



# **Human Development and Moving Past the Middle Income Trap ASEAN Advocacy Paper 2020**

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## Executive Summary

An economy finds itself in the middle-income trap (MIT) when it develops beyond its low-cost competitive advantage but is unable to innovate and develop high value-added products and services needed to compete with advanced economies. Although Singapore and Brunei Darussalam have moved beyond middle-income economies, ASEAN as a region continues to face challenges. Its large population countries have been studied by economists as examples of the middle-income trap. To achieve its economic and social potential, ASEAN as a region needs to remove barriers to economic development and prioritise socio-economic policies driving human development.

We conducted a survey of 159 European and ASEAN companies to better understand how business leaders in the region view the middle-income trap challenge and what actions they think are needed to move beyond it.

A key finding of our survey showed that businesses are not unanimously bullish (60% positive responses) about ASEAN's middle-income countries becoming upper income economies. When asked how well ASEAN governments are cooperating with one another to improve human development, only 52% of business leaders expressed satisfaction.

Although ASEAN has been a high-growth region, the impact of the Covid-19 pandemic has revealed the impact of structural inequalities. ASEAN has some of the highest inequality levels worldwide and 36 million people across Southeast Asia still live below the poverty line. Policies centred on human development are key for ASEAN's future. Companies contribute to social mobility and reduction of inequality through rising incomes for employees. But this evolution is only sustainable if accompanied by a more productive and innovative workforce and more advanced capabilities. Our survey findings show what business leaders can do in their companies to improve human development and how they would like to work with stakeholders to move beyond the middle-income trap.

Our research includes an overview of ASEAN human development initiatives formulated in various declarations and policies, with a summary of outstanding issues remaining to be implemented (see Annex).

The qualitative data gathered from our survey allowed us to formulate 10 priorities for public private partnership (PPP) between business and stakeholders (page 20).

Finally, we formulated 5 recommendations for action to develop ASEAN economies beyond the middle-income trap through human development. These are: stakeholder cooperation; challenging barriers and bottlenecks; building human development ecosystems; accelerating management and leadership capability; and, ensuring human development for all workers (see next page).

## Recommendations

Recommendations for action to develop ASEAN economies beyond the middle-income trap are grouped into five categories, namely: stakeholder cooperation; challenging barriers and bottlenecks; building human development ecosystems; accelerating management and leadership capability, and ensuring human development for all workers.



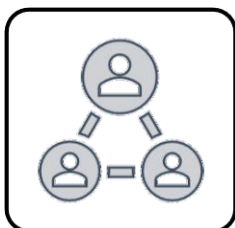
### **Accelerate stakeholder cooperation for development on future employability**

- Companies should work with governments to partner on training and development programmes beyond salaried employees to benefit the human development ecosystem and prepare the future of work
- Companies need to work more effectively with education stakeholders in higher education and vocational schools to improve employability of students



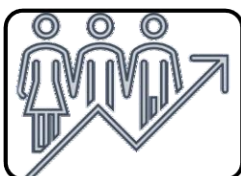
### **Companies to challenge barriers and inward looking policies**

- Stakeholders should advocate that governments remove protectionist bottlenecks that hamper the flow of talent across ASEAN countries
- Stakeholders should cooperate to set the bar higher for transparency, compliance and sustainability in ASEAN companies.



### **Build Human Development Ecosystems**

- Companies should build strategic ecosystems with governments, higher education, professional service firms to develop a world class ASEAN workforce
- Companies should extend their human development strategies across the region and integrate cross border teams in different ASEAN countries for regional talent development .



### **Accelerate ASEAN-wide development of management**

- Companies should build ASEAN management methods and good governance practices with stakeholders across the region.
- Companies should partner with universities and professional service firms for training and development in ASEAN management, including in SMEs



### **Ensure human development for all workers**

- Companies should systematically support personal and professional development for all employees including the contingent workforce and contract workers in the gig economy and continuously upskill their technological capability
- Companies should develop projects, assignments and leadership rotations across ASEAN countries

## Why This Study?

The question of the middle-income trap is critical for ASEAN governments, investors, companies and ultimately for the citizens of Southeast Asia. Will ASEAN middle-income economies compete with each other on the basis of cheap labour and exports of natural resources? Or will they become advanced economies with innovative and globally competitive companies and workforces?


A key element in answering this question is human development (there are of course other important factors<sup>1</sup>). How will ASEAN as a region develop its human potential? How will it ensure employability? How will ASEAN compete in skills and innovation? To answer these questions, education is one side of the coin. The other side of the coin is human development at work and how companies invest in it.

To gain insight into how companies can play their part, the EU-ASEAN Business Council (EU-ABC) partnered with the ASEAN Human Development Organisation (ADHO) to survey ASEAN and European companies operating in Southeast Asia.

In the Asian Century, ASEAN's challenge will be how to match the pace and quality of human development with China and India, giant middle-income countries with many competitive advantages and rising capabilities.

Companies play a central role in human development by providing quality employment and training. They can also align with the goals of sustainable development, reducing inequality, ensuring physical and mental health, promoting fairness and human rights and partnering with education. Companies are key actors in developing ASEAN identity, management culture and quality of leadership.<sup>2</sup> Businesses contribute directly to ASEAN's human development goals (see Annex).

That is not all. Covid-19 has contracted economic growth, adding human development challenges such as unemployment, lack of access to quality healthcare, higher inequality and school closures. Simulations run by the UN Human Development Index estimate that the pandemic has erased



SINCE ITS INCEPTION IN 1974, PETRONAS CONTINUES TO BE COMMITTED TO EDUCATION AND HUMAN CAPITAL INVESTMENTS WHEREVER WE OPERATE. ANCHORED BY OUR SUSTAINABILITY AGENDA, OUR INITIATIVES INCLUDE SECONDARY, TERTIARY EDUCATION AND VOCATIONAL SPONSORSHIPS. WE, AT PETRONAS STRONGLY BELIEVE THAT HUMAN CAPITAL DEVELOPMENT WILL BE THE KEY TO UNLOCKING ASEAN'S NEXT GROWTH, BY EMPOWERING ITS PEOPLE TO MOVE UP THE VALUE CHAIN.

*Farehana Hanapiah, Vice President  
Group Human Resource Management  
PETRONAS*

<sup>1</sup> For an overview, see "Middle Income Trap: Review of the Conceptual Framework" by Kamil Pruchnik and Jakub Zowczak, Asian Development Bank Institute working paper 760, July 2017. The list of factors most often associated with the middle-income trap appears on page 18.

<sup>2</sup> Bob Aubrey, *Leading Human Development in ASEAN: using management concepts from ASEAN countries to create and authentic model of Human Development*, McGraw Hill (2019), ISBN: 9789814821308



advancements in human development by six years.<sup>3</sup> Thus, it is imperative for ASEAN to aggressively pursue human development in its recovery strategies, in order to ensure the region's sustainability in the post-pandemic world. Our survey points to how this can be done strategically, and in cooperation with governments and other stakeholders.

## Human Development versus Human Capital

According to the UN, human development is the expansion of people's freedoms to live long, healthy and creative lives; to advance toward goals they have reason to value; and to engage actively in shaping development equitably and sustainably for our planet. People are both the beneficiaries and the drivers of human development, as individuals and in groups.<sup>4</sup>

Within this scope, human capital refers to acquired knowledge, skills, competencies and other attributes of productions of goods, services or ideas in a market context.<sup>5</sup> Thus, human development considers improving the human condition as an end and not a means, in contrast to human capital which defines the human resource as a means of production, using only economic indicators to measure development.

Investing in human development bestows several benefits on society:

**Economic Benefits** - In 2019, the World Bank found that unequal access to education, healthcare and employment opportunities continues to impede growth in ASEAN. Whilst children in ASEAN complete 11.6 years of schooling on average, they learn the equivalent of only 8.6 years when adjusted for quality of teaching, putting them behind their peers globally.<sup>6</sup> On the positive side, targeted and community-based interventions that cover all aspects of poverty eradication bring widespread gains in human development, and this results in increasing employment rates and productivity. In this manner, ASEAN can move up the global value chain through consistent fiscal commitments and country-specific policies targeting human development.



***"TO BE SUCCESSFUL IN THE FOURTH INDUSTRIAL REVOLUTION, A FOCUS ON HUMAN DEVELOPMENT AND DIGITAL SKILLS FOR INCLUSION IS CRITICAL TO FUEL THE NEXT WAVE OF GROWTH IN SOUTHEAST ASIA."***

**VERENA SIOW**  
**PRESIDENT AND MANAGING DIRECTOR**  
**SAP SOUTHEAST ASIA**

Investing in human development is also necessary for ASEAN to seize the opportunities of Industry 4.0. In 2019, the World Bank found that children born in ASEAN only achieve 59% of their potential

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<sup>3</sup> [Covid-19 and Human Development. UNDP Human Development Perspectives, 2020.](#)

<sup>4</sup> Human Development Report. UNDP, 2010.

<sup>5</sup> Human Capital – The Value of People. OECD, 2001.

<sup>6</sup> [Invest in ASEAN – Human Capital Development. World Bank, 2019.](#)

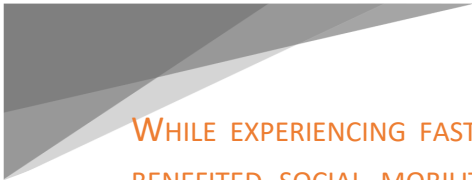
productivity, given the current state of human development in the region.<sup>7</sup> This means ASEAN has a lot of room to improve and can achieve this through consistent fiscal commitments and country-specific policies.

**Social Benefits** - Though ASEAN has made significant economic progress since its inception, the benefits have not trickled down equally to socially vulnerable groups including minorities, women, children, elderly persons and people with disabilities, as stated in the ASEAN Vision 2020 of the ASEAN Social-Cultural Community (ASCC).

Some of the most rapidly ageing countries in the world can be found in Southeast Asia. The population of Singapore over the age of 65 is expected to reach 26.6 percent in 2035, whereas the ageing population in Thailand is expected to reach 22.8 percent. That's not all. A recent report by the World Bank revealed that by 2040, the number of people aged 65 and older in Vietnam will reach 18.4 million, tripling the current amount of 6.5 million.<sup>8</sup>

An ageing population shifts the narrative of ASEAN's growth prospects because it means there will be a decline in working-age populations, and greater economic demand for seniors. The impact of an ageing population on these two economies are likely to weaken the prospects of an economic boost in the longer term. Coupled with strong increases in wage levels, there is an urgent need to improve worker productivity and lifelong learning in order to sustain growing labour costs whilst still remaining competitive.

Given ASEAN's current situation, human development emerges as the appropriate concept for defining policy goals and indicators of development for the ASEAN middle-income countries. As such, avoiding the middle-income trap for ASEAN requires both sustainable economic and human development strategies.



WHILE EXPERIENCING FAST GROWTH THAT BENEFITED SOCIAL MOBILITY, VIETNAM IS CONFRONTED WITH THE RISK OF INCREASED INEQUALITY DUE TO THE AGEING POPULATION. AS COUNTRIES, COMMUNITIES, AND PEOPLE ARE EXPERIENCING THE HARD-HITTING ECONOMIC SHOCK, ASEAN BUSINESSES AND ORGANISATIONS AMONG COULD BE AT THE FOREFRONT OF KEEPING HUMAN DEVELOPMENT MISSION ALIVE, BY REINVENTING WAYS OF RESKILLING AND UPSKILLING THE WORKFORCE

**TIEU YEN TRINH, CEO,  
TALENTNET**

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<sup>7</sup> [How Countries in Southeast Asia are working together to accelerate human capital development. World Bank, 2019.](#)

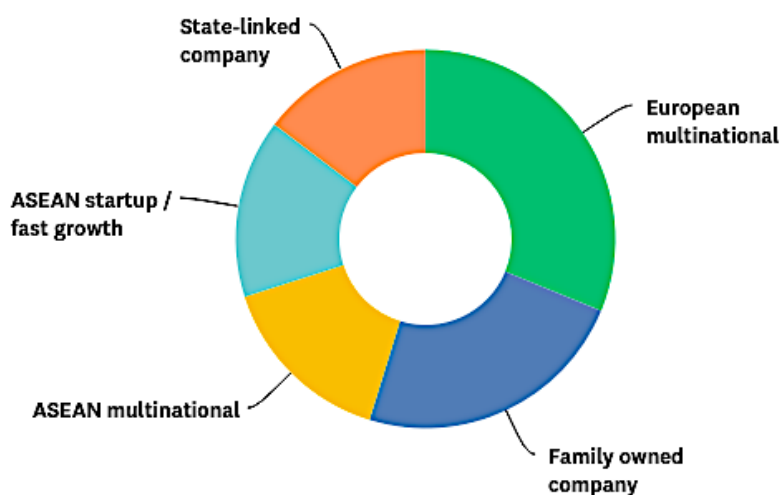
<sup>8</sup> [Vietnam's ageing population to triple in Next 24 years](#)

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## About the survey

We surveyed 159 European multinational and ASEAN-based companies from 31 January until 18 May 2020. Our respondents were from European multinationals, ASEAN multinationals, State-Linked companies, family-owned companies and ASEAN start-ups or fast-growth companies. Their businesses ranged across sectors including industry, banking, transportation and tourism.

*Figure 1: Companies participating in the survey by type*



In this study we wanted to find out whether companies are confident that middle-Income ASEAN economies will be able to develop into advanced economies. We asked about the challenges and bottlenecks in ASEAN. We heard what companies believe they can contribute to the development of ASEAN.

From the qualitative data we received, we formulated 5 recommendations: better stakeholder cooperation; challenging barriers and bottlenecks; building human development ecosystems; accelerating ASEAN-wide management and leadership; and, implementing human development for all workers across ASEAN.

Although the Covid-19 pandemic will undoubtedly change company priorities and strategies in ASEAN, we believe that these recommendations will not significantly be revised. We propose to track changes in our findings with follow up surveys in 2021 and beyond.



## The Middle-Income Trap: An ASEAN Challenge

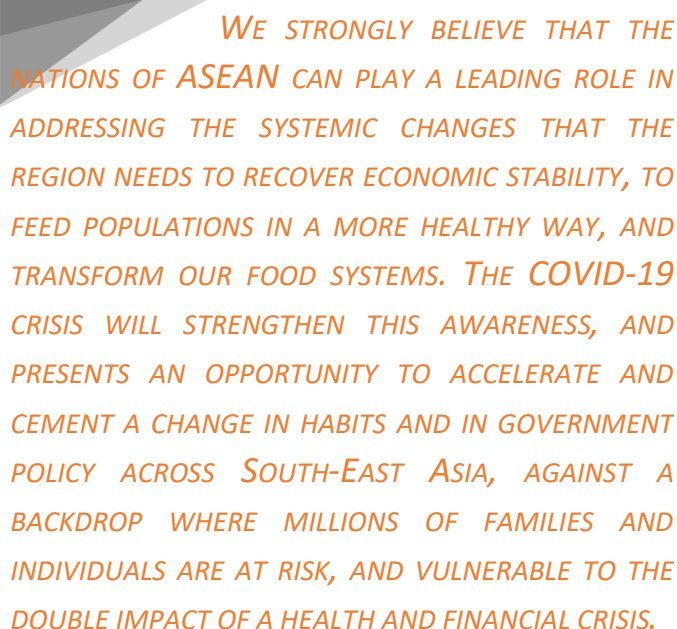
An economy finds itself in the middle-income trap<sup>9</sup> (MIT) when it develops beyond its low-cost competitive advantage but is unable to innovate and develop high value-added products and services needed to compete with advanced economies.

It is not easy to move from a middle to an advanced economy. The Asian Development Bank (ADB) has found that most countries classified as middle income remain “trapped” according to various definitions of the MIT.

ASEAN middle-income countries have been studied as examples of failure in policy and human development strategies to move beyond the middle-income trap.<sup>10</sup>

As of 1<sup>st</sup> July 2019, the World Bank classifies high-income countries, upper middle-income countries and lower middle-income countries as follows<sup>11</sup>:

- High-Income Economies are those with a GNI Per Capita of \$12,376 or more.
- Upper Middle-Income Economies are those with a GNI per capita between \$3,996 and \$12,375.
- Lower Middle-Income Economies are those with a GNI per capita between \$1,026 and \$3,995.



*WE STRONGLY BELIEVE THAT THE NATIONS OF ASEAN CAN PLAY A LEADING ROLE IN ADDRESSING THE SYSTEMIC CHANGES THAT THE REGION NEEDS TO RECOVER ECONOMIC STABILITY, TO FEED POPULATIONS IN A MORE HEALTHY WAY, AND TRANSFORM OUR FOOD SYSTEMS. THE COVID-19 CRISIS WILL STRENGTHEN THIS AWARENESS, AND PRESENTS AN OPPORTUNITY TO ACCELERATE AND CEMENT A CHANGE IN HABITS AND IN GOVERNMENT POLICY ACROSS SOUTH-EAST ASIA, AGAINST A BACKDROP WHERE MILLIONS OF FAMILIES AND INDIVIDUALS ARE AT RISK, AND VULNERABLE TO THE DOUBLE IMPACT OF A HEALTH AND FINANCIAL CRISIS.*

**Corine Tap**  
**SVP Danone Waters, Indonesia & SEA**

Today all ASEAN countries but 2 countries are middle-income economies: the exceptions are the small population countries Singapore and Brunei Darussalam which are classified as upper-income and are not shown in the chart.

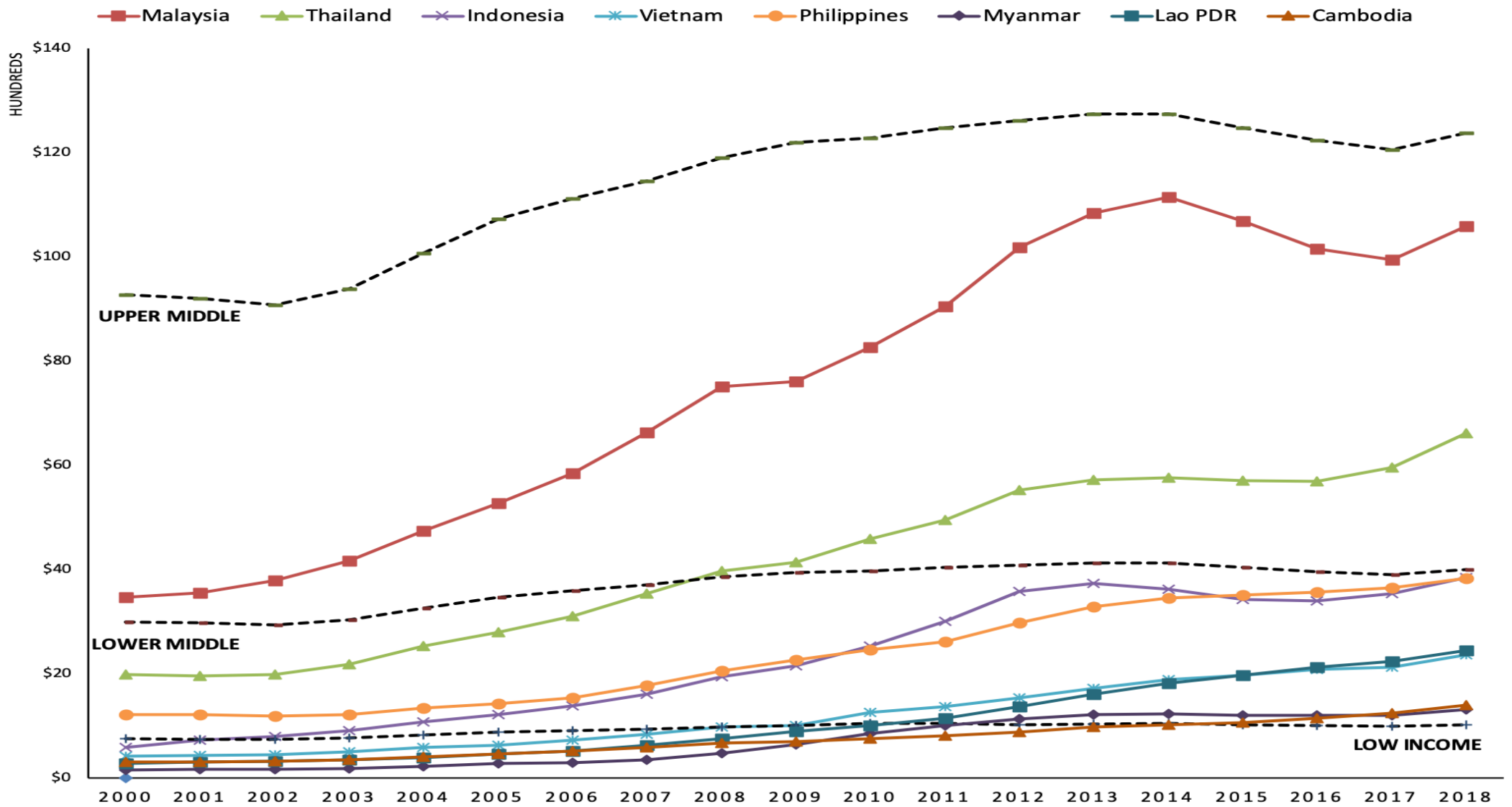
In the chart we see that Malaysia has been hovering near upper income status since 2010. Thailand entered upper middle-income status in 2007. Indonesia, Vietnam and the Philippines have moved from lower middle-income status and are poised to pass into upper middle-income status. At the lower middle-income level, the economies of Cambodia, Laos and Myanmar moved up from lower-income status between 2010 and 2015.

<sup>9</sup> The “middle-income trap” was first defined by Gill and Kharas in 2007. “An East Asian Renaissance— Ideas for Economic Growth”. Washington, DC: The World Bank.

<sup>10</sup> “Escaping the Middle-income trap in Southeast Asia: Micro Evidence on Innovation, Productivity, and Globalisation”, Asian Economic Policy Review, January 2015, authors: Cassey Lee; Dionisius Ardiyanto Narjoko

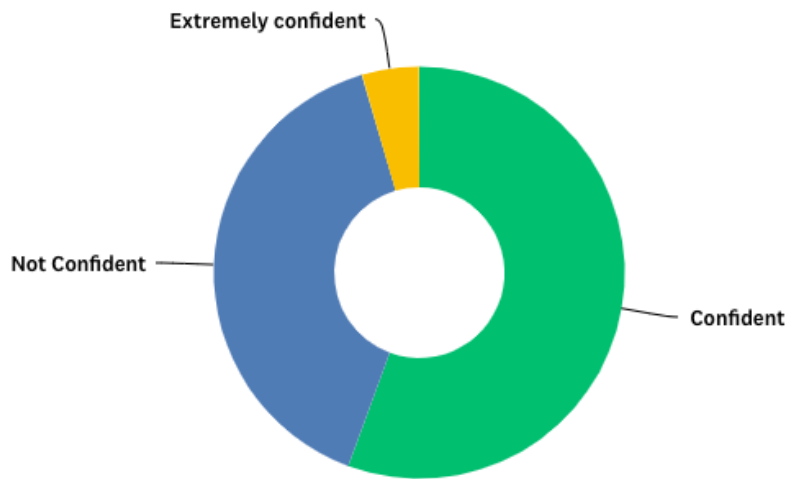
<sup>11</sup> World Bank references published 9 September 2019: <https://datatopics.worldbank.org/world-development-indicators/stories/the-classification-of-countries-by-income.html>

# GNI PER CAPITA (2000-2018) - USD, ATLAS



## ASEAN Business Confidence For Moving Beyond The Middle-Income Trap

In our survey we asked companies about their confidence that ASEAN will move beyond the middle-income trap.



*Figure 2: Question: based on your experience and observations, how confident are you that most ASEAN countries will continue to develop beyond the middle-income trap?*

Both EU and ASEAN-based respondents share a “cautiously optimistic” opinion: 60% are confident or extremely confident while 40% are not confident (European companies were slightly more confident than ASEAN companies). This indicates that it is not a foregone conclusion in the business community that ASEAN middle-income countries will go beyond the MIT.

## How Companies Support Sustainable Human Development Goals

The Middle-Income Trap is particularly problematic due to its compounding effect on poverty. As economies stagnate in the middle-income belt, inequalities widen with a handful of individuals making large capital gains while vast swathes of society never achieve upward mobility-- typically those employed in informal or low-wage work. This is highly relevant for ASEAN, whose goal is to lift people out of poverty through economic growth.


ASEAN has experienced success in combatting poverty. A 2017 report by UNDP found that Indonesia's poverty rate decreased at an average rate of 10% to 15% per year, while the Philippines's poverty rate dropped from 17% to 12% between 2005 to 2013.<sup>12</sup> These gains are due to significant efforts to combat chronic malnutrition and schooling gaps.

However, 36 million people across the region are still stuck in poverty and are likely to remain so if they stagnate in the MIT. With slowing growth and the impact of the Covid-19 pandemic, ASEAN leaders need to prioritise investing in human development to avoid multi-generational, persistent poverty.

In the 1990s, the United Nations (UN) adopted the view that human development rather than the narrower economic concept of human capital is the appropriate concept for defining its sustainable development goals.<sup>13</sup> Companies play a role in human development beyond increasing human capital.

The idea that companies should contribute to human development is no longer a philosophical ideal but an explicitly communicated purpose communicated by leading CEOs of companies participating in our study.

Moving beyond the middle-income trap requires business investment in sustainable goals. The United Nations Sustainable Development Goals (SGD) rely on the cooperation and support of companies, especially to attain the following: no poverty (1), good health and well-being (3),



*HUMAN DEVELOPMENT HAS BEEN AND WILL PLAY A VERY STRATEGIC ROLE IN THE REGION. AGILITY, GROWTH AND PERSEVERANCE SHOULD BE THE CORE OF THE DEVELOPMENT, SO THAT ASEAN WILL BE ABLE TO SURVIVE THIS CRISIS AND PREPARE THE REGION TO FACE A LONG PERIOD OF UNCERTAINTY.*

*OUR LEADERS NEED TO REMIND OUR LOCAL WORKFORCE, AND BECOME THE ROLE MODEL, IN TERMS OF "LEADING AND PERFORMING WITH PURPOSE", WHY WE DO WHAT WE DO EVERYDAY, BEYOND JUST THE BUSINESS PURPOSE.*

*BALANCING THE BUSINESS LEADERSHIP AND PEOPLE LEADERSHIP WILL BE THE KEY TO OUR FUTURE SUCCESS.*

*Noni Purnomo, President Director/CEO,  
Blue Bird Tbk*

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<sup>12</sup> [Financing the Sustainable Development Goals in ASEAN. ASEAN-China-UNDP, 2017.](#)

<sup>13</sup> [What is Human Development?. UNDP, HDRO Outreach, 2015.](#)

decent work (8), industry innovation and infrastructure (9), responsible consumption and production (12), reduced inequalities (10), peace and justice with strong institutions (16).



*Figure 3: United Nations global goals for sustainable development*

Today, in ASEAN, many middle-income countries also struggle with inequality of opportunity, a fundamental issue preventing the larger portion of society from enjoying the quality of life brought about by economic growth. To that end, human development emerges as a fundamental channel of promoting equality and fairness.



## ASEAN's Inequality Challenge

The high inequality across ASEAN is evidenced in the Gini coefficient measures represented by a set of values from zero to 100, zero being perfect equality in either income or wealth. The higher the value, the greater the economic inequality.

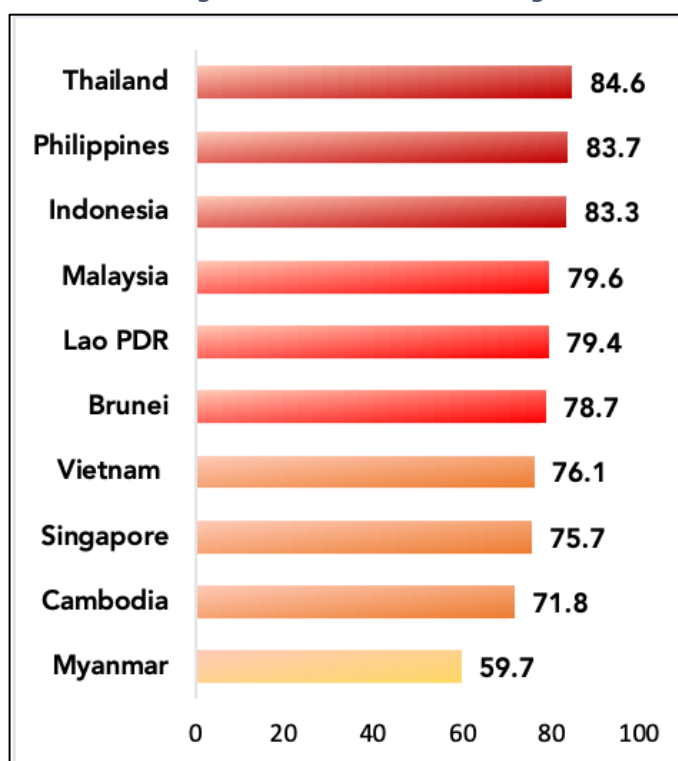
*Figure 5: ASEAN Gini rankings 2019*

Figure Five shows the Credit Suisse rankings for 2019.<sup>14</sup> Thailand leads ASEAN in inequality which translates as 90% of adults stuck at annual incomes under USD10,000, making it the world's 4<sup>th</sup> most unequal country. ASEAN's other large population countries Indonesia, the Philippines and Malaysia follow close behind. Vietnam is the exception at more than 10% lower inequality.

Singapore shows how a high-income ASEAN country (6<sup>th</sup> worldwide in terms of household wealth per adult) can maintain human development with a relatively lower Gini coefficient (compared to other ASEAN Member States) of 76%. Singapore's investment in human development continues to support rising incomes

for all workers. By driving economic growth and ensuring the social mobility of workers through income equality, companies have an important role to play in public private partnership.

A 2020 UN World Social Report<sup>15</sup> shows that periods of rapid economic growth such as what ASEAN experienced before the Covid-19 pandemic combines high inequality with high social mobility. In other words, a fast rising economy lifts all boats. This is due to rapid technological change, which brought about labour-saving and skill-based shifts in the labour market. Thus, technological divides became economic ones, but the impact on social mobility is not immediately apparent during the fast-growth phase.



<sup>14</sup> World Bank Gini indicators

<https://databank.worldbank.org/reports.aspx?source=2&series=SI.POV.GINI&country=>

<sup>15</sup> The World Social Report 2020: Inequality in a rapidly changing world, page 47  
<https://www.un.org/development/desa/dspd/wp-content/uploads/sites/22/2020/01/World-Social-Report-2020-FullReport.pdf>

However, the combination of high inequality and high social mobility falls apart when growth slows. The tide no longer lifts all boats. High inequality then becomes an obstacle for social mobility.


For ASEAN in Covid-19 pandemic, inequality has now become a visible obstacle in moving beyond the middle-income trap. Social mobility and ASEAN's growing middle class may well be at risk.

A report by the World Bank finds that 24 million fewer people will escape poverty, and an additional 11 million will fall into poverty in the East Asia and Pacific region, due to the Covid-19 pandemic.<sup>16</sup> The collapse of global trade and supply chains directly affects human development and damages productivity growth.

While a granular analysis of the impact of inequality is different for each country, the causes are the same: unemployment, low levels of social protection in low-skill informal jobs, educational divides, inability to transition to the digital economy, lack of training. As families take children out of school to earn extra cash or push them towards child marriage; the inequalities caused by the pandemic could fester for an entire generation unless action is taken promptly. Companies play a key role in social as well as economic recovery by partnering with government bodies and relevant stakeholders for re-employment, inclusive hiring policies, and investment in training especially for work in the digital economy.

The growth-inequality relationship has been studied extensively in international research, and broadly converges to show that inequality negatively impacts economic growth through three channels; underdeveloped capital markets inhibit entrepreneurial activities, inequality-driven populist governments pose a threat to macroeconomic stability and unequal access to opportunity stifles inter-generational mobility.

For ASEAN, this means that exiting the middle-income trap requires social and political measures that address inequality. To that end, investing in human development is critical at the policy level and in public-private partnerships. The Annex highlights these initiatives that ASEAN is implementing to further ASEAN's human development.



*"HUMAN DEVELOPMENT WAS ALREADY A CHALLENGING POLICY GOAL PRE-COVID19. TO REBUILD ASEAN, A MULTIFACETED POLICY APPROACH IS REQUIRED TOWARDS HUMAN DEVELOPMENT. FOR ASEAN, THIS ONLY MEANS THAT ITS COMPANIES REGARDLESS OF SIZE NEED TO THINK OF ITS PEOPLE AS ASSETS AND NOT WORKERS OR AGENTS. THIS MEANS RETHINKING ITS CULTURE OF LEADERSHIP. IT MEANS RELOOKING AT WHAT THE WORKING ENVIRONMENT NEEDS TO BE WITHIN EACH COMPANY. IT'S ABOUT BUILDING A COLLABORATIVE CULTURE THAT ALLOWS INNOVATION, ENTREPRENEURSHIP AND BOTTOM-UP INPUTS IN ORDER TO THRIVE."*

*Raymond Yee , Vice President for  
Customs and Regulatory Affairs, DHL*

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<sup>16</sup> [Updated estimate of the Impact of Covid-19 on Global Poverty. World Bank Blogs, 2020.](#)

## How Businesses Can Help

How do companies in ASEAN cooperate with governments to support human development as well as economic growth? An example is the ASEAN Declaration on Industrial Transformation to Industry 4.0, signed in 2019. It includes enhancing human development to catch up on frontier technologies and innovation in relation to smart factories, digital value chains and digital literacy of the workforce, particularly MSME's.<sup>17</sup> However, more can be done.

In our survey, only 52% of respondents expressed satisfaction with how ASEAN governments are cooperating with one another to improve human development. This result shows that business leaders judge that there is still more to be done.

*ASEAN'S YOUTH EXPECT COMPANIES TO SHOW HUMAN DEVELOPMENT COMMITMENT FOR SOCIETY AS WELL AS FOR THEIR EMPLOYEES. THEY WANT COMPANIES TO VISIBLY CONTRIBUTE TO OUR ASPIRATIONS FOR GREEN BUSINESS AND ENSURE ENVIRONMENTAL SUSTAINABILITY.*

*Senjaya Mulia, Founder of the ASEAN Youth Organisation*

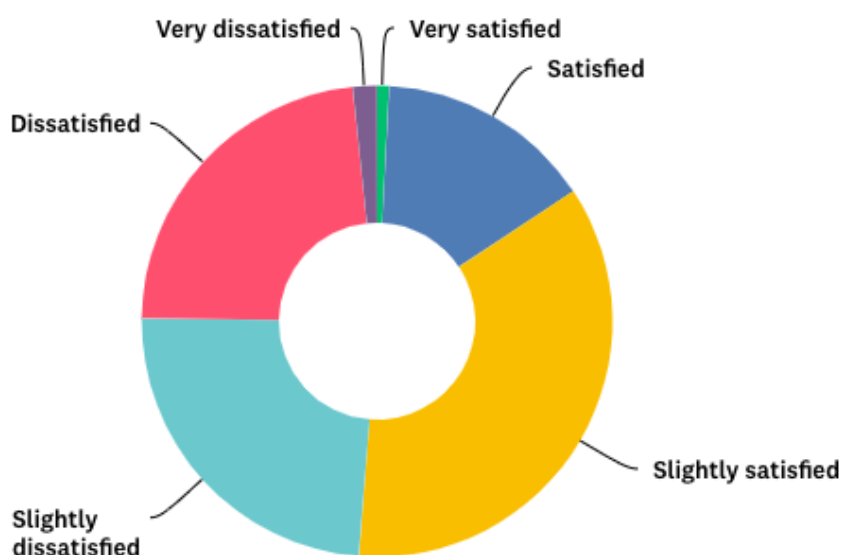


Figure 6: How Satisfied respondents are with how ASEAN leaders are improving Human Development

<sup>17</sup> [ASEAN Declaration on Industrial Transformation to Industry 4.0. ASEAN Storage, 2019.](#)

## What Companies Can Do: Priorities for Public Private Partnership (PPP)

Companies contribute to inequality reduction through rising incomes for employees but that is only sustainable if there is human development that results in improved productivity, more advanced capabilities and innovation. To ensure this match, companies need more cooperation with governments on development programmes, stakeholder agreements and workforce policy.

What are the partnership needs for ASEAN? In our survey, the qualitative data showed the following PPP priorities for developing the ASEAN workforce beyond the middle-income trap.

1. Encourage broad-based access to quality education across all income groups (67%)
2. Develop technical skills for the digital economy (65%)
3. Enhance institutional reform in areas of finance, government and legal systems (61%)
4. Invest in English language proficiency for all employees (60%)
5. Increase individual responsibility for productivity and development (51%)
6. Coordinate human development policies across ASEAN nations (50%)
7. Boost spending on research and development and for post-secondary education (50%)
8. Integrate domestic markets into global markets (50%)
9. Provide better access to work though mobility across ASEAN countries (48%)
10. Improve access to work by getting more women into the workforce and employing senior workers (25%)



**“AT BOSCH, WE STRONGLY BELIEVE THAT THE EXCHANGE OF IDEAS, CULTURE AND KNOWLEDGE IS WHAT POWERS INNOVATION, DRIVES COMPANIES FORWARD AND BUILDS SUSTAINABLE ECONOMIES. AS A COMPANY, WE ARE INVESTING IN OUR ASEAN WORKFORCE THROUGH DUAL EDUCATION PROGRAMS, CROSS COUNTRY EXCHANGES OR TRAINEE PROGRAMS. WE ARE UTILIZING OUR GLOBAL STRENGTH TO FOSTER LOCAL HUMAN DEVELOPMENT.”**

***Martin Hayes, President, Robert Bosch, SEA***

## Conclusions

This is the first collaboration of the EU ASEAN Business Council with the ASEAN Human Development Organisation. Our cooperation allowed us to bring together companies from the two leading regional communities to find common ground for sustainable human development.

Our recommendations are not limited to our member companies. They can constitute areas of concerted action with ASEAN governments and other stakeholders such as education.

Our survey data is taken from before and the early phase of the Covid-19 pandemic. Our aim is to improve the survey and cooperate with other organisations to track development for the pandemic recovery and beyond.

Overall, human development is not just a developing country challenge, nor is it just about levels of income or wealth. It is a societal issue – affecting social cohesion, trust in government and institutions, and investing in sustainability goals. Leading human development in ASEAN requires awareness of our inequality challenge and taking the necessary socio-economic measures.

In conclusion, we noted strong awareness by companies of ASEAN's human development needs to lift middle-income countries into advanced economies. Our findings indicate that European and ASEAN companies will continue to invest in human development in their own organisations, despite the limitations and costs of the Covid-19 pandemic. Our study identified ten priorities for human development partnership with the public sector to develop economies beyond the middle-income trap.

The five recommendations are a call for action that can be implemented in the short term to move forward concretely in advancing ASEAN's human development potential. We believe that ASEAN's economic and social experience of the Covid-19 pandemic have created a context of urgency for these actions, which are:

- Accelerating stakeholder cooperation;
- Challenging barriers and bottlenecks;
- Building human development ecosystems;
- Accelerating management and leadership capability;
- Ensuring human development for all workers.



## About the EU ASEAN Business Council



The EU-ASEAN Business Council (EU-ABC) is the primary voice for European business within the ASEAN region. It is formally recognised by the European Commission and accredited under Annex 2 of the ASEAN Charter as an entity associated with ASEAN.

Independent of both bodies, the Council has been established to help promote the interests of European businesses operating within ASEAN and to advocate for changes in policies and regulations which would help promote trade and investment between Europe and the ASEAN region. As such, the Council works on a sectorial and cross-industry basis to help improve the investment and trading conditions for European businesses in the ASEAN region through influencing policy and decision makers throughout the region and in the EU, as well as acting as a platform for the exchange of information and ideas amongst its members and regional players within the ASEAN region.

The EU-ABC conducts its activities through a series of advocacy groups focused on particular industry sectors and cross-industry issues. These groups, usually chaired by a multi-national corporation, draw on the views of the entire membership of the EU-ABC as well as the relevant committees from our European Chamber of Commerce membership, allowing the EU-ABC to reflect the views and concerns of European business in general. Groups cover, amongst other areas, Insurance, Automotive, Agri-Food & FMCG, IPR & Illicit Trade, Market Access & Non-Tariff Barriers to Trade, Customs & Trade Facilitation and Pharmaceuticals.

### Executive Board

The EU-ABC is overseen by an elected Executive Board consisting of corporate leaders representing a range of important industry sectors and representatives of the European Chambers of Commerce in South East Asia.

### Membership

The EU-ABC's membership consists of large European Multi-National Corporations and the eight European Chambers of Commerce from around South East Asia. As such, the EU-ABC represents a diverse range of European industries cutting across almost every commercial sphere from car manufacturing through to financial services and including Fast Moving Consumer Goods and high-end electronics and communications. Our members all have a vested interest in enhancing trade, commerce and investment between Europe and ASEAN.

To find out more about the benefits of Membership and how to join the EU-ASEAN Business Council please either visit [www.eu-asean.eu](http://www.eu-asean.eu) or write to [info@eu-asean.eu](mailto:info@eu-asean.eu).



## About the ASEAN Human Development Organisation



The ASEAN Human Development Organisation was founded in 2018 to promote human development in the workplace across the ASEAN's Member States. AHDO connects ASEAN's national HR Associations in the region into a professional community and works with ASEAN institutions on policy and

initiatives concerning human development at work. AHDO aims to develop ASEAN's management identity and culture with a core purpose of improving human development at work

To fulfil its mission AHDO:

- publishes research and white papers
- organises conferences and events across the region
- works with international organisations
- manages regional certification programmes for human development professionals.

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## Glossary Of Key Terms

**ASEAN Economic Community (AEC):** The Association of Southeast Asian Nations (ASEAN) is a political and economic community composed of ten Member Countries (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam) with a combined population of about 625 million people and a nominal GDP of more than 2.6 trillion US dollars.

**ASEAN Socio-Cultural Community (ASCC):** the regional framework that sets common policy and coordinates institutions to advance Human Development, Social Justice and Rights, Social Protection and Welfare, Environmental Sustainability, ASEAN Awareness, and Narrowing the Development Gap. It promotes a common ASEAN identity, human development, ASEAN culture and the preservation of natural resources.

**Human Capital:** is the economic value of a worker's experience and skills and is valued because it increases productivity and thus profitability. It is measured using economic criteria only.

**Human Development:** according to the UN human development is about expanding the richness of human life, rather than simply the richness of the economy in which human beings live. Human development helps people widen their choices, work according to their aspirations and improve their own well-being. It is measured using human development indicators. Human development links to the UN Development goals and to the ILO definition of decent work.

**Middle-income trap:** A country finds itself in the middle-income trap when it develops beyond its low-cost competitive advantage but is unable to innovate and develop high value-added products and services needed to compete with advanced economies. The World Bank defines **Upper Middle-Income Economies** as those with a GNI per capita between \$3,996 and \$12,375 and **Lower Middle-Income Economies** as those with a GNI per capita between \$1,026 and \$3,995 in its 2019 classification.

## Annex: ASEAN Human Development Initiatives

| Policy   | Key Points  | Issues to note  |
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| <u>ASEAN Socio – Cultural Community Blueprint 2025</u> | <p>At the 27<sup>th</sup> ASEAN Summit in 2015, the Ministers endorsed the ASEAN Socio – Cultural Community Blueprint 2025, which aims to collectively deliver and fully realise human development, resiliency and sustainable development. Key result areas and strategic measures include -</p> <ul style="list-style-type: none"> <li>• <b>Reducing Barriers</b> - Reduce inequality and promote equitable access to social protection and enjoyment of human rights by all and participation in societies, such as developing and implementing frameworks, guidelines and mechanisms for elimination of all forms of discrimination, violence, exploitation, abuse and neglect;</li> <li>• <b>Equitable Access</b> - Promote human capital development, economic self-reliance and sustainable livelihood, especially among the poor, through access to education, employment opportunities, entrepreneurship and microfinance.</li> <li>• <b>Dynamism</b> - Strengthen the supportive environment for socially and environmentally responsible entrepreneurship, such as mentoring, providing seed money, venture and crowd funding, and marketing support.</li> </ul> | <ul style="list-style-type: none"> <li>• The Blueprint leaves the operationalising of the strategic measures to the sectoral bodies under the ASCC, without assigning any over-arching targets or KPI's.</li> <li>• It 'encourages' participative monitoring review mechanisms, but does not make it compulsory. The current monitoring system uses the existing ASCC Scorecard system, with a revision of sectoral indicators to include dimensions of the Blueprint 2025.</li> <li>• The National Focal Points of Sectoral bodies are encouraged to share information, resources with the National Secretariats and ASCC National Focal Points, but a formal coordination mechanism has not been implemented.</li> <li>• ASEAN member states are encouraged to provide resources to support the sectoral bodies through indicative multi-year budgets, but not compelled to do so.</li> </ul> |

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| <u>Adoption of the ASEAN Youth Development Index</u>                                      | <p>At the 31<sup>st</sup> ASEAN summit in 2017, the ASEAN member states adopted the ASEAN Youth Development Index which aims to collect youth data and evaluate the outcomes and effectiveness of youth development programmes and policies in ASEAN. The ASEAN Ministerial Meeting on Youth (AMMY) were tasked with implementing the YDI.</p> <ul style="list-style-type: none"> <li>• Flagship project under ASEAN Work Plan on Youth 2016-2020, aims to realize ASEAN Vision 2025 and fulfilling the SDG's.</li> <li>• Examines 4 domains – Education, Health &amp; Wellbeing, Employment &amp; Opportunity, Participation &amp; Engagement</li> </ul>  | <ul style="list-style-type: none"> <li>• The YDI does not always have access to accurate country-specific data, though efforts are being made by ASEAN member states to develop national youth indices.</li> <li>• Gender mainstreaming is an issue due to lack of gender disaggregated data for youth.</li> <li>• There are no concrete guidelines for the nation states to abide by the policies and recommendations set out by the YDI.</li> <li>•</li> </ul> <p>Source: <u>ASEAN YDI Report -2016</u></p> <li>•</li>   |
| <u>ASEAN Framework Action Plan on Rural Development and Poverty Eradication 2016-2020</u> | <p>Building on the 2010-2015 Framework, the ASEAN Framework Action Plan on Rural Development and Poverty Eradication 2016-2020 was adopted with the following objectives –</p> <ul style="list-style-type: none"> <li>• Improved vulnerable groups' and poor households' access to and/or control of productive natural resources, financial and support services, and to social protection as a foundation to building capable, resilient, and self-sustaining households and communities.</li> <li>• Enabled poor and vulnerable groups to participate in the socio-economic opportunities including through financial innovation and strengthening social enterprise</li> <li>• Strengthened convergence of rural development and poverty eradication initiatives at the local, national and regional levels through improve coordination mechanism, policy coherence and effective localisation of RDPE programmes and actions.</li> </ul> <p>The regional strategic direction is guided by the ASEAN Socio-cultural Community Blueprint 2025, the Sustainable Development Goals and the Millennium Development Goals.</p> | <ul style="list-style-type: none"> <li>• The Framework assigns countries with specific responsibilities, sets a timeline of implementation and suggests potential partners to coordinate with. However, a lot of programs are carried over from the previous Framework (2011-2015), which might be due to ineffective implementation, inability to meet timelines etc.</li> <li>• Most of the outlined programmes focus on documentation, sharing good practices, awareness building. Not much focus on providing resources, capacity-building, addressing barriers to human development.</li> </ul> |



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| <u>ASEAN Consensus on the Protection and Promotion of the Rights of Migrant Workers</u> | <p>The Consensus was signed by the ASEAN Member States at the 31<sup>st</sup> ASEAN Summit in 2017, to implement the commitments contained in the ASEAN Declaration on the Protection and Promotion of Rights of Migrant Workers adopted in 2007.</p> <ul style="list-style-type: none"> <li>• It defines migrant worker status and ‘fair treatment’, lays out the fundamental rights of migrant workers and their family members.</li> <li>• It lays out the obligations of sending and receiving states unto migrant workers and their families and details general commitments of ASEAN member states towards fulfilling the stated objectives through the creation of an Action Plan 2018-2025.</li> <li>• The Action Plan consists of five focus areas; Education/Information, Protection, Enforcement, Recourse and Reintegration.</li> </ul> | <ul style="list-style-type: none"> <li>• The Consensus does not carry legal weight and the Member states do not need to ratify it nationally, but can interpret the implementation in accordance with national laws and regulations.</li> <li>• The Action Plan leaves a lot of project timelines undefined, which could affect implementation.</li> <li>• Source: <u>Action Plan 2018-2025.</u></li> <li>• The ASEAN Trade Union and Council and ASEAN Confederation of Employees declared that they regretted the fact that the Consensus and Action Plan was developed in the absence of social dialogue and inputs from workers’ and employer’s organizations.</li> <li>• They also noted the importance of including migrant’s workers access to social protection and skills recognition, which was not reflected in the Consensus.</li> <li>• Source: <u>Joint Statement of the ASEAN Trade Union Council and ASEAN Confederation of Employers, April 2019.</u></li> </ul> |
| <u>ASEAN Work Plan on Education 2016-2020</u>   | <p>The Work Plan was endorsed by the 11<sup>th</sup> ASEAN Senior Officials Meeting on Education and adopted by the 9th ASEAN Education Ministers Meeting in Malaysia, 2016. Focusses on 8 eight areas including-</p> <ul style="list-style-type: none"> <li>• ASEAN awareness through strengthening Southeast Asian history and indigenous knowledge</li> <li>• Quality and access to basic education for all especially the marginalised groups</li> <li>• Information and communications technology in education</li> <li>• TVET and lifelong learning</li> <li>• Education for Sustainable Development</li> <li>• Higher education development and quality assurance mechanisms</li> <li>• University-industry partnership</li> <li>• Capacity building for teachers and the education community</li> </ul>                                     | <ul style="list-style-type: none"> <li>• While development partners such as UNESCO and UNICEF have indicated interest in supporting the implementation of the Work Plan, their resources have not been tapped in any concrete ways.</li> <li>• The workshop for finalizing the Workplan included inputs from cross-sectorial partners, such as ASEAN Secretariat divisions relating to development gaps, connectivity, services and investment. However, it is unclear how much of their inputs are reflected are in the final workplan, which is unpublished publicly.</li> <li>• Source: <u>ASEAN concludes Work Plan on Education 2016-2020.</u></li> </ul>  |

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|        | <p>The Workplan also incorporates the agendas agreed upon in the Framework and Action Plan in support of the KL Declaration on Higher Education, ASEAN Declaration on Strengthening Education for Out of School Children (OOSC) and Out of School Youth (OOSY) and revisions of the ASEAN University Network.</p> <p>Key Projects and activities include-</p> <p>Develop a regional framework or programmes/models for promotion of inclusive education</p> <p>Develop a framework on equivalency on basic education within the country and at the regional level</p> <p>Study on scale and causes of OOSC and development of alternative approaches to increasing access to basic education, with a focus on disadvantaged and marginalised groups</p> <p>Source: <u>The ASEAN Work Plan on Education 2016-2020</u></p>  |   |
| Health | <p>Guided by the ASEAN Vision 2025, the ASEAN Health Cooperation adopted the ASEAN Post-2015 Health Development Agenda (APDHA) which encapsulates the shared goals, strategies, priorities and programmes of the health sector between 2016-2020. The APDHA serves as a means to operationalize the 42 strategic health measures laid out in the ASEAN Socio-cultural Community Blueprint 2025. The APDHA is implemented by four ASEAN Health Clusters –</p> <ul style="list-style-type: none"> <li>• Promoting healthy lifestyles</li> <li>• Responding to all hazards and emerging threats</li> <li>• Strengthening health systems and access to care</li> <li>• Ensuring food safety</li> <li>• Each of these clusters have clearly laid out priority strategies, key performance indicators, timelines and lead countries. The project activities range from training programs, capacity building, documentation of good practices, establishing regional networks and agreements etc.</li> <li>• Source: <u>Overview of ASEAN Post-2015 Health Development Agenda</u></li> </ul> | <ul style="list-style-type: none"> <li>• The ability to measure the effectiveness of the measures and to conduct cross-country comparisons is hindered by the lack of good quality baseline health statistics such as cause-specific mortalities, life expectancies and disease prevalence.</li> <li>• The priorities do not include any ways to reduce health inequities, which continue to undermine the achievement of the SDG's and Blueprint goals – thus hindering the development of human capital.</li> </ul> <p>Source: <u>Strengthening Regional Cooperation, Coordination, and Response to Health Concerns in the ASEAN Region: Status, Challenges, and Ways Forward</u></p> <ul style="list-style-type: none"> <li>•</li> </ul> |

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| <p>Social Welfare and Development</p> | <p>ASEAN Strategic Framework on Social Welfare and Development 2016-2020- Building on the gains from implementing the ASEAN Strategic Framework on Social Welfare and Development 2010-2015, the ASEAN Strategic Framework on Social Welfare and Development 2016-2020 was developed. The overall objective of the five-year work plan is to enhance the well-being and improve the quality of life of older persons, children, persons with disabilities, and other vulnerable groups in ASEAN.</p> <ul style="list-style-type: none"> <li>• For the priority: older persons, the objective is to promote healthy, active and productive ageing in an enabling and supportive environment.</li> <li>• For the priority area: children, the objective is to promote the survival, protection, participation and development of the rights of children.</li> <li>• For the priority area: persons with disabilities, the objective is to promote and protect the rights, and enhance the opportunities and participation of persons with disabilities for inclusive societies.</li> </ul> <p>For the other priority areas, the objectives are to:</p> <ul style="list-style-type: none"> <li>• Promote social protection policies for increased access and sustainability</li> <li>• Strengthen the resilience of families and caregivers in the societies</li> <li>• Enhance the participation and social responsibility of stakeholders</li> </ul> | <ul style="list-style-type: none"> <li>• The key activities and projects seem to focus mostly on workshops and forums -there is a lack of detail on how those will translate to promotion of human development on the ground without necessary ground-up, country-specific initiatives</li> <li>• Given the differing levels of social welfare policies in each country – there will be difficulties applying the strategies to a country’s unique context. The framework assigns lead countries, but doesn’t give guidance on how to incorporate the strategies on a country-by-country basis.</li> </ul> |
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| Science, Tech, Innovation | <p>The Asean Plan of Action for Science, Tech and Innovation 2016-2025 (APASTI) Implementation Plan (AIP) - adopted by the ASEAN Ministers for Science and Technology at the 9th Informal ASEAN Ministerial Meeting on Science and Technology (IAMMST) held on 29 October 2016 in Siem Reap, Cambodia.</p> <p>The detailed AIP provides a comprehensive plan for the next ten years implementation of the APASTI 2016-2025 that outline key strategic actions and components comprising of the priorities; targets/deliverables; specific activities; timelines; indicators derived from the work plans of nine ASEAN Sub-Committees under the purview of the ASEAN Committee on Science and Technology (COST). It helps various Sub-Committees of COST to improve the monitoring and evaluating mechanisms of programmes/activities, enhances cooperation with Dialogue Partners through resource mobilisation, engages private sectors through public-private partnership in supporting the strategic thrusts, actions and the goals of APASTI 2016-2025.</p> <p>Source: <a href="#">APASTI Implementation Plan</a></p> <p>The main strategic thrusts of the Plan are-</p> <ul style="list-style-type: none"> <li>• Public Private Collaboration</li> <li>• Talent Mobility, People-to-people connectivity and inclusiveness</li> <li>• Enterprises Support</li> </ul> | <ul style="list-style-type: none"> <li>• The APASTI devotes very little time or activities to cross-country measures, which might be useful given the differing standards of STI across the region. Promoting diffusion of technology would improve human capital, in addition to the current measures in place. It would also bridge the gap between the high-performing R&amp;D heavy economies and the primary goods-based economies.</li> </ul> |
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