



Summary Report of the Consultation Workshop

ASEAN Community 2015: Managing integration for better jobs and shared prosperity

5-6 November 2013, Bangkok, Thailand¹

Introduction

On 5-6 November 2013, a Consultation Workshop took place in Bangkok hosted by the International Labour Organization (ILO) and the Asian Development Bank (ADB). Its objective was to consult stakeholders and receive insights to a set of preliminary findings of a forthcoming ILO-ADB study entitled '*ASEAN Community 2015: Managing integration for better jobs and shared prosperity*'.

The purpose of the study is threefold: to conduct evidence-based analysis and projections to inform the ASEAN member States and the ASEAN Secretariat of the socio-economic impact regional integration will bring; to address the key thematic areas of the ASEAN Economic Community 2015 (AEC) that are likely to impact the quality of life of its women and men; and to analyse policies, strategies and options to assist policymakers in promoting inclusive and sustainable growth for women and men – beyond just individual countries but to the ASEAN region as a whole.

The agenda broadly covered the different chapter topics of the forthcoming report. The first day opened with a welcoming ceremony including a keynote address by Her Excellency, Ms Alicia Dela Rosa Bala, Deputy Secretary-General of ASEAN. Session 1 looked at ASEAN integration in the global context (Chapter 1) and ensuring structural transformation supports more and better jobs in ASEAN (Chapter 3). Session 2 heard from a High-Level Panel on the topic of opportunities and challenges of integration for better jobs and shared prosperity. Session 3 looked at opportunities of regional integration for inclusive growth (Chapter 2) and reaping the economic and social benefits of regional labour mobility (Chapter 6). Session 4 looked at enhancing competitiveness and employability through skills development (Chapter 4) and strengthening the productivity-wage link for balanced growth (Chapter 5). A final, closing session heard statements on the way forward from government, employers' organizations, workers' organizations, ADB and ILO representatives.

The Workshop gathered participants from the ASEAN member States' Ministries of Labour, Ministries of Finance, employers' organizations and workers' organizations. Additional participants included representatives from the ASEAN Secretariat and the ASEAN Trade Union Council (ATUC); representatives from the Korean Ministry of Employment and Labour and the United States' Embassy in Bangkok; fellows from the Japan External Trade Organization (JETRO), the Institute of Southeast Asian Studies (ISEAS), and the Renmin University of China; and ILO and ADB experts and other consultants involved in the forthcoming report.

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The present Summary Report provides a synopsis of the Consultation Workshop, a record of its proceedings and the key messages that emerged. It includes the list of participants and the meeting agenda as Appendices.

¹ This report was prepared by the ILO Regional Office for Asia and the Pacific. Any errors contained are solely the responsibility of the authors and do not imply the endorsement by the International Labour Organization nor by the Asian Development Bank of any of the opinions expressed herein.

❖ Opening ceremony

Welcoming remarks

The Opening Ceremony was moderated by Alcestis Abrera-Mangahas, ILO Deputy Regional Director for Asia and the Pacific, who invited welcoming remarks from Yoshiteru Uramoto, ILO Assistant Director-General and Regional Director for Asia and the Pacific, and Bindu N. Lohani, ADB Vice-President for Knowledge Management and Sustainable Development.

Mr Uramoto welcomed participants to the Consultation Workshop and thanked the ADB for their excellent partnership and collaboration in conducting joint research for achieving the common goals of social justice, poverty alleviation and inclusive growth within the region. He also thanked Deputy-Secretary General Ms Bala and the ASEAN Secretariat for their tremendous support since the outset of the research and their commitment to ensuring that the economic gains from the AEC translate into social progress, peace, and stability for all women and men of ASEAN.

On the mixed impact that integration will have on job opportunities, employment conditions and wages in ASEAN, Mr Uramoto called upon the integration process to be managed democratically, while mitigating the short-term negative effects. A 'social floor' to trade liberalization that ILO has established thus enshrines four fundamental principles: workers and employers must be able to organize and negotiate collectively; there must be no forced or compulsory labour; there must be no discrimination; and there must be no child labour. Despite the tremendous promise of economic integration, its benefits are not guaranteed and policy decisions matter greatly. Policies can help ensure integration leads to social progress only if they are underpinned by strong industrial relations, respect for labour standards and fair dispute settlement systems. Policymakers at the regional level must play an indispensable role to ensure policy coordination and coherence, while considering national circumstances and stakeholders.

Mr Lohani welcomed participants to the Consultation Workshop, emphasizing the many challenges that remain in ASEAN to ensure productive, formal employment and address youth unemployment and women's participation in the labour force – challenges that need to be backed up by research as well as enormous action.

On quality employment, there is a need to improve productivity further and secure competitiveness through skills training and the knowledge economy. To avoid the middle-income trap, member States must focus on higher-end education and formal employment. On migration, Mr Lohani noted the *ASEAN Declaration on the Protection and Promotion of the Rights of Migrant Workers* (also known as the 'Cebu Declaration') but argued too many migrants still remained unregistered, trapped in low-productivity jobs and without access to social protection. Unprecedented levels of migration to urban areas must also be better managed in order to address those left behind. Mr Lohani emphasized the ADB's ongoing commitment to decent work and the need to improve and expand social protection systems. He encouraged the Consultation Workshop to highlight the distinct challenges to be tackled and opportunities to be gained as the AEC draws closer.

Keynote address

Her Excellency, Alicia Dela Rosa Bala, Deputy Secretary-General of ASEAN, presented a keynote address in which she emphasized that the topics covered in the Consultation Workshop were at the heart of ASEAN's regional integration agenda. Despite a decade of growth and rising prosperity in ASEAN, continuing importance must be placed on job quality and access; formal employment; small and medium-sized enterprises (SMEs); labour competitiveness; labour mobility; and the mutual recognition of skills. Stronger regional integration and cooperation also remain critical as ASEAN is challenged to balance economic growth with people's welfare, income equality and environmental sustainability.

Most member States' economies are significantly made up of informal employment, characterized by weak access to social protection and persistent poverty. SMEs have a central role in economic development as they generate income and employment; empower women and youth; and play an active role in non-urban and poorer areas. Given that informal economies and SMEs absorb a majority of workers in ASEAN, Ms Bala encouraged the forthcoming report to fully address their significance for regional integration and shared prosperity.

At the 23rd ASEAN Summit (Bandar Seri Begawan, Brunei Darussalam, October 2013), the member States adopted the *ASEAN Declaration on Strengthening Social Protection*, affirming the principle that: *"Everyone, especially those who are poor, at risk, persons with disabilities, older people, out-of-school youth, children, migrant workers, and other vulnerable groups, are entitled to have equitable access to social protection that is a basic human right and based on a rights-based/needs-based, life-cycle approach and covering essential services as needed."* Ms Bala extended her gratitude to ILO for its support in developing the Declaration and recommended that the forthcoming report look closer into the readiness of existing social protection schemes in ASEAN to embrace integration and help vulnerable workers, especially in the informal economy.

Ms Bala highlighted the need to improve English language skills across ASEAN and emphasized the importance of mutual skills recognition, which is explicitly addressed in the AEC Blueprint as well as in the ASEAN Socio-Cultural Community (ASCC) Blueprint and the ASEAN Labour Ministers' Work Programme (2010-2015). Regarding mid- and low-skilled workers, Ms Bala stressed that efforts undertaken by all member States should aim to better protect and promote migrant workers' rights.

Ms Bala concluded by highlighting the critical juncture ASEAN now faces, as Brunei Darussalam prepares to hand over its Chairmanship to Myanmar on the theme of 'Moving forward in unity, to a peaceful and prosperous community'. In promoting a multi-pronged, multi-stakeholder approach to better jobs and shared prosperity, she encouraged ILO and ADB to disseminate their results widely across all three pillars of ASEAN.



Image: Opening Ceremony (left to right): Yoshiteru Uramoto, Bindu N. Lohani, and H.E. Alicia Dela Rosa Bala.

Sukti Dasgupta, ILO Regional Office for Asia and the Pacific, then thanked the speakers and welcomed the participants once more, presenting an outline of the day's proceedings.

❖ Session 1: ASEAN integration in the global context

The first part of Session 1 was moderated by David Cheong, ILO Employment Policy Department, and placed ASEAN in the global context by discussing global economic and social developments that have significance for the ASEAN Community. It also examined the process of economic structural change in ASEAN due to deeper integration and the impact this will have on sectors and labour markets at the country-level.

The global economic context

Myo Thant, ADB Office for Regional Economic Integration, distinguished three channels by which regional integration is evolving in ASEAN: activities, programmes and market mechanisms. They may stand alone, or complement each other, but they always impact one another. The key activities of regional integration include trade liberalization, trade facilitation, financial sector liberalization and service sector liberalization. Some key programmes have focused on trade liberalization – such as those of the World Trade Organization, ASEAN/CAFTA, RCEP and TPP – and trade facilitation – such as GMS, IMT-GT, BIMP-EAGA and SEAsia++. The key market mechanisms involved in regional integration involve factor costs, market access and labour productivity, including not only the macro-economy within ASEAN but also what happens globally.

On the impact of integration on labour, Mr Thant emphasized that sustainability is first and foremost about people. In this context, analysis should focus on employment quantity and quality, structural change, shared productivity gains and promoting movement within countries and across borders. Moreover, it must ask who is responsible for these things – whether private actors, the public sector or a mix of the two – and at what levels these responsibilities should be placed. Southeast Asia is becoming integrated through different activities, programmes and market mechanisms that result in more competitiveness and more connectedness: physical, economic as well as political. Nevertheless, whether ASEAN will become more competitive for high- as well as low-skilled workers and whether it will truly become a ‘Community’ will require further guidance throughout the integration process. In going forward, Mr Thant encouraged addressing the impacts and the solutions for ASEAN integration as well as the allocation of responsibilities across different actors.

Ensuring structural transformation supports better jobs

Michael Plummer, Johns Hopkins University, pointed out that the success of the ASEAN Community will ultimately be decided by its effects on labour markets. The forthcoming study aims to carefully anticipate and monitor these effects to help ensure that the gains flow to all of society (especially the poorest members), while simultaneously avoiding protectionism. Although trade may be positive for growth in general, the effects of trade-induced growth on labour are more nuanced as they raise distributional questions and create ‘winners’ and ‘losers’. Mr Plummer argued the debate was no longer *whether* governments should actively intervene, but *when* and *how*. ASEAN has a long history of economic cooperation but the AEC is, as of yet, the most ambitious attempt at regional integration in the entire developing world and one of the most comprehensive anywhere. It aims, at once, to increase the size of the economic pie through a competitive, unified market, to combine the different pies into one through integration, and to better distribute the pie through equity, cohesion and the freer movement of labour.

Mr Plummer presented the findings of an economic model used in the forthcoming study. The model projects that ASEAN economic integration should have large effects on member States’ economic growth, exports and overall employment. The employment gains are predicted to be significant overall as most economic sectors will expand, offsetting some sectoral contraction. In general, the model finds that the deeper and wider the integration, the greater will be the gains. Nevertheless, Mr Plummer concluded that ongoing support is needed for active government policies that will facilitate adjustment, improve the distribution of the gains and mitigate that of the losses.

Panel discussion and open plenary

The panel discussants in this session included: Hitoshi Sato, Institute of Developing Economies – Japan External Trade Organization; Diana M. Savitri, Indonesian Employers Association (APINDO); and Ronnie Maung Than Lwin, Federation of Trade Unions-Myanmar (FTUM).

The panel raised the point that the presence of a large middle class and redistributive government policies might help to mitigate the losses and compensate some of the ‘losers’ from integration (as has been the experience in Japan). The panel also raised concerns about the possible effects of migration on unemployment and some countries’ lack of preparedness to attract investment, which might hinder the integration process. It emphasized the importance of promoting education and awareness among workers’ communities, on which much has yet to be achieved. Truly inclusive growth must acknowledge all stakeholders and tripartite structures might be put to better use in negotiating future ASEAN agreements, roadmaps, implementation and evaluation.

The open plenary raised a point about employing some of the existing conditional cash transfer systems to help further improve educational outcomes and healthcare. It also emphasized the need for complementary policies to be implemented, given the many differences that exist among member States, and the critical role of governments in development.



Image: Session 1 (left to right): Hitoshi Sato; Diana M. Savitri; Michael Plummer; David Cheong; Sukti Dasgupta; and Myo Thant (Ronnie Maung Than Lwin is not pictured).

Group discussions

The second part of Session 1 was moderated by Pitchaya Sirivunnabood, ASEAN Integration Monitoring Office, and comprised of parallel working groups and a plenary discussion addressing six questions relating to Chapters 1 and 3 of the forthcoming report.

ASEAN integration in the global context

ASEAN’s four-pillar scorecard system consists of: (i) a single market and production base; (ii) a competitive economic region; (iii) equitable economic development; and (iv) integration into the global economy. How ready are countries to implement these? What key initiatives can they implement to accelerate progress?

In discussing the key initiatives countries might develop to accelerate progress on the ASEAN Scorecard, the group highlighted information exchange – between both sectors and stakeholders – and capacity building through technical assistance and training to improve national institutions. They also discussed the need for clear policy coordination between member States, including domestic institutions to boost complementarities between countries and qualifications frameworks for both skilled and unskilled workers. They highlighted the importance of distributive justice and promoted the use of early employment recovery protocols for disaster relief.

How can Cambodia, Lao PDR, Myanmar and Viet Nam reduce their development gap with some of the older ASEAN members? What should the older members do in addition to the Initiative for ASEAN Integration?

On possible initiatives to be taken up by some of ASEAN's older member States to reduce their development gap with the newer members, the group encouraged stronger protection for migrant workers, including new laws to be passed and ILO Conventions to be ratified and properly enforced. The group also encouraged trade unions to continue to reach out to migrant workers and for some of the poorer member States in ASEAN to possibly seek external help to finance key initiatives. The group highlighted the general importance of skills development and education, where member States must each play to their strengths in fulfilling their economic potential.

Considering China as a major economic force for the ASEAN region and India as an emerging economic power interested in greater interaction with ASEAN; is it possible that trade and investment with either of these will overshadow cooperation efforts within ASEAN?

In relation to the influence of China and India on current ASEAN cooperation efforts, the group noted these countries' massive populations, internal markets and production bases, and effectiveness in education that have all grown in recent years, simultaneous with a decade of strong economic growth. The group acknowledged that by combining English language, plentiful natural resources and financial strength, these two countries meet the right conditions to be key partners for development in ASEAN. China and India thus present large markets for exports and potentially large investments in infrastructure and tourism within the ASEAN region.

Ensuring structural transformation supports more and better jobs in ASEAN

What are the key structural changes – in terms of the transition of the workforce from less productive to more productive activities – taking place in your countries and what policy experiences and lessons can you share on supporting these?

The group discussed several policy lessons for facilitating structural change, including bilateral labour agreements for greater mobility and early employment recovery protocols. The group promoted intensive vocational training and skills recognition – especially for low-skilled workers – and minimum wages for migrants (as is already the case in the Philippines). The group also discussed developing blueprints to better regulate structural transformation and enhancing labour rights for both regular and irregular migrants.

What sectors and occupations do you expect (or already observe) will grow or decline in your country as a result of ASEAN economic integration?

On the economic impact of ASEAN economic integration on given sectors and occupations, the group noted there was much uncertainty over member States' own comparative advantages and the possible 'losers' that will come from integration, on which more knowledge and research were needed. On the positive side, the group noted that growth in the tourism sector in many ASEAN countries will improve economic growth performance, though further measures might be taken to ensure the benefits are not concentrated only in a few geographic regions but shared equally.

What monitoring mechanisms are in place – or should be in place – to monitor the structural changes that will take place after ASEAN 2015? How can better integration help reduce the large gaps between ASEAN Members' labour market information systems?

The group recognized the efforts needed and the difficulties some member States face in developing their labour market information systems to the standard of the more advanced ones. The group encouraged the member States with superior systems to better share their practices and data. Countries, for example, that receive international migrants could do more to disseminate their information to policymakers in sending countries. Likewise, data on wages and salaries could be better shared. More could also be done on developing common definitions for skills recognition and skills forecasting, within the broader context of labour market information systems.

❖ Session 2: High Level Panel – Opportunities and challenges of integration for better jobs and shared prosperity

The High Level Panel in Session 2 was chaired by Ms Veronica Pedrosa, Senior Correspondent of *Al Jazeera*, and discussed the opportunities and challenges of integration for better jobs and shared prosperity. The High Level Panel included six speakers:

- **Her Excellency, Alicia Dela Rosa Bala**, Deputy-Secretary General of ASEAN
- **Arkhom Termpittayapaisith**, Secretary General of the Thailand National Economic and Social Development Board (NESDB)
- **Sandra D'Amico**, Vice-President of the Cambodian Federation of Employers and Business Associations (CAMFEBRA)
- **Sulistri Afrileston**, Deputy President of the Confederation of Indonesia Prosperity Trade Union (KSBSI)
- **Bindu N. Lohani**, ADB Vice-President for Knowledge Management and Sustainable Development
- **Yoshiteru Uramoto**, ILO Assistant Director-General and Regional Director for Asia and the Pacific



Image: High Level Panel discussion (left to right): Sandra D'Amico; Bindu N. Lohani; Arkhom Termpittayapaisith; H.E., Alicia Dela Rosa Bala; Yoshiteru Uramoto; Sulistri Afrileston; and Veronica Pedrosa.

High Level Panel

What do you foresee as the key social impacts of the ASEAN Economic Community and what policies are needed to ensure that regional integration translates into real social progress?

On translating regional integration into social progress, Ms Bala highlighted the need for mutual skills recognition to provide more opportunities for ASEAN nationals to integrate into labour markets offering decent work, better wages and opportunities for developing skills. Social protection is also a key policy area for improving labour mobility and can be offered equally among those most affected by integration – including women, migrant workers, those with disabilities and youth – in order to ensure they are not left out. ASEAN has established a Task Force on developing the *ASEAN Qualification Reference Framework* by 2014 to ensure skills recognition among member States and accompany the eight Mutual Recognition Agreements already in place.

With greater regional integration, labour migration flows will likely increase. Migrant workers are contributing to economic growth in many ASEAN countries, including in Thailand. What can be done to raise the quality of jobs for migrant workers and ensure protection of their rights in Thailand?

On labour migration into Thailand, Mr Termpittayapaisith noted that the country faces a shortage of labour as it receives both skilled and unskilled workers – around 1.5 million of whom are registered – while managing to maintain a very low rate of unemployment. Providing better treatment to such workers will mean upgrading the quality of labour in Thailand as well as improving its labour market

institutions for which accurate data are very important. In terms of social protection, the migrant workers registered legally in Thailand receive medical treatment for US\$ 70 per year and their children receive formal education under the current policy. Thailand has also supported several programmes in neighbouring countries to combat HIV and malaria and promote public health across borders.

To maximize the benefits that will emerge from regional integration, enterprises will need to compete on enhanced productivity and a highly qualified workforce. In this context, how can businesses better attract and retain a skilled workforce?

On enhancing business competitiveness and productivity, Ms D'Amico highlighted the need to address skills at both the policy and business levels. Part of the problem with education comes from a lack mutual understanding between employers and education providers, and more cooperation between the two should be prioritized. On a national scale, governments and industries should also work together to attract skilled workers and some industries could work harder on marketing themselves and improving their image at home and abroad for attracting skilled workers and moving up the value chain. The benefits of integration can also be maximized by promoting flexible work time and new technologies for improving workers' work-life balance as well as inductions for workers to learn what companies have to offer.

Different kinds of inequalities are prevalent throughout ASEAN – including in terms of the gender pay gap and women's participation in the labour market. These disparities hinder achievement of equitable development and inclusive growth across the region. What specific measures can help to empower workers – especially women – and what role can workers' organizations play?

In discussing various inequalities, Ms Afrileston used Indonesia's example to highlight the ongoing problems with low salaries, weak social protection and pervasive informality. She also pointed out that around 70 per cent of the country's migrant workers are women, typically working in factories. One role for workers' organizations in this context is to promote the ratification of ILO's Fundamental Conventions throughout ASEAN to establish a more level playing field. She also encouraged member States to ratify the Domestic Workers Convention, 2011 (No. 189), and enforce its implementation in order, specifically, to empower ASEAN's migrant domestic workers.

How has the ADB supported the establishment of the AEC?

Mr Lohani highlighted the ADB's ongoing work in its regional and sub-regional cooperation agenda, which includes a range of successful programmes within ASEAN. On the AEC, in particular, the ADB's role will be through helping individual governments and the ASEAN Secretariat to build inclusiveness – both for migrant workers moving between countries and within them. Mr Lohani noted that as member States become richer, many of their rural workers will move to urban areas. One priority therefore for the ADB is to support better access to education and healthcare in rural areas. Success in this might be achieved through conditional cash transfers but also through access to education and combatting the high disparities between the rich and poor.

Income disparity in a number of ASEAN countries is relatively high or rising. What impact will regional integration have in this regard and what contribution can the ILO make in helping ASEAN member States address the inequality challenge?

Mr Uramoto said that the serious and growing income gaps that exist within ASEAN will not be closed automatically as a result of regional integration. Thus, ASEAN should continue to work together to improve the position of informal and poor workers within member States. This would enable the AEC to reduce disparities over time, while giving all workers a productive role within their economies. Through tripartite mechanisms, workers' and employers' organizations can continue to promote inclusive growth. Lastly, Mr Uramoto emphasized that although growth in itself is very important, achieving just and fair growth is crucial and much space remains for improving social protection – including for migrant workers.

Questions and comments from the plenary

The High Level Panel discussion was followed by questions and comments from the plenary, which further addressed a variety of key issues.

Some concerns were raised by the plenary about the preparedness of some sectors to cope with integration (such as the Philippines' rice sector), especially when some of the poorest constituents might be affected. Governments were encouraged to match their political decisiveness on economic liberalization with an equal push for better social protection in protecting those that might be made worse off.

Given ASEAN's already large disparities in income, further concerns were raised that integration will give greater power to a few large multinationals, leading to even greater inequality and risking the region's peace and stability. Regarding the safeguards and strategies in place for preventing this occurrence, the Panel emphasized the fundamental role social protection systems must play in generating inclusive growth and the tremendous priority countries must place on creating formal jobs and developing workers' skills and education to match economic needs.

Asked about attaining the AEC by 2015, the Panel said that some of the goals were still aspirational, although indicators already show that integration has lowered barriers to trade and helped boost efficiency and foreign investment. In going forward, the Panel stressed that ASEAN's three pillars must identify the elements of a post-2015 agenda that will truly build upon 2015 to achieve the goal of an inclusive, sustainable Community. As trade and investment continue to generate jobs, investors outside of ASEAN might also provide a source of economic opportunities.

The plenary raised a concern that more challenges than opportunities could arise from integration if unity remains low and problems persist relating to issues of brain drain and the dominance of non-ASEAN countries such as China and India. The Panel highlighted the need to retain talent within ASEAN by improving technical vocational skills and promoting common language skills to enhance workers' flexibility and mobility throughout their careers.

The plenary argued that ASEAN integration must accommodate competing narratives and recognize that different forces can be pulling in different directions, including a possible conflict between regional needs and national needs. To this, the Panel agreed that integration must clearly address both regional and national needs, in which it is important to promote migration while protecting migrants and to promote new technologies while ensuring workers have the right information and skills within the labour market. The Panel also encouraged member States to maintain the spirit of unity, while strengthening knowledge sharing and thinking broadly about the opportunities to be gained from labour mobility.



Image: Questions and comments from the plenary: Leonardo Montemayor, Trade Union Congress of the Philippines.

❖ Session 3: Regional integration for inclusive growth

The first part of Session 3 was moderated by Alcestis Abrera-Mangahas, ILO Regional Office for Asia and the Pacific, and discussed the key components of regional integration – including trade and capital liberalization and the infrastructure required for regional connectivity. The Session also assessed the economic implications of greater labour mobility and examined policies and institutions for ensuring the protection of migrant workers.

Opportunities of regional integration for inclusive growth

Terence Chong King Shan, Institute of Southeast Asian Studies (ISEAS), discussed the objective of the *Master Plan on ASEAN Connectivity* (MPAC) to provide a framework for regional cooperation and connectivity, while ushering economies of scale. Although there are clearly great potential benefits to be gained from regional integration, Mr Chong argued that there remains a gap between the expectations and the reality. Gaps remain in linking transportation systems and member States must still expand their port capacities to be able to fully benefit. Telecommunications still have very different levels of penetration throughout the region, while connectivity through the air, by contrast, is probably the most sufficient in the entire region.

There also remain other challenges to the flow of low-skilled labour as many countries continue to impose strict restrictions on foreign professionals. Mr Chong argued that the issues concerned touch upon national sovereignty and job competition and raise further challenges to integration. In going forward, Mr Chong highlighted that expanding physical and ICT infrastructure should be the focus of narrowing the gaps between countries.

Reaping the economic and social benefits of labour mobility

Phillip Martin, University of California Davis, discussed a foreseeable, general effect of greater integration in that whatever is already happening will be made to happen more quickly. Mr Martin gave the examples that if people are leaving the countryside, they will do it faster; if more people are going to university, even more of them will do so.

Currently, most migrant workers in ASEAN are low-skilled, whereas high-skilled migration is limited by the number of highly-skilled workers. Receiving countries already have businesses that hire low-skilled migrants and these might expand in the short-term. Although the AEC lowers barriers to highly skilled labour, Mr Martin argued it is reasonable to predict that the real effects will come through low-skilled migration, given the language barriers and other frictions to high-skilled migration. Moreover, he argued that low-skilled migration is not temporary but likely to last for ten or fifteen years or more. Protecting migrant workers is also the best way to protect local workers by ensuring that migrant workers' wages do not undercut local wages and that a business choosing to exploit migrants unfairly cannot compete unfairly against another business. To implement this, member States should also ensure that benefits are portable.

Mr Martin argued that labour migration is not a problem to solve but a process to be managed. The ultimate goal is to have a world that needs very few barriers to migration because there is less incentive for people to move. This can come about by reducing the disparities between the member States.

Panel discussion and open plenary

The panel discussants included Decy Arifinsjah, Indonesia Ministry of Finance; Leonardo Montemayor, Trade Union Congress of the Philippines; H.E. Vudthy Hou, Under-Secretary of State, Cambodia Ministry of Labour and Vocational Training; and Somsak Dominic Saengpao, Employers' Confederation of Thailand (ECOT).

The panel argued that both ASEAN and the rest of East Asia are now very much a part of the global growth engine although the big discrepancies in the levels of economic development can very well be obstacles to integration. For ASEAN to succeed, it must cooperate jointly and develop trust as a region.

Although the panel recognized that greater opportunities for inclusive growth will be brought by the AEC, it voiced some scepticism, uncertainty and apprehension about its promise on employment. Pressing worries were expressed over the negative impacts on prices and employment that integration will bring – especially in agriculture and forestry, where many workers are found – as well as the political fallout these will bring. Given no choice, it is unclear how sectors will be able to adjust in time. Rice farmers, for example, cannot simply shift to another crop. The forthcoming ILO-ADB report is very welcome as the panel argued there was still too little information on the AEC in some member States and much less knowledge about its expected impact. The panel thus expressed hope that the findings of the forthcoming report would promote greater understanding within member States. In the absence of political awareness, it pointed out, there will be no support and resistance to integration will be the natural reaction.

Regarding a question on whether low-skilled labour movement should be included in the AEC Blueprint, the panel acknowledged there have been too few efforts made to integrate low-skilled migrants within their destination countries. While some member States appear to assume that demand for low-skilled migration is temporary or cyclical, it is actually structural. As a result, many current policies appear somewhat ad hoc from an outsider's point of view and more long-term thinking is needed.



Image: **Session 3** (left to right): Decy Arifinsjah, Leonardo Montemayor, H.E. Vudthy Hou, Alcestis Abrera-Mangahas, Philip Martin, Somsak Dominic Saengpao, and Terence Chong King Shan.

Group discussions

The second part of Session 3 was moderated by Gyorgy Sziraczki, ILO Country Office for Viet Nam, and comprised of parallel working groups and a plenary discussion addressing six questions relating to Chapters 2 and 6 of the forthcoming report.

Opportunities of regional integration for inclusive growth

Despite trade facilitation and liberalization, non-tariff barriers in ASEAN are facing many delays and resistance, while signed agreements and protocols are only slowly ratified. What should the public sector do? What can the private sector do?

Regarding the remaining non-tariff barriers to ASEAN trade, the group highlighted the importance of ongoing dialogue between member States, including sectoral consultations and briefings. The group also emphasized that clear information should be published widely and attention brought to such

issues. Given the quickly approaching timeframe for the AEC, the group argued for a stronger strategy that looks beyond 2015.

There has been very little research on the costs and benefits of regional cooperation in ASEAN (with the existing work often done outside of ASEAN and often ignoring some of the poorer members). What can be done to address this knowledge gap? Is there a role for the ASEAN University Network?

The group promoted more research on the benefits and costs of integration to be carried out, in order to enrich the timely debate on integration. In terms of potential key players besides the ASEAN University Network, the group pointed out that the Economic Research Institute for ASEAN and East Asia and various university departments in different countries already carry out specialized research and teaching on ASEAN. The group argued it was not so important *where* the research was done, so long as it was timely and professional.

What sort of monitoring and evaluation system needs to be in place to ensure regional cooperation is sustained? How can the private sector be involved? At what level should this process be governed?

On ensuring sustained regional cooperation, the group encouraged ASEAN to share more information on its ongoing activities and to highlight the achievements of the AEC to date – including at ASEAN meetings and through the AEC Scorecard. While some individual countries do well in this respect, the group advocated for more coordination and convergence of effort. The group also encouraged ASEAN to help foster tripartite institutions and further engagement of its social partners in the monitoring process in order to help sustain cooperation.

Reaping the economic and social benefits of regional labour mobility

How can ASEAN countries cooperate to encourage workers and employers to make use of regular and legal channels of migration? Can assessment of demand and recruitment processes (especially of less-skilled workers) be made more transparent and efficient?

On building a regional policy to promote the use of regular, legal channels of migration, the group supported better information sharing between countries and better incentives for legal migration within the region. On the latter point, online support systems offering clear, transparent advice on migration paths, labour contracts and wages would be beneficial, while scholarship schemes might be used to encourage more students to study abroad within ASEAN. The group also pointed out the need for additional attention to trafficking issues – possibly through the establishment of a tripartite body within the ASEAN itself – and supported the ongoing efforts to accelerate the mutual recognition of skills within ASEAN to promote workers' mobility across the spectrum of occupations.

How can ASEAN promote the mobility of professionals and skilled workers? What changes are required to enable Mutual Recognition Agreements to foster such mobility?

Although the group conceded there would probably not be a sharp rise in skilled migration immediately following 2015 (given existing language barriers, cultural differences and other obstacles), initiatives for promoting mobility should belong to the workers and employers themselves. Taking the example of Singapore, the group pointed out its private sector is very free to decide who to hire (within certain standards), although better access to information about job vacancies and skills remains an issue.

How can the 2007 Cebu Declaration be implemented to protect migrant workers in ASEAN effectively?

The group encouraged more awareness to be raised about the Cebu Declaration, including among employers' and workers' groups, regarding its contents and background on how it was drafted. Efforts of this sort should take into account the different interests between sending and receiving countries. The group argued it would be productive to involve social partners in this process as well as in consultation on the development of similar documents in the future.

❖ Session 4: Strengthening competitiveness, skills and the productivity-wage link

The first part of Session 4 was moderated by Arjun Goswami, ADB Office for Regional Economic Integration, and examined member States' emerging skills needs and abilities to strengthen their skills and training systems to benefit from regional integration. It also discussed the role of institutions in translating productivity gains into better jobs with higher wages that can, in turn, foster domestic and regional markets while maintaining competitiveness.

Strengthening the productivity-wage link for balanced growth

Malte Luebker, ILO Regional Office for Asia and the Pacific, emphasized that policy choices were crucial in realizing the 'promise' of growth for all and fostering social progress in ASEAN. Wages matter very much for ordinary people as indicated by the increasing or already high shares of paid employees in total employment in most member States. The key balance for policies to strike is one between workers' need for decent incomes and the economic constraints faced by employers.

It was important to keep in mind that wage increases are economically sustainable when they reflect underlying productivity growth. However, while productivity gains are positively correlated with wage growth, data often show large variations in how one translates into the other. Mr Luebker highlighted a global trend of wage growth falling behind productivity growth, indicating a broad weakening of the productivity-wage link. It has been clear over many years in the United States, Germany and in China (since 2002) and often linked to a shift in the power-balance between capital and labour. A similar development could be observed in the ASEAN region: while productivity has grown by 22 per cent since 2005 in the ASEAN-7, wages have only grown by 14 per cent.² In principle, however, the two should grow in tandem, such that: a) enterprises can remain competitive; b) workers benefit from growth; and c) better wages translate into better living standards and rising consumption.

In re-establishing the productivity-wage link, Mr Luebker pointed to three key policy instruments used by ASEAN countries:

- Minimum wages to protect vulnerable workers. They should adjust gradually and foreseeably to avoid shocks for employers, be sufficient for a decent standard of living, apply equally to migrant workers (in order not to foster unfair competition in the labour market), and be set through tripartite negotiations in order to gain legitimate support.
- Collective bargaining to negotiate wages for higher-skilled workers.
- Productivity schemes, which raise wages incrementally according to the annual changes to a firm's productivity, thus establishing a simple, transparent mechanism between them.

Panel discussion and open plenary

The panel discussants included M.L. Puntrik Smiti, Thailand Ministry of Labour; Michael Chiam Tow Hui, Malaysian Employers Federation; Solomon Joseph, Malaysian Trade Union Congress; and Monika Aring, *SkillNations*.

The panel discussed Thailand's experience in 2012-13 of implementing a national minimum wage (away from multiple provincial rates), which has been strongly enforced and supported through complementary policies such as offering low-interest loans for SMEs, reduced social security payments for employers for one year, and training programmes tailored to employers' needs. It also extends coverage to registered migrant workers.

The panel also discussed a recent capacity development programme in Thailand to revitalize the garment sector and boost productivity and exports, working with 980 employees in twelve

² The ASEAN-7 Includes those ASEAN member States who are also members of Asia-Pacific Economic Cooperation (APEC): Brunei Darussalam, Indonesia, Malaysia, Philippines, Singapore, Thailand and Viet Nam.

companies. It was successful in reducing skills shortages; decreasing the number of migrant workers; raising profits and competitiveness; raising productivity by 33 per cent and wages by 13 per cent; reducing overtime; and saving a total of 31.7 million baht per year.

The panel also discussed Malaysia's manufacturing industry, which has almost full employment and many foreign migrants including from all over ASEAN. The country benefits from a strong education system and the prevalence of English despite an ongoing need for vocational skills training and a desire to attract Malaysian nationals working abroad. The panel encouraged further tripartite boards and consultations to take place within member States to promote the productivity-wage linkage for the benefit of both workers and employers.

The plenary discussion pointed out some previous research on Singapore, which found a path-dependence on employers' access to cheap foreign labour and its effect on wages. This has led some to debate the effectiveness of Singapore's foreign workers levy and the role that a minimum wage could play in addressing income gaps. Further points were also raised about the potential additional costs of hiring migrant workers that can include accommodation expenses, possible fines and other fees borne by formal sector employers. On top of this, a point was raised that migrant workers should be included under collective bargaining agreements so as not to undercut or undermine collective efforts.

Additional points were raised on linking skills to industrial policies and strengthening technical vocational education and training to match the needs of businesses. A final comment was made that the middle-income countries in ASEAN can no longer compete on cheap labour but should instead compete on productivity by using innovation to escape a dependency on cheap labour and gradually moving up the supply chain. In this regard, a well-administered productivity-wage system would be of great benefit to both workers and employers.

Group discussions

The second part of Session 4 was moderated by Lawrence Jeffrey Johnson, ILO Country Office for the Philippines, and comprised of parallel working groups and a plenary discussion addressing six questions relating to Chapters 4 and 5 of the forthcoming report.

Enhancing competitiveness and employability through skills development

What key skills do you expect to grow in demand in your country as a result of ASEAN economic integration?

Of the skills that will grow in demand as a result of integration, the group highlighted, above all, communication skills and English language skills. They also emphasized the growing need for core skills and soft skills including teamwork, management skills, cultural awareness and interaction skills. Beyond this, the group also underlined the need for some industry-specific technical skills, skills on managing conflict as well as innovation and ICT skills.

What are good examples of initiatives in your country of strengthening skills and technical training systems to better prepare for ASEAN economic integration?

The group highlighted the need for sending countries to know what kind of skills are required for their citizens working abroad in order to improve training for both native and migrant workers. In Thailand, for example, the group highlighted a public initiative from the Government in preparing training courses for national workers. The group also identified good practices in Singapore, based on its sectoral framework on forecasting skills needs.

What institutions or policies should be established or enhanced at the ASEAN regional level in terms of skills and technical training of ASEAN's workforce?

The group encouraged technical training institutions to be enhanced and courses to be more tailored to country-specific skills requirements. The group also argued training organizations should

operate at the industry, vocational and academic levels in order to become more relevant. The group further underscored the need to include foreign workers under national training programmes.

Strengthening the productivity-wage link for balanced growth

Projections show that ASEAN regional integration leads to higher GDP. What role can wages play to ensure that ordinary people benefit – and that economic growth translates into shared prosperity and social progress?

To ensure that wages benefit ordinary workers, the group encouraged member States to implement labour standards, strengthen compliance regimes and further improve their social security systems. The group also highlighted the importance of macroeconomic policies for improving productivity and fostering economic growth that can lead to substantial wage gains.

Rising labour productivity is an important basis for sustained economic growth and for the global competitiveness of ASEAN. What can Workers, Employers and Governments in ASEAN countries do to increase labour productivity?

The group noted the importance of tripartite institutions and a close relationship between employers and workers in promoting mutual understanding and knowledge sharing of best practices and innovative business processes as a driver of productivity.

Wage-setting institutions vary substantially across Southeast Asia. Which institutions have proven successful in ASEAN countries to better align wage growth with gains in labour productivity?

The group recognized the differences and diversity of countries' wage-setting institutions and highlighted the need for further research to be carried out in establishing reliable data and developing best practices in this area for ASEAN member States.

❖ **Closing and way forward**

During the final session, closing statements were presented on behalf of representatives of government, employers' organizations, workers' organizations, the ADB and the ILO: M.L. Puntrik Smiti, Thailand Ministry of Labour; Michael Chiam Tow Hui, Malaysian Employers Federation; Mr Inpeng Meunviseth, Lao Federation of Trade Unions; Arjun Goswami, ADB Office of Regional Economic Integration; and Sukti Dasgupta, ILO Regional Office for Asia and the Pacific.

Ms Smiti emphasized how quickly the AEC was approaching and the importance of taking into account its labour market effects – to which end the forthcoming ILO-ADB report is both relevant and timely. Enhancing competitiveness through productivity and wage increases offers a 'high road' to development and certainly requires decisive government action. Thailand is already working to inform its citizens about the AEC and the impacts to come as well as taking major steps to improve social protection, including several schemes that cover migrant workers.

Mr Chiam Tow Hui praised the Consultation Workshop for adding value through networking and exchange of ideas and sharing of views. There are many commonalities among member States and entrepreneurial skills present one, very real common strength. He cautioned member States' leaders not to be complacent and to continue exploring means to expand the ASEAN economy. He noted the fellowship and synergy that exists in the tripartite system – despite differing opinions – and called upon ASEAN to properly engage with its social partners and stakeholders.

Mr Meunviseth highlighted the ongoing needs for member States to tackle rising inequality, while addressing challenges in regard to minimum wages, working hours and social security. He also noted the need to strengthen tripartite institutions at the ASEAN level and the importance for tripartite dialogue in moving towards 2015 and in the years ahead.

Mr Goswami stressed the vision that has emerged from the Consultation that ASEAN integration needs not be a top-down process but a truly bottom-up one driven by what is happening in national and regional communities, societies and economies. While the framework of the AEC is very

different to that of the European Union, it nevertheless has important lessons to learn from Europe. There are many challenges ahead on a journey that the whole of ASEAN is on. It does not matter whether all parts of that journey are achieved by 2015, so long as the direction has been set. He was encouraged by the discussions taking place over the Consultation Workshop and expressed his confidence in ASEAN to face the challenges of the future as it moves towards 2015 and much beyond.

Ms Dasgupta thanked the participants for a rich and enormously useful discussion over the past two days which would be reflected in the forthcoming report. Regarding some of the main messages to emerge from the Consultation Workshop, Ms Dasgupta highlighted the following:

- The success of ASEAN integration will be decided by its effects on labour markets, for which it is pressing to carefully anticipate and monitor structural changes.
- Insofar as the AEC will produce both winners and losers, member States must ensure they have more and better labour market information as well as social protection measures.
- Though the AEC Blueprint includes only the freer flow of skilled labour, closer integration in the region will most likely also increase the flows of low-skilled workers. This gives weight to legal measures in each member State that can better manage such flows, including enhanced protection.
- The best way to protect local workers is also to protect the rights of migrant workers, thus creating a level playing field and avoiding unfair competition.
- Alongside rising trends of income inequality, fears were expressed that the AEC could lead to even greater disparities, and policies and interventions are needed in this regard.
- Wages are one of the key mechanisms for workers to benefit from growth and there are very compelling reasons we must ensure they rise in line with productivity.
- For many member States to remain competitive, cheap labour is no longer an option. What member States need are skills, innovation and wage-setting institutions to support future growth and prosperity and secure the role of SMEs within the changing context.
- ASEAN is advantaged through its youthful and dynamic population but must nurture and better equip them with the right skills to contribute to integration, growth and prosperity.
- On the lack of information on the implications of AEC, the discussions have shown that ASEAN's tripartite constituents can enrich the ongoing debate and further drive shared prosperity. Sharing data and information for understanding these implications is also a key issue.
- Above all, it is important to remember that regional integration is not a problem to be solved, but a process to be managed.

Finally, on behalf of all of the meeting organisers, Ms Dasgupta extended her warmest gratitude to all of the participants for their clear dedication and invaluable contribution to the ongoing work on the forthcoming report. She invited participants to also make further contributions to the discussion online through the meeting page on the ILO website.³

³ The meeting page is available at: www.ilo.org/asia/whatwedo/events/WCMS_222712/lang--en/index.htm.



Image: A group photo of the meeting participants on Day 1 of the Consultation Workshop.