BACKGROUND

The ASEAN Economic Community (AEC), a single regional common market of ASEAN countries, will become a reality for its 600 million women and men in 2015. This will lead to free flow of goods, services, investment capital and skilled labour in the region. Tariffs will be reduced which will have implications for intra-regional trade and investment. New opportunities for growth and prosperity are likely to emerge from this regional integration, but the challenge is to ensure that growth is inclusive and prosperity is shared. The impact on the labour market is a key factor that concerns most countries in the region. This is particularly relevant in the context of impressive economic growth in the region in recent years while progress on improving job quality has been inadequate and vulnerability remains widespread.

In a joint statement signed by the Heads of the ADB and the ILO in December 2012, the two organisations made a commitment to create decent work, and address poverty, vulnerability and informality in the region. The two organisations also committed to conducting joint research and knowledge sharing, including in the context of regional integration. As ASEAN 2015 approaches, ADB and the ILO propose to carry out a joint study on the opportunities and challenges that will face ASEAN countries in the near future, how labour markets will adjust, and what policies and measures would help ASEAN countries, both individually and collectively, manage integration for inclusive growth. The report will be prepared in close consultation with the ASEAN secretariat.

The objectives of the study are to:
• inform ASEAN member states and the Secretariat of the socio-economic impact of regional integration through evidence-based analysis and projections,
• address the key thematic areas in the context of AEC 2015 that are likely the quality of life of women and men in ASEAN countries,
• and carry out analyses of policies and strategies and consider options that will assist policy makers in promoting inclusive and sustainable growth for women and men, not just in individual countries, but in the ASEAN region as a whole.

REPORT THEMES

1. ASEAN integration in the global context. This chapter will place ASEAN in the global context by first analyzing global economic and social developments that have implications for the ASEAN Community. Issues can include the sluggish economic recovery in the Euro Area and the US and its implications for growth in ASEAN; rebalancing in China, including through supporting higher wages, and its implications for ASEAN; aggressive monetary and fiscal stimulus in Japan and implications for trade and investment in ASEAN; implications for ASEAN as the middle class grows in China and India, ageing populations and demographic transitions and implications for global and regional migration, and climate change and green growth, among other issues.
2. **Opportunities of regional integration for inclusive growth.** A number of agreements such as the ASEAN Free Trade Agreement (AFTA) and the ASEAN Investment Area (AIA) have facilitated the process of realizing the ASEAN Economic Community in 2015. This process of regional integration will impact the economic structures of ASEAN Member Countries and transform production systems. This chapter will analyze the potential economic impact for Member Countries in terms of trade and capital flows and the required infrastructure investments needed for greater regional connectivity. It will also assess the implications of regional integration on poverty reduction and inequality and present an overview of the labour market and social context of the ASEAN region in order to highlight the social dimensions of integration and its potential for inclusive growth.

Trade facilitation and trade liberalization are both taking place concurrently in Asia. The latter is primarily happening through transport/economic corridors linking countries with each other. Mainland South-East Asia alone has 9 such corridors linking the countries with each other as well as China. ADB has taken a leading role in promoting this connectivity. This will, other things being equal, encourage greater cross border movement of labour and people, particularly in the border regions. To what extent this actually takes place will depend on: i) the state of physical infrastructure, ii) 'soft' infrastructure such as the GMS Cross Border Transport Agreement and iii) the extent to which local/provincial people are involved in regional cooperation. Much will also depend on the overarching policies covering labour movement as well as the implementation of the ASEAN Master Plan for Connectivity.

3. **Ensuring structural transformation supports more and better jobs in ASEAN.** Regional integration, including through free trade and freer investment, will accentuate national comparative advantages and consequently entail changing patterns of production. Specific sectors in any one ASEAN country are expected to decline while other sectors will grow. Such sectoral changes will have wide ranging impacts on the national labour markets. This chapter will explore (through model simulations) which sectors in which countries are expected to grow/decline and the possible resulting impacts on labour markets, including on sectoral employment levels, employment statuses, occupations, informal jobs and green growth and jobs, among others. Such “job churning” also necessitates the strengthening of social protection systems, including nationally defined social protection floors, to support “protected labour market flexibility.”

4. **Enhancing competitiveness and employability through skills development.** The process of regional integration will have numerous implications on skills development and training systems. This chapter will examine which skills are needed in which countries; how countries can strengthen their skills and training systems to benefit from opportunities and enhance productivity and competitiveness; and how ASEAN countries can improve skills certification and portability and recognize skills obtained in other member countries.

5. **Strengthening the productivity-wage link for balanced growth.** If matched with the right skills, regional integration (by specialization and trade shifts) promises to enhance productivity. To translate this into social progress for workers and better jobs, wages should reflect productivity gains. This also helps to strengthen domestic demand and decrease dependency on weak export markets in the advanced countries, hence promoting self-sustained growth within ASEAN. In order to achieve a closer link between wages and...
productivity, rational and sound wage fixing institutions are needed. Collective bargaining and minimum wages can provide both protection and push enterprises to increase productivity and upgrade.

6. **Reaping the economic and social benefits of regional labour mobility.** The aim of the ASEAN Economic Community includes the freer flow of skilled labour, which presents significant benefits for both migrant sending and receiving countries in regard to productivity and competitiveness improvements, increased income and employment generation and higher economic growth. Regional labour mobility also entails the migration of unskilled workers, often among the most vulnerable and unprotected in the region. Increased cross border movement generates both positive and negative externalities. Public goods will be required to deal with these externalities particularly in the health sector. The ability of Member Countries to effectively manage labour migration policies and regimes will determine the extent that ASEAN can harness the full benefits of integration. This includes protection and rights, skills recognition and portability and remittances, among other concerns.

7. **Conclusion and recommendations: Greater regional cooperation for shared prosperity and socio-economic progress**