
Cambodia	...	...	2 737	...	...	3 702	...	...
Indonesia	29 423	28 424	34 399	33 064	30 876	33 141	34 210	33 313
Lao PDR	...	1 122	...	1 296	1 320	...	1 374	...
Malaysia	2 374	2 588	3 236	3 401	3 546	3 589	...	...
Myanmar	...	...	...	...	...	...	...	...
Philippines	8 185	9 505	10 516	11 811	12 055	11 905	12 670	12 766
Singapore	620	658	824	880	911	929	941	...
Thailand	14 386	14 795	14 836	15 391	15 596	16 013	16 832	16 068
Viet Nam	...	...	19 076	19 807	20 217	20 666	...	...
<b>“Plus 3” Countries and India</b>								
China	...	...	...	...	...	...	...	...
Korea, Republic of	7 375	8 267	8 770	9 226	9 109	9 364	9 526	9 706
Japan	25 380	26 120	26 280	25 940	25 960	26 170	26 330	26 520
India	...	84 214	95 193	...	...	98 593	...	...

Note: India: 1995 column shows data for 1994; Brunei Darussalam: 2000 column shows data for 2001; Cambodia: 2002 column shows data for 2001.

Source: ILO, Key Indicators of the Labour Market (KILM) 4<sup>th</sup> Edition, Table 2; national statistical office data.

Table II.1.1. Labour force participation rate (ages 15-64) – 1990, 1995, 2000, 2005, 2006, 2015, 2020

(per cent)

	Total							Male							Female						
	1990	1995	2000	2005	2006	2015	2020	1990	1995	2000	2005	2006	2015	2020	1990	1995	2000	2005	2006	2015	2020
<b>ASEAN</b>																					
Brunei Darussalam	67.0	66.8	66.4	64.6	64.2	61.7	60.8	84.6	83.7	83.0	81.8	81.5	79.3	78.5	46.7	47.9	48.2	46.0	45.7	43.6	43.0
Cambodia	83.6	84.1	80.1	79.6	79.7	81.1	81.3	86.7	87.7	81.8	81.4	81.6	83.7	84.1	81.0	81.0	78.6	78.0	78.0	78.6	78.7
Indonesia	67.5	67.6	69.7	70.1	70.3	71.8	72.3	82.9	83.8	86.7	87.1	87.2	87.9	87.8	52.1	51.3	52.7	53.0	53.3	55.7	56.8
Lao PDR	68.7	69.5	68.9	69.3	69.4	70.1	70.4	81.6	82.2	82.0	82.3	82.4	83.4	83.8	56.3	57.3	56.1	56.4	56.5	56.8	56.9
Malaysia	64.2	64.3	65.1	66.2	66.3	67.8	69.5	82.7	83.3	83.0	83.7	83.6	82.7	83.1	45.3	44.7	46.6	48.1	48.5	52.4	55.5
Myanmar	80.2	79.1	78.8	78.8	78.7	79.2	79.7	89.2	88.1	87.8	87.7	87.6	88.0	88.5	71.2	70.3	70.0	70.0	70.0	70.6	71.2
Philippines	66.3	67.5	66.4	70.7	71.2	75.2	76.4	83.7	84.4	82.8	84.7	84.7	85.0	85.2	48.7	50.4	49.8	56.5	57.6	65.3	67.5
Singapore	69.1	69.0	71.1	69.9	69.6	69.1	70.6	83.9	83.6	84.2	82.8	82.2	79.2	79.6	54.2	54.2	57.7	56.7	56.7	58.7	61.3
Thailand	84.9	78.4	77.2	77.6	77.8	78.5	78.4	90.6	86.9	84.9	84.5	84.4	84.1	83.8	79.2	70.0	69.7	71.0	71.4	73.1	73.1
Viet Nam	82.5	81.8	81.0	79.9	79.7	79.5	78.8	85.5	84.6	83.6	82.4	82.3	82.8	82.3	79.4	79.1	78.5	77.4	77.2	76.2	75.3
<b>“Plus 3” Countries and India</b>																					
China	84.2	84.5	83.8	82.0	81.7	80.5	79.9	88.9	89.6	89.3	87.8	87.7	87.7	87.8	79.1	79.0	78.0	75.8	75.4	72.8	71.6
Korea, Republic of	62.6	64.5	63.9	65.9	66.0	65.7	66.3	75.3	77.4	75.7	77.3	77.2	76.7	77.4	49.7	51.4	51.9	54.2	54.3	54.3	54.8
Japan	70.1	71.6	72.5	72.7	72.7	72.7	72.9	83.1	84.6	85.3	84.8	84.7	83.0	82.4	57.1	58.5	59.5	60.5	60.6	62.2	63.2
India	63.2	62.7	61.5	60.9	60.8	60.4	60.4	86.6	86.2	85.3	84.3	84.1	83.5	83.5	38.1	37.3	36.0	36.0	36.0	36.1	36.2

Source: ILO, Laborsta, Economically Active Population Estimates and Projections (Version 5); ILO, Key Indicators of the Labour Market (KILM) 4<sup>th</sup> Edition, Table 1a.

Table II.2.1. Employment-to-population ratio – Total 1990, 1995, 2000-2006

(per cent)

	1990	1995	2000	2001	2002	2003	2004	2005	2006
<b>ASEAN</b>									
Brunei Darussalam	...	...	...	...	...	...	...	...	...
Cambodia	...	...	76.4	81.8	...	...	79.7	...	...
Indonesia	...	62.2	63.6	63.0	61.6	59.5	60.9	61.0	59.8
Lao PDR	...	...	...	80.6	80.8	80.1	...	...	...
Malaysia	63.5	...	63.5	...	...	...	61.9	...	...
Myanmar	...	...	...	...	...	...	...	...	...
Philippines	59.3	60.1	57.8	60.9	59.5	60.3	59.3	58.7	59.3
Singapore	65.8	62.6	...	...	...	...	60.8	...	...
Thailand	79.7	75.2	70.6	71.0	71.7	71.7	72.2	72.6	...
Viet Nam	...	74.3	70.7	71.0	70.9	70.4	69.9	...	...
<b>“Plus 3” Countries and India</b>									
China	...	77.8	75.3	75.6	74.9	74.5	74.1	...	...
Korea, Republic of	58.6	60.7	58.5	59.0	60.0	59.3	59.8	59.7	59.7
Japan	62.1	61.4	59.5	58.9	57.9	57.6	57.6	57.8	58.0
India	...	58.3	56.2	...	...	...	55.4	...	...

Note: China and Viet Nam: 1995 column shows data for 1996; India: 1995 column shows data for 1994.

Source: ILO, Key Indicators of the Labour Market (KILM) 4<sup>th</sup> Edition, Table 2; national statistical office data.

Table II.2.2. Employment-to-population ratio – Male 1990, 1995, 2000-2006

*(per cent)*

	1990	1995	2000	2001	2002	2003	2004	2005	2006
<b>ASEAN</b>									
Brunei Darussalam	...	...	...	...	...	...	...	...	...
Cambodia	...	...	79.1	83.9	...	...	85.1	...	...
Indonesia	...	...	79.4	78.6	79.2	78.8	79.1	78.5	77.5
Lao PDR	...	...	...	79.3	80.3	79.6	...	...	...
Malaysia	81.9	...	80.8	...	...	...	78.2	...	...
Myanmar	...	...	...	...	...	...	...	...	...
Philippines	75.9	75.8	72.1	74.5	72.6	75.0	74.3	73.9	73.1
Singapore	77.8	76.3	...	...	...	...	71.6	...	...
Thailand	85.6	82.7	78.4	79.1	79.8	79.6	80.4	80.2	...
Viet Nam	...	77.7	74.3	75.1	74.8	74.4	74.1	...	...
<b>“Plus 3” Countries and India</b>									
China	...	...	...	...	...	...	...	...	...
Korea, Republic of	71.9	74.6	70.7	71.0	72.2	71.9	72.0	71.6	71.3
Japan	75.8	75.2	72.6	71.7	70.6	70.1	69.8	69.9	70.0
India	...	81.0	78.8	...	...	...	78.0	...	...

*Note:* India: 1995 column shows data for 1994; Viet Nam: 1995 column shows data for 1996.

*Source:* ILO, Key Indicators of the Labour Market (KILM) 4<sup>th</sup> Edition, Table 2; national statistical office data.



Table II.2.3. Employment-to-population ratio – Female 1990, 1995, 2000-2006

(per cent)

	1990	1995	2000	2001	2002	2003	2004	2005	2006
<b>ASEAN</b>									
Brunei Darussalam	...	...	...	...	...	...	...	...	...
Cambodia	...	...	74.1	80.0	...	...	74.8	...	...
Indonesia	...	...	48.2	47.2	44.2	40.3	42.9	43.8	42.0
Lao PDR	...	...	...	81.9	81.3	80.5	...	...	...
Malaysia	45.2	...	45.3	...	...	...	45.5	...	...
Myanmar	...	...	...	...	...	...	...	...	...
Philippines	42.8	44.4	43.6	47.3	46.4	45.8	44.3	46.2	45.5
Singapore	53.6	48.7	...	...	...	...	51.3	...	...
Thailand	73.8	67.8	62.9	63.1	63.9	63.9	64.2	65.4	...
Viet Nam	...	71.3	67.4	67.3	67.4	66.7	66.0	...	...
<b>“Plus 3” Countries and India</b>									
China	...	...	...	...	...	...	...	...	...
Korea, Republic of	46.1	47.6	47.0	47.7	48.5	47.4	48.3	48.4	48.8
Japan	49.0	48.4	47.1	46.8	46.1	45.9	46.1	46.3	46.6
India	...	34.6	32.9	...	...	...	31.9	...	...

Note: India: 1995 column shows data for 1994; Viet Nam: 1995 column shows data for 1996.

Source: ILO, Key Indicators of the Labour Market (KILM) 4<sup>th</sup> Edition, Table 2; national statistical office data.

Table II.3.1. Unemployment – Total 1990, 1995, 2000-2006

*(per cent of total labour force)*

	1990	1995	2000	2001	2002	2003	2004	2005	2006
<b>ASEAN</b>									
Brunei Darussalam	...	...	...	...	...	...	...	...	...
Cambodia	...	...	2.5	1.8	...	...	0.8	...	...
Indonesia	2.5	7.2	6.1	8.1	9.1	9.9	9.9	10.3	10.4
Lao PDR	...	2.6	...	5.0	5.0	5.1	...	...	...
Malaysia	5.1	3.1	3.0	3.5	3.5	3.6	3.5	3.5	3.1
Myanmar	4.2	4.1	...	...	...	...	...	...	...
Philippines	8.1	8.4	10.1	9.8	10.2	10.1	10.9	7.4	7.3
Singapore	1.7	2.7	4.4	3.4	5.2	5.4	5.3	4.2	...
Thailand	2.2	1.1	2.4	2.6	1.8	1.5	1.5	1.4	1.7
Viet Nam	...	1.9	2.3	2.8	2.1	2.3	2.1	...	...
<b>“Plus 3” Countries and India</b>									
China	2.5	2.9	3.1	3.6	4.0	4.3	4.2	...	...
Korea, Republic of	2.5	2.1	4.1	3.8	3.1	3.6	3.7	3.5	3.3
Japan	2.1	3.2	4.8	5.0	5.4	5.3	4.7	4.4	4.1
India	...	3.7	4.3	...	...	...	5.0	...	...

*Note:* India: 1995 column shows data for 1994; Viet Nam: 1995 column shows data for 1996.

*Source:* ILO, Key Indicators of the Labour Market (KILM) 4<sup>th</sup> Edition, Table 8a; ADB, Key Indicators, 2005; national statistical office data.

Table II.3.2. Unemployment – Male 1990, 1995, 2000-2006

*(per cent of male labour force)*

	1990	1995	2000	2001	2002	2003	2004	2005	2006
<b>ASEAN</b>									
Brunei Darussalam	...	...	...	...	...	...	...	...	...
Cambodia	...	...	2.1	1.4	...	...	0.8	...	...
Indonesia	...	...	...	...	...	...	...	8.3	8.6
Lao PDR	...	2.6	...	4.5	4.5	4.6	...	...	...
Malaysia	...	2.8	2.9	3.4	3.3	3.6	3.4	...	...
Myanmar	...	...	...	...	...	...	...	...	...
Philippines	7.1	7.7	10.3	9.4	10.1	10.0	10.4	7.4	7.6
Singapore	1.9	2.7	4.0	3.5	5.4	5.5	5.4	...	...
Thailand	2.0	0.9	2.4	2.7	2.0	1.6	1.6	1.5	1.7
Viet Nam	...	2.2	2.4	2.3	1.9	1.9	1.9	...	...
<b>“Plus 3” Countries and India</b>									
China	...	...	...	...	...	...	...	...	...
Korea, Republic of	2.9	2.3	4.7	4.3	3.5	3.6	3.7	3.8	3.6
Japan	2.0	3.1	5.0	5.2	5.6	5.5	4.9	4.6	4.3
India	...	3.6	4.4	...	...	...	4.9	...	...

*Note:* India: 1995 column shows data for 1994; Viet Nam: 1995 column shows data for 1996.

*Source:* ILO, Key Indicators of the Labour Market (KILM) 4<sup>th</sup> Edition, Table 8a; national statistical office data.

**Table II.3.3. Unemployment – Female 1990, 1995, 2000-2006**

*(per cent of female labour force)*

	1990	1995	2000	2001	2002	2003	2004	2005	2006
<b>ASEAN</b>									
Brunei Darussalam	...	...	...	...	...	...	...	...	...
Cambodia	...	...	2.8	2.0	...	...	0.9	...	...
Indonesia	...	...	...	...	...	...	...	13.6	13.7
Lao PDR	...	2.6	...	5.4	5.5	5.6	...	...	...
Malaysia	...	3.8	3.1	3.8	3.8	3.6	3.8	...	...
Myanmar	...	...	...	...	...	...	...	...	...
Philippines	9.8	9.4	9.9	10.3	10.2	10.3	11.7	7.4	6.8
Singapore	1.3	2.8	5.1	3.4	5.0	5.3	5.3	...	...
Thailand	2.4	1.4	2.3	2.5	1.6	1.4	1.4	1.2	1.7
Viet Nam	...	1.7	2.1	3.2	2.3	2.6	2.4	...	...
<b>“Plus 3” Countries and India</b>									
China	...	...	...	...	...	...	...	...	...
Korea, Republic of	1.8	1.7	3.3	3.1	2.5	3.1	3.1	3.1	2.8
Japan	2.2	3.3	4.5	4.8	5.1	4.9	4.4	4.2	3.9
India	...	3.9	4.1	...	...	...	5.3	...	...

*Note:* India: 1995 column shows data for 1994; Viet Nam: 1995 column shows data for 1996.

*Source:* ILO, Key Indicators of the Labour Market (KILM) 4<sup>th</sup> Edition, Table 8a; national statistical office data.

Table II.4.1. Youth unemployment – 1995, 2000, 2002-2005

	1995		2000		2002		2003		2004		2005	
	Youth unemployed ('000s)	Youth unemployment rate (%)	Youth unemployed ('000s)	Youth unemployment rate (%)	Youth unemployed ('000s)	Youth unemployment rate (%)	Youth unemployed ('000s)	Youth unemployment rate (%)	Youth unemployed ('000s)	Youth unemployment rate (%)	Youth unemployed ('000s)	Youth unemployment rate (%)
<b>ASEAN</b>												
Brunei Darussalam	...	...	...	...	...	...	...	...	...	...	...	...
Cambodia	...	...	81	...	...	...	...	...	37	1.5	...	...
Indonesia	2 628	13.4	...	...	...	...	...	...	...	...	6 597	28.7
Lao PDR	30	5.0	...	...	...	...	...	...	...	...	...	...
Malaysia	180	...	186	8.3	228	...	241	...	250	11.7	...	...
Myanmar	...	...	...	...	...	...	...	...	...	...	...	...
Philippines	1 086	16.1	1 480	21.2	1 616	10.2	1 594	19.7	1 742	21.7	1 279	16.4
Singapore	14	5.0	15	...	21	8.6	20	7.8	22	8.3	...	...
Thailand	173	2.5	401	6.6	339	...	290	5.0	265	4.5	260	4.8
Viet Nam	...	...	409	4.8	396	4.4	434	4.8	428	4.6	...	...
<b>“Plus 3” Countries and India</b>												
China	...	...	5 950	3.1	...	...	...	...	...	...	...	...
Korea, Republic of	173	6.3	232	10.2	184	8.1	213	9.6	220	10.0	195	9.7
Japan	540	6.1	700	9.2	700	10.1	680	10.1	610	9.5	550	8.7
India	5 921	8.3	7 793	10.1	...	...	...	...	8 435	10.5	...	...

*Note:* India: 1995 column shows data for 1994. Indonesia and Thailand: 1995 column shows data for 1996.

*Source:* ILO, Key Indicators of the Labour Market (KILM) 4<sup>th</sup> Edition, Table 9; national statistical office data.

**Table II.4.2. Ratio of youth to adult unemployment rates, most recent year**

	Total	Male	Female
<b>ASEAN</b>			
Brunei Darussalam	...	...	...
Cambodia	2.5	3.2	1.9
Indonesia	6.0	7.2	4.8
Lao PDR	5.6	6.4	4.9
Malaysia	8.4	7.3	10.3
Myanmar	...	...	...
Philippines	3.6	3.0	5.0
Singapore	1.3	1.1	1.3
Thailand	6.3	5.9	6.9
Viet Nam	3.2	3.8	2.7
<b>“Plus 3” Countries and India</b>			
China	...	...	...
Korea, Republic of	3.4	3.4	4.1
Japan	2.1	2.2	2.1
India	3.0	3.1	2.8

*Note:* Years represented include: (2006) Indonesia, Japan, Republic of Korea, Philippines; (2005) Singapore, Thailand; (2004) Cambodia, India, Malaysia, Viet Nam; (1995) Lao People’s Democratic Republic.

*Source:* ILO, Key Indicators of the Labour Market (KILM) 4<sup>th</sup> Edition, Table 9; national statistical office data.

**Table II.5.1. Employment by major economic sector, most recent year**

*(per cent)*

	Agriculture	Industry	Services	Other
<b>ASEAN</b>				
Brunei Darussalam	1.4	21.4	77.2	0.0
Cambodia	60.3	12.5	27.2	0.0
Indonesia	44.0	18.0	38.0	0.0
Lao PDR	82.7	8.7	8.6	0.0
Malaysia	14.8	30.1	52.5	2.6
Myanmar	62.7	12.2	25.1	0.0
Philippines	37.0	14.9	48.1	0.0
Singapore	...	29.5	69.6	0.9
Thailand	42.6	20.2	37.1	0.1
Viet Nam	57.9	17.4	24.7	0.0
<b>“Plus 3” Countries and India</b>				
China	46.9	22.5	30.6	0.0
Korea, Republic of	7.7	18.1	74.2	0.0
Japan	4.4	27.9	66.4	1.2
India	54.0	20.0	26.0	0.0

*Note:* Years represented include: (2006) Republic of Korea; (2005) Indonesia, Japan, Philippines, Singapore, Thailand; (2004) Cambodia, China, India, Malaysia, Viet Nam; (2003) Lao People’s Democratic Republic; (2001) Brunei Darussalam; (1998) Myanmar.

*Source:* ILO, Key Indicators of the Labour Market (KILM) 4<sup>th</sup> Edition, Table 4a; national statistical office data.

Table II.6.1. Status in employment, most recent year

(per cent)

	Both sexes				Females				Males			
	Wage & salaried workers (employees) (%)	Employers (%)	Own-account workers (%)	Contributing family workers (%)	Wage & salaried workers (employees) (%)	Employers (%)	Own-account workers (%)	Contributing family workers (%)	Wage & salaried workers (employees) (%)	Employers (%)	Own-account workers (%)	Contributing family workers (%)
<b>ASEAN</b>												
Brunei Darussalam	...	...	...	...	...	...	...	...	...	...	...	...
Cambodia	20.0	0.1	34.4	43.3	16.6	0.1	28.8	52.0	23.3	0.1	39.7	34.8
Indonesia	37.9	3.0	40.9	18.2	33.8	1.1	28.1	36.9	40.1	3.9	47.8	8.1
Lao PDR	14.4	3.8	55.7	26.1	...	...	...	...	...	...	...	...
Malaysia	74.4	3.5	17.0	5.1	76.5	1.3	12.4	9.8	73.2	4.8	19.6	2.5
Myanmar	...	...	...	...	...	...	...	...	...	...	...	...
Philippines	51.7	4.9	31.7	11.6	50.5	2.5	29.7	17.4	52.4	6.4	33.0	8.2
Singapore	86.5	4.7	8.1	0.7	92.1	2.1	4.5	1.3	82.0	6.8	10.9	0.3
Thailand	43.7	3.1	31.5	21.6	42.7	1.5	24.8	30.8	44.5	4.5	37.4	13.5
Viet Nam	25.6	0.5	41.2	32.7	21.2	0.3	31.3	47.2	29.8	0.7	50.7	18.9
<b>"Plus 3" Countries and India</b>												
China	...	...	...	...	...	...	...	...	...	...	...	...
Korea, Republic of	67.2	7.0	19.4	6.3	67.7	3.4	15.4	13.5	66.8	9.7	22.4	1.2
Japan	84.8	2.6	7.7	4.4	84.7	1.1	5.2	8.6	85.0	3.6	9.4	1.5
India	...	...	...	...	...	...	...	...	...	...	...	...

*Note:* Years represented include: (2006) Indonesia, Republic of Korea; (2005) Japan, Thailand; (2004) Cambodia, Malaysia, Viet Nam; (2003) Lao People's Democratic Republic, Singapore.

*Source:* ILO, Key Indicators of the Labour Market (KILM) 4<sup>th</sup> Edition, Table 3; national statistical office data.



**Table II.7.1. Estimated number of migrants at mid-year – 1990, 1995, 2000, 2005**

*(thousand)*

	1990	1995	2000	2005
<b>ASEAN</b>				
Brunei Darussalam	...	...	...	...
Cambodia	38	116	237	304
Indonesia	466	219	330	160
Lao PDR	23	23	24	25
Malaysia	1 014	1 135	1 392	1 639
Myanmar	101	112	115	117
Philippines	164	214	322	374
Singapore	727	992	1 352	1 843
Thailand	391	568	844	1 050
Viet Nam	28	27	28	21
<b>“Plus 3” Countries and India</b>				
China	380	441	513	596
Korea, Republic of	572	584	568	551
Japan	877	1 261	1 620	2 048
India	7 493	6 951	6 271	5 700

Source: UN Population Division, Trends in the World Migrant Stock: 2005 Revision.

**Table II.7.2. International migrants as percentage of population – 1990, 1995, 2000, 2005**

*(per cent)*

	1990	1995	2000	2005
<b>ASEAN</b>				
Brunei Darussalam	...	...	...	...
Cambodia	0.4	1.0	1.9	2.2
Indonesia	0.3	0.1	0.2	0.1
Lao PDR	0.6	0.5	0.5	0.4
Malaysia	5.7	5.6	6.1	6.5
Myanmar	0.2	0.3	0.2	0.2
Philippines	0.3	0.3	0.4	0.5
Singapore	24.1	28.5	33.6	42.6
Thailand	0.7	1.0	1.4	1.6
Viet Nam	0.0	0.0	0.0	0.0
<b>“Plus 3” Countries and India</b>				
China	0.0	0.0	0.0	0.0
Korea, Republic of	1.3	1.3	1.2	1.2
Japan	0.7	1.0	1.3	1.6
India	0.9	0.7	0.6	0.5

Source: UN Population Division, Trends in the World Migrant Stock: 2005 Revision.

**Table II.7.3. Female migrants as percentage of total migrants – 1990, 1995, 2000, 2005**

*(per cent)*

	1990	1995	2000	2005
<b>ASEAN</b>				
Brunei Darussalam	...	...	...	...
Cambodia	50.3	50.6	51.0	51.3
Indonesia	50.6	49.1	47.6	46.0
Lao PDR	48.2	48.2	48.2	48.2
Malaysia	44.7	43.6	42.6	41.6
Myanmar	46.1	46.1	46.1	46.1
Philippines	49.1	49.1	49.1	49.1
Singapore	50.3	50.3	50.3	50.3
Thailand	35.2	42.1	50.4	56.8
Viet Nam	46.2	46.2	46.2	46.2
<b>“Plus 3” Countries and India</b>				
China	49.1	49.1	49.1	49.1
Korea, Republic of	46.3	47.0	50.1	53.5
Japan	49.7	50.2	52.9	53.8
India	46.9	47.1	47.2	47.4

Source: UN Population Division, Trends in the World Migrant Stock: 2005 Revision.

Table II.7.4. Refugees as percentage of total migrants – 1990, 1995, 2000, 2005

*(per cent)*

	1990	1995	2000	2005
<b>ASEAN</b>				
Brunei Darussalam	...	...	...	...
Cambodia	0.0	0.0	0.0	0.3
Indonesia	0.5	0.0	43.2	0.0
Lao PDR	0.0	0.0	0.0	0.0
Malaysia	6.2	0.5	3.6	2.8
Myanmar	0.0	0.0	0.0	0.1
Philippines	14.1	0.3	0.1	0.0
Singapore	0.0	0.0	0.0	0.0
Thailand	25.6	18.3	12.2	11.6
Viet Nam	79.3	72.6	55.8	4.4
<b>“Plus 3” Countries and India</b>				
China	75.2	65.2	57.3	50.3
Korea, Republic of	0.0	0.0	0.0	0.0
Japan	0.8	0.5	0.2	0.1
India	1.5	3.5	2.8	2.8

Source: UN Population Division, Trends in the World Migrant Stock: 2005 Revision.

Table III.1.1. Manufacturing wage indices – 1990, 1995, 2000-2003

(1995 = 100)

	1990	1995	2000	2001	2002	2003
<b>ASEAN</b>						
Brunei Darussalam	...	...	...	...	...	...
Cambodia	...	...	...	78.7	...	...
Indonesia	...	100	109.9	130.0	...	...
Lao PDR	...	...	...	...	...	...
Malaysia	80.0	100	118.6	129.1	...	...
Myanmar	...	...	...	...	...	...
Philippines	108.4	100	...	...	...	...
Singapore	73.5	100	134.4	136.7	138.8	143.0
Thailand	85.0	100	...	...	...	...
Viet Nam	...	...	...	...	...	...
<b>“Plus 3” Countries and India</b>						
China	77.4	100	155.3	172.2	195.4	...
Korea, Republic of	71.0	100	117.3	119.8	130.6	137.3
Japan	...	100	103.6	105.9	106.4	106.8
India	134.3	100	73.4	104.4	...	...

Source: ILO, Key Indicators of the Labour Market (KILM) 4<sup>th</sup> Edition, Table 15.

Table III.2.1. Hours of work per week – 1990, 1995, 2000-2004

	1990	1995	2000	2001	2002	2003	2004
<b>ASEAN</b>							
Brunei Darussalam	...	...	...	...	...	...	...
Cambodia	...	...	...	...	...	...	...
Indonesia	...	...	...	...	...	...	...
Lao PDR	...	...	...	...	...	...	...
Malaysia	...	...	...	...	...	...	...
Myanmar	...	...	...	...	...	...	...
Philippines	47.6	42.0	42.1	40.5	40.8	41.6	41.6
Singapore	46.5	47.1	47.0	46.2	46.0	46.0	46.3
Thailand	49.1	49.6	50.1	...	...	...	...
Viet Nam	...	...	...	...	...	...	...
<b>“Plus 3” Countries and India</b>							
China	...	...	...	...	...	...	...
Korea, Republic of	48.2	47.7	47.5	47.0	46.2	45.9	45.7
Japan	45.7	43.4	42.7	42.2	42.2	42.0	42.0
India	...	...	...	...	...	...	...

Source: ILO, Laborsta.

Table IV.1.1. Poverty and income distribution, various years

	Population in poverty (national poverty line)				Population in poverty (international poverty line), and Gini index				Working poverty				
	Total	Urban	Rural	Year	US\$1 poverty line	US\$2 poverty line	Gini index	Year	Number of working poor at the US\$1 a day level ('000)	Share of working poor at US\$1 a day in total employment (%)	Number of working poor at the US\$2 a day level ('000)	Share of working poor at US\$2 a day in total employment (%)	Year
<b>ASEAN</b>													
Brunei Darussalam	...	...	...	...	...	...	...	...	...	...	...	...	...
Cambodia	35.9	13.9	40.1	1999	34.1	77.7	40.4	1997	1 979	38.4	4 496	87.2	1997
Indonesia	27.1	...	...	1999	7.5	52.4	34.3	2002	9 222	9.9	66 678	71.6	2002
Lao PDR	38.6	26.9	41.0	1997	26.3	73.2	37.0	1997	592	32.6	1 547	85.2	1997
Malaysia	...	...	...	...	0.2	9.3	49.2	1997	0	0.0	1 049	12.3	1997
Myanmar	...	...	...	...	...	...	...	...	...	...	...	...	...
Philippines	36.8	21.5	50.7	1997	15.5	47.5	46.1	2000	5 832	21.1	18 597	67.3	2000
Singapore	...	...	...	...	...	...	...	...	...	...	...	...	...
Thailand	...	...	...	...	1.9	32.5	43.2	2000	746	2.3	12 901	39.4	2000
Viet Nam	28.9	6.6	35.6	2002	2.0	33.4	37.1	2002	920	2.3	16 177	39.8	2002
<b>“Plus 3” Countries and India</b>													
China	4.6	<2.0	4.6	1998	16.6	46.7	35.2	2001	140 252	19.7	402 636	56.5	2001
Korea, Republic of	...	...	...	...	...	...	...	...	...	...	...	...	...
Japan	...	...	...	...	...	...	...	...	...	...	...	...	...
India	28.6	24.7	30.2	2000	36	81.3	29.9	1999	180 988	48.0	338 226	89.8	1999

Source: ILO, Key Indicators of the Labour Market (KILM) 4<sup>th</sup> Edition, Table 20; World Bank, PovcalNet, 2005; World Bank, World Development Indicators, 2005.

Table V.1.1. Gross domestic product (annual growth rate) – 2000-2007

	2000	2001	2002	2003	2004	2005	2006	2007
<i>(per cent)</i>								
<b>ASEAN</b>								
Brunei Darussalam	2.9	2.8	3.9	2.9	0.5	0.4	3.7	2.6
Cambodia	8.4	7.7	6.2	8.6	10.0	13.4	5.0	6.5
Indonesia	5.4	3.6	4.5	4.8	5.1	5.6	5.2	6.0
Lao PDR	5.8	5.7	5.9	6.1	6.4	7.0	7.3	6.6
Malaysia	8.9	0.3	4.4	5.5	7.2	5.2	5.5	5.8
Myanmar	13.8	11.3	12.0	13.8	13.6	13.2	7.0	5.5
Philippines	6.0	1.8	4.5	4.9	6.2	5.0	5.0	5.4
Singapore	10.0	-2.3	4.0	2.9	8.7	6.4	6.9	4.5
Thailand	4.8	2.2	5.3	7.0	6.2	4.5	4.5	5.0
Viet Nam	6.8	6.9	7.1	7.3	7.8	8.4	7.8	7.6
<b>“Plus 3” Countries and India</b>								
China	8.4	8.3	9.1	10.0	10.1	10.2	10.0	10.0
Korea, Republic of	8.5	3.8	7.0	3.1	4.7	4.0	5.0	4.3
Japan	2.9	0.4	0.1	1.8	2.3	2.6	2.7	2.1
India	5.3	4.1	4.3	7.2	8.0	8.5	8.3	7.3

Source: IMF, World Economic Outlook Database, September 2006.



Table V.1.2. Gross domestic product per capita – 1990, 1995, 2001-2005

*(constant 2000 US\$)*

	1990	1995	2001	2002	2003	2004	2005
<b>ASEAN</b>							
Brunei Darussalam	...	...	...	...	...	...	...
Cambodia	...	226	296	306	321	339	356
Indonesia	612	827	820	844	872	904	942
Lao PDR	228	275	340	351	364	379	396
Malaysia	2 547	3 510	3 857	3 944	4 079	4 290	4 434
Myanmar	...	...	...	...	...	...	...
Philippines	914	909	993	1 018	1 045	1 088	1 124
Singapore	14 478	19 111	21 637	22 295	22 873	24 544	25 443
Thailand	1 452	2 057	2 022	2 110	2 238	2 356	2 440
Viet Nam	227	305	419	444	471	502	539
<b>“Plus 3” Countries and India</b>							
China	392	658	1 021	1 106	1 209	1 323	1 445
Korea, Republic of	6 615	9 159	11 220	11 936	12 245	12 762	13 210
Japan	33 434	35 525	37 405	37 216	37 651	38 609	39 592
India	318	374	470	480	512	548	586

Source: World Bank, World Development Indicators, 2006.

Table V.1.3. Foreign trade as per cent of gross domestic product – 1990, 1995, 2001-2005

*(per cent)*

	1990	1995	2001	2002	2003	2004	2005
<b>ASEAN</b>							
Brunei Darussalam	...	...	...	...	...	...	...
Cambodia	19	78	118	124	126	141	...
Indonesia	49	54	68	58	54	59	70
Lao PDR	37	61	62	62	57	57	59
Malaysia	147	192	214	211	206	221	...
Myanmar	7	3	...	...	...	...	...
Philippines	61	81	101	101	101	101	94
Singapore	...	...	...	...	...	...	...
Thailand	76	90	125	122	124	136	149
Viet Nam	81	75	112	117	126	140	...
<b>“Plus 3” Countries and India</b>							
China	35	44	43	48	57	65	...
Korea, Republic of	57	59	73	69	74	84	...
Japan	20	17	20	21	22	...	...
India	16	23	26	30	31	40	...

Source: World Bank, World Development Indicators, 2006.

Table V.1.4. Output per worker – 1990, 1995, 2000, 2003-2005

*(constant 1990 international \$)*

	1990	1995	2000	2003	2004	2005
<b>ASEAN</b>						
Brunei Darussalam	...	...	...	...	...	...
Cambodia	2 296	2 297	3 037	2 732	2 714	2 845
Indonesia	5 945	8 205	7 588	8 321	8 656	9 022
Lao PDR	...	...	...	...	...	...
Malaysia	13 434	18 473	19 254	19 953	21 128	22 112
Myanmar	1 959	2 328	3 017	3 819	4 172	4 541
Philippines	6 348	6 195	6 952	6 797	7 164	7 271
Singapore	28 191	38 888	42 888	46 235	49 457	47 975
Thailand	8 291	11 871	11 984	13 135	13 541	13 915
Viet Nam	2 346	3 094	3 803	4 328	4 553	4 809
<b>“Plus 3” Countries and India</b>						
China	3 224	4 987	5 804	7 979	8 695	9 486
Korea, Republic of	20 633	26 624	31 826	34 828	35 798	36 729
Japan	37 144	38 741	40 725	42 521	43 410	44 361
India	3 484	4 263	5 189	5 808	6 160	6 587

Source: The Conference Board and Groningen Growth and Development Centre Total Economy Database, January 2007, <http://www.ggdc.net>.

Table V.2.1. Population size – 1990, 1995, 2000, 2005, 2010, 2015, 2020

*(thousand)*

	1990	1995	2000	2005	2010	2015	2020
<b>ASEAN</b>							
Brunei Darussalam	257	295	333	374	414	453	491
Cambodia	9 738	11 368	12 744	14 071	15 530	17 066	18 580
Indonesia	181 414	195 649	209 174	222 782	235 755	246 813	255 853
Lao PDR	4 132	4 686	5 279	5 924	6 604	7 306	8 014
Malaysia	17 845	20 362	22 997	25 347	27 532	29 558	31 474
Myanmar	40 753	44 500	47 724	50 519	52 801	54 971	57 054
Philippines	61 104	68 396	75 766	83 054	90 048	96 840	103 266
Singapore	3 016	3 478	4 017	4 326	4 590	4 815	4 986
Thailand	54 639	58 336	61 438	64 233	66 785	69 064	71 044
Viet Nam	66 206	73 163	78 671	84 238	89 718	95 029	99 928
<b>“Plus 3” Countries and India</b>							
China	1 155 305	1 219 331	1 273 979	1 315 844	1 354 533	1 392 980	1 423 939
Korea, Republic of	42 869	45 007	46 779	47 817	48 566	49 092	49 393
Japan	123 537	125 472	127 034	128 085	128 457	127 993	126 713
India	849 415	935 572	1 021 084	1 103 371	1 183 293	1 260 366	1 332 032

Source: UN Population Prospects 2004 Revision Database.

Table V.2.2. Population growth rate – 1990, 1995, 2000-2005

*(per cent)*

	1990	1995	2000	2001	2002	2003	2004	2005
<b>ASEAN</b>								
Brunei Darussalam	2.9	2.7	2.4	2.4	2.4	2.3	2.3	2.2
Cambodia	3.5	2.8	2.1	2.1	2.0	2.0	2.0	2.0
Indonesia	1.7	1.4	1.3	1.3	1.3	1.3	1.3	1.2
Lao PDR	2.6	2.5	2.4	2.4	2.4	2.3	2.3	2.3
Malaysia	2.7	2.6	2.3	2.2	2.0	1.9	1.9	1.8
Myanmar	1.8	1.7	1.3	1.2	1.2	1.2	1.1	1.0
Philippines	2.4	2.2	2.0	1.9	1.9	1.9	1.8	1.8
Singapore	2.4	3.1	2.4	2.0	1.6	1.4	1.3	1.2
Thailand	1.5	1.2	1.0	0.9	0.9	0.9	0.9	0.8
Viet Nam	2.2	1.8	1.4	1.4	1.4	1.4	1.4	1.3
<b>“Plus 3” Countries and India</b>								
China	1.4	1.0	0.8	0.7	0.7	0.6	0.6	0.6
Korea, Republic of	1.0	0.9	0.6	0.6	0.5	0.4	0.4	0.4
Japan	0.4	0.3	0.2	0.2	0.2	0.2	0.1	0.1
India	2.0	1.9	1.7	1.6	1.6	1.6	1.5	1.5

Source: UN Population Prospects 2004 Revision Database.

Table V.3.1. Gross enrolment ratio – 1995, 2004

(per cent)

	Secondary Education						Tertiary Education					
	1995			2004			1995			2004		
	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female
<b>ASEAN</b>												
Brunei Darussalam	80.2	76.0	84.6	93.6	91.5	96.0	7.2	5.9	8.5	14.7	9.9	19.6
Cambodia	26.5	33.0	19.9	29.4	34.7	23.9	1.9	3.2	0.6	2.9	4.0	1.8
Indonesia	51.5	55.3	47.6	64.1	64.4	63.8	11.3	14.6	8.0	16.7	18.6	14.7
Lao PDR	26.8	32.2	21.3	45.9	52.2	39.4	2.7	3.7	1.6	5.9	7.2	4.5
Malaysia	58.7	55.0	62.6	75.8	70.9	80.9	11.7	13.7	9.6	32.4	27.0	38.0
Myanmar	32.6	32.2	33.1	40.0	41.2	38.8	5.7	4.4	7.1	11.3	8.2	14.5
Philippines	77.5	77.2	77.8	85.9	81.6	90.3	29.0	25.2	32.7	28.8	25.4	32.4
Singapore	73.4	74.2	72.4	...	...	...	33.7	36.6	30.7	...	...	...
Thailand	54.1	54.6	53.6	77.3	77.3	77.4	20.1	18.7	21.4	41.0	37.7	44.3
Viet Nam	47.0	48.0	46.0	73.5	75.2	71.7	4.1	5.0	3.1	10.2	11.5	8.8
<b>“Plus 3” Countries and India</b>												
China	65.8	69.5	61.8	72.5	72.5	72.5	5.3	6.8	3.6	19.1	20.6	17.4
Korea, Republic of	100.9	100.6	101.1	90.9	90.8	91.0	52.0	65.6	37.7	88.5	108.9	66.8
Japan	103.4	102.7	104.2	101.6	101.5	101.7	41.7	45.6	37.6	54.0	57.1	50.7
India	48.8	58.8	38.0	53.5	59.3	47.3	6.6	8.1	5.0	11.8	14.0	9.3

Note: Malaysia: 2004 column shows data for 2003; Myanmar: 2004 tertiary education column shows data for 2001.

Source: UNESCO Institute for Statistics and World Bank, EdStats Database, 2006.