

# Asia Fights for +50

## Making 2019 the ASEAN year for decent work, minimum living wages and social protection

### *Economic growth in South-East Asia – A blueprint for inequality*

South-East Asia has experienced massive economic development in the past decades, with GDP having more than doubled in the last 10 years from 1.1 trillion USD to 2.5 trillion USD<sup>1</sup>, however it is clear that economic growth has not been shared equitably among the region's people. Rather, it has mostly benefitted those who are already well-off.

- In 10 years GDP has doubled from 1.1 trillion USD to 2.5 trillion USD
- Income inequality is growing
- Asia's super rich are outpacing those in the USA and Europe
- 80% of people in the region lack access to basic services such as affordable health care

The UN Economic and Social Commission for Asia-Pacific has highlighted that inequality – both in terms of income and in terms of opportunities – is on the rise in most countries in the region, and where it has not risen it has remained unacceptably high<sup>2</sup>. Private wealth concentration has now made the region the most unequal in terms of wealth distribution. Asia's 'super-rich' has surpassed those in the Americas and in Europe in both headcount and wealth, while the wealth of the poorest has stagnated<sup>3</sup>. Poverty remains a major concern, and nearly 80% of people in region lack access to basic services such as affordable health care<sup>4</sup>.

### *Inequality is a risk to social and political stability*

These trends are not only a threat to social justice, but they are also a risk to social and political stability as well as sustainable economic development. The World Bank, IMF, academics and others have shown how high income inequality carries significant risks, including low social mobility, underutilisation of human capital, eroded confidence in institutions, and reduced social cohesion<sup>5</sup>.

### *Wages in South-East Asia*

It is unacceptable that many workers in the region continue to earn poverty wages and work

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<sup>1</sup> See ESCAP statistical database (GDP in USD), looking at GDP in 2016 (latest figure available) compared to 2006

<sup>2</sup> ESCAP (2016) [Time for Equality](#)

<sup>3</sup> ESCAP and Oxfam (2017) [Taxing for Shared Prosperity](#)

<sup>4</sup> *ibid*

<sup>5</sup> See for instance World Bank (2016) Poverty and Shared Prosperity; IMF (2015) Causes and Consequences of Income Inequality: A Global Perspective; Wilkinson and Pickett (2009) The Spirit Level: Why More Equal Societies Almost Always Do Better

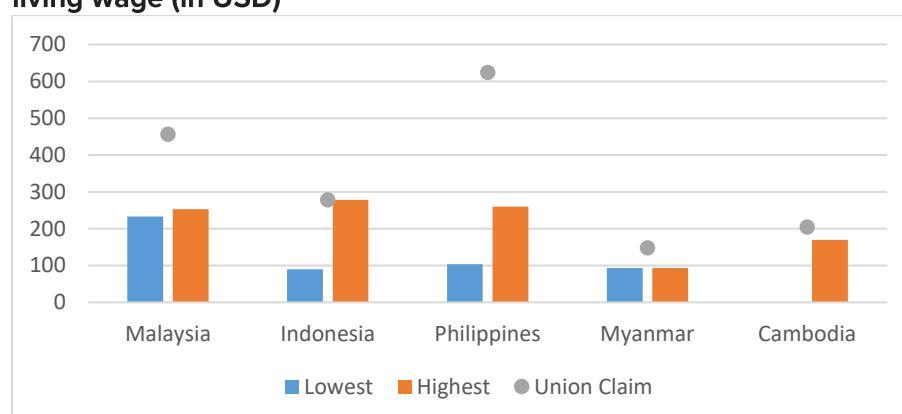
under conditions of extreme exploitation. Minimum wages, in particular, remain dismally low compared to the cost of living in most countries. Many countries also have complex minimum wage systems with different wage levels per region and/or economic sector – creating challenges for wage compliance and leading a substantial portion of workers to be left out<sup>6</sup>. At the same time, the possibility for workers to organize and collectively bargain for fair wages is also being compromised in many countries in the region as trade union rights are under attack<sup>7</sup>.

- Minimum wages rates are poverty wages
- The cost of living outstrips minimum wages
- Complex minimum wages systems are denying workers their rights

### *Wages and economic growth – why it doesn't add up*

Dismally low wages constrain low household consumption, which in turn reduces aggregate demand, particularly when wages are stagnating in many economies at the same time<sup>8</sup>. This in turn compromises job creation and productivity, and constrains possibilities for even greater economic growth. Low wages also can contribute to excessive household debt that can in turn threaten macroeconomic stability – as evidenced by the recent economic and financial crisis<sup>9</sup>.

### **Levels of monthly minimum wages (lowest and highest) compared to unions claims for a living wage (in USD)**



Source: ITUC regional minimum wage forums.

Note: This chart depicts the lowest and highest levels of statutory minimum wages in the case where multiple minimum wages exist (per region, economic sector, etc.). In the case of Cambodia, the minimum wage only exists for the garment sector.

### *Social protection systems are underdeveloped*

In addition to low wages, social protection systems remain woefully under-developed in much of South-East Asia. The chart below from the ILO shows that social protection systems remain very limited in scope throughout the vast majority of countries in the region.

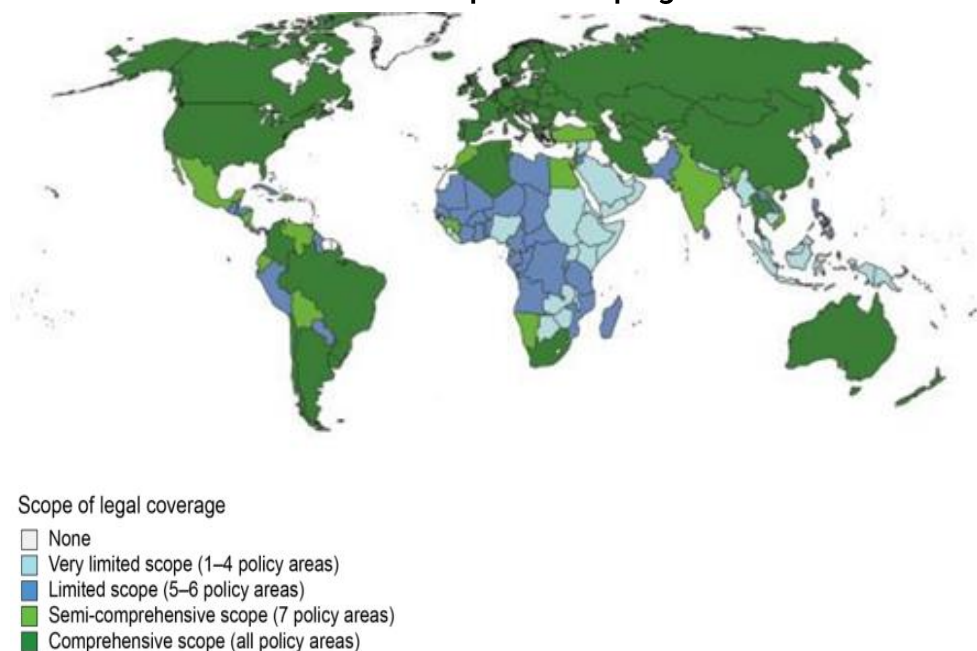
<sup>6</sup> For instance in Cambodia, where the minimum wage currently only covers garment sector workers.

<sup>7</sup> For more information please refer to the [ITUC Global Rights Index 2017](#)

<sup>8</sup> ILO (2017) [Global Wage Report 2016/2017](#)

<sup>9</sup> IMF Working Paper (2018) [Understanding the Macro-Financial Effects of Household Debt: A Global Perspective](#)

## Number of areas covered in social protection programmes anchored in national legislation



Source: ILO Global Social Protection Report 2014-2015

While some states have made some efforts in recent years to extend social protection, major coverage gaps still exist, with workers in the informal economy, workers on non-standard contracts and migrants regularly excluded from essential income support benefits and services<sup>10</sup>. Very low levels of benefits, as well as the lack of regular indexation according to inflation, is also compromising the adequacy of social protection and its ability to prevent and reduce poverty<sup>11</sup>. Low adequacy and coverage of social protection is particularly concerning given that ASEAN heads of state had committed five years ago to extend social protection, affirming 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' and had committed to extending coverage of social protection systems.*

- ASEAN Principles for Strengthening Social Protection (2013)

### *The economic case for minimum living wages and social protection*

Ensuring minimum living wages and extending social protection would have significant social and economic benefits. Raising minimum wages has been shown to be effective in reducing poverty as well as wage inequalities by pushing up wages at the bottom of the distribution<sup>12</sup>. While employers and some governments have wrongly argued that raising the minimum wage would compromise companies' abilities to operate and reduce jobs, the vast majority of literature has shown that this is not the case<sup>13</sup>. Empirical evidence from Indonesia- as well as countries in other regions such as Brazil, South Africa and India - has shown that increasing the

<sup>10</sup> See for instance ILO (2017) World Social Protection Report

<sup>11</sup> See in particular ESCAP (2016) [Time for Equality](#)

<sup>12</sup> See for instance [ILO Global Wage Report 2016/2017](#)

<sup>13</sup> See for instance the ILO [Minimum Wage Policy Guide](#) ; World Bank (2015) Balancing Regulation to Promote Jobs

minimum wage can boost aggregate demand, employment and overall economic growth<sup>14</sup>. Research also shows that minimum wages increases have not affected competitiveness, and there are other, more critical factors that effect competitiveness such as skill supply, the rule of law, the stability of industrial relations, availability and use of technology and infrastructure, logistics, and trade rules<sup>15</sup>. Numerous studies have also highlighted the positive effects of minimum wages on improved skills, reduced turnover, higher organizational efficiency and higher productivity<sup>16</sup>. Social protection systems have also demonstrated to be extremely effective in preventing and reducing poverty and inequality, fostering skills development and employability, providing crucial automatic stabilisers, reducing informality and supporting overall economic growth and development<sup>17</sup>. The UN Economic and Social Commission for Asia-Pacific has repeatedly stressed that increased investments for social protection, coupled with measures to foster decent work, will contribute to sustainable economic growth as well as reduce inequalities<sup>18</sup>.

- Raising minimum wages reduces poverty and inequality
- Raising minimum wages boosts aggregate demand, employment and overall economic growth
- Minimum wages on which people can live and investing in social protection creates sustainable economic growth

**Trade unions across the region are calling on governments to set minimum wage floors that allow workers in South-East Asia and their families to live in dignity, and which will support sustainable, inclusive economic development. When ASEAN governments support and promote minimum wage increases across the region, competition can no longer be argued to be a barrier.**

### *A plan for minimum wages on which people can live - Asia Fights for + 50*

Minimum wages should be set and updated together with social partners and must take into account the cost of living for workers and their families. They should consider, at minimum, the costs of the following essential items:

Minimum living wage	
Food	Education expenses
Housing	Essential care costs
Household bills and utilities	Medical expenses
Transport	Recreation
Clothing	Contingency for emergencies

Conservative estimates from union researchers show **that minimum wages would need to be increased at least by 50 USD a month in most ASEAN countries** in order to cover the cost of living. In the cases of Malaysia and the Philippines, minimum wages would need to be increased

<sup>14</sup> For a detailed review of the evidence on this, see L20 Policy Brief (2018) [The Case for Wage-led Growth](#)

<sup>15</sup> See for instance, OECD (2008) Skills for Competitiveness: Tackling the low skilled equilibrium conceptual framework; World Bank (2017) Trouble in the Making? The Future of Manufacturing-Led Development

<sup>16</sup> See for instance a comparative evidence review conducted by the Ontario Ministry of Labour (2015) The Economic Impact of Minimum Wages; OECD (2016) Employment Outlook; ILO (2017) [Global Wage Report 2016/2017](#)

<sup>17</sup> See ILO World Social Protection Report 2017-2019; European Commission (2013) Evidence of Demographic and Social Trends: Social policies' contribution to inclusion, employment and the economy; ILO (2011) Decent Work and the Informal Economy; ILO (2014) Monotax: Promoting formalization and protection of independent workers

<sup>18</sup> See in particular ESCAP (2016) [Time for Equality](#)

much more, **by around 50 USD a week**, in order to provide a living wage.

Minimum wages must cover all workers in order to sure that every worker is guaranteed a minimum standard of living, and they should be effectively enforced through labour inspectorates, as well as through dissuasive sanctions for non-compliance. Governments must also ensure and promote collective bargaining rights in order to achieve fair wages above the minimum wage level. Accordingly, workers should have the right to organise, join trade unions, and negotiate appropriate wages and compensation for their work with their employers.

Unions also call on governments to ensure adequate, comprehensive social protection systems based on ILO Convention 102 on Social Security and Recommendation 202 on Social Protection Floors, and in line with the commitment of the UN Agenda 2030 to expand social protection coverage and the ASEAN Principles for Strengthening Social Protection that they had signed up to in 2013. Social protection systems must contain, at minimum, the following elements:

Social protection	
Medical care	Family benefit
Sickness benefit	Maternity benefit
Unemployment/ out-of-work benefits	Disability benefit
Old-age pension	Survivors' benefit
Employment injury benefit	Child and elderly care

To achieve this, governments must ensure adequate fiscal space for social protection social protection. Implementing progressive taxation forms of taxation, tackling tax evasion and supporting the transition to formal employment from the informal economy will all be essential in this regard<sup>19</sup>.

The promotion of wage increases and the expansion of social protection are foundations for inclusive economic growth and fundamental to achieving the Agenda 2030 Sustainable Development Goals.

Regional coordination in this area is necessary, and ASEAN governments should make common concrete, time-bound commitments for establishing minimum living wages and expanding social protection.

**Trade unions are calling on ASEAN governments to declare 2019 as the ASEAN year for decent work, minimum living wages and social protection.**

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<sup>19</sup> ESCAP and Oxfam (2017) [Taxing for Shared Prosperity](#) has highlighted that tax revenue is insufficient in the Asia Pacific region largely because of a lack of progressive forms of taxation, tax evasion and a high share of workers in the informal economy