



SOCIAL COHESION IN SOUTHEAST ASIA

Seminar co-organised by the OECD Development Centre, the Ministry of Foreign Affairs of Thailand, King Prajadhipok's Institute and the Office of the National Economic and Social Development Board of Thailand

21 July 2011 – Bangkok, Thailand

Meeting Summary

Introduction

The world has witnessed tremendous changes in the distribution of income in recent years. Over the last decade, developing countries have enjoyed a revival in their economic fortunes, after two decades of missed opportunities and disappointing performance. Since the beginning of last decade, the centre of economic gravity has been progressively shifting from West to East and from North to South in a series of phenomena dubbed *Shifting Wealth*. The mechanisms underlying these changes are multiple – a combination of higher commodity prices, better fiscal and macro-economic management, stronger domestic markets, deeper south-south links in investment and trade, and a much improved external environment.

Asia is a major contributor to this process; its rapid growth has lifted millions of people out of poverty and has been associated with improved social outcomes in health, education and nutrition. The new scenario presents some major opportunities and challenges regarding the creation of socially cohesive societies. Shifting wealth has brought with it new resources (e.g. larger fiscal revenues, higher exports revenues, etc.) which could be used to promote and finance a more inclusive development process. The challenges include rising income inequalities, the adjustment costs of structural transformation and the need to meet citizens' rising expectations for higher standards of living and access to opportunities. This situation calls for an examination of development paradigms and the policy options for more equally shared progress. The challenge now facing policy makers is to include social cohesion considerations in development strategies.



The forthcoming publication of the OECD Development Centre, *Perspectives on Global Development 2012 - Social Cohesion in a Shifting World* draws together current thinking and identifies workable policy solutions to build more cohesive societies in this new global context. In order to intensify policy dialogue activities at the regional level on social cohesion, a series of expert meetings have been organised by the OECD Development Centre in collaboration with national authorities. Such a meeting was organised in Bangkok on 21 July 2011, in cooperation with the Ministry of Foreign Affairs of Thailand, the King Prajadhipok Institute and the Office of the National Economic and Social Development Board of Thailand. The workshop was a fruitful opportunity to share experiences and get a better understanding of the possible policy solutions to enhance and strengthen social cohesion in the region. This document summarises the presentations and discussions held during the meeting (see agenda in annex).



Session 1 – Social cohesion and development

Why does social cohesion matter?

Economic and social transformations during a period of fast growth bring new stresses and strains with which governments have to cope. The challenges include rising income inequalities, structural transformation and the need to meet citizens rising expectations for standards of living and access to opportunities.

Rising inequality within countries and some key large economies has excluded disadvantaged populations from the benefits of the growth process. In many cases, these rising within-country inequalities are driven by the rise in the share of top incomes. Recent events - ranging from labour disputes in China, trade unionists' street protests in India, political protests in Thailand to the Arab spring revolution – suggest that the development trajectory of countries with sustained growth, sizeable reduction of poverty and an overall improvement in standard of living does not automatically translate into subjective well-being or social harmony.

Structural transformation can incur social costs, at least in the short and medium term, as the labour force is re-allocated across sectors and from rural to urban areas. The process can leave workers unemployed, with the wrong skill-set or condemned to working in the informal sector with fewer rights and social safeguards. In addition, food security has become a major concern given the high volatility in food prices and inflationary pressures.

Furthermore, citizens living in a fast-growing country have rising expectations for their current and future standards of living as they seek to share in the benefits of growth. Governments should not underestimate the capacity of middle classes to mobilise and pressure for increasing the standard of service provision – for example, their ability to exercise their voice for improving the quality of local school education for their children. But unmet expectations could undermine the support of citizens for reforms and perpetuate social tensions, potentially threatening the sustainability of the growth process per se.

The application of technocratically good policy frameworks while in disregard of people's desire for inclusive political processes is clearly not sufficient for social cohesion. Growth paths in which social inequalities are large, exclusion is widespread, and the scope for voicing dissent is small are unlikely to be sustainable. Social cohesion not only is essential to maintain economic growth over the long-term but is also a valuable goal in itself according to opinion polls. In this context, the strengthening of social cohesion becomes a critical policy objective.



How to define and measure social cohesion?

Cohesive societies work towards the well-being of all their members, create a sense of belonging, fight exclusion and marginalisation and promote social mobility. To become more cohesive, societies have to:

- be inclusive, i.e. give their members the means to fully participate in social and economic life ;
- build the trust and interrelations that constitute social capital; and
- ensure a degree of social mobility that allows all members of society to adhere to a set of core values without enshrining inequalities that undermine one group at the expense of others.

Social cohesion is not a new paradigm – rather, the concept combines three dimensions: social capital, social inclusion and social mobility providing a useful holistic framework for guiding public policy making. Those components interact and may present trade-offs to policy makers and societies.

To evaluate to which extent a society is cohesive, traditional measures of inequality and deprivation (e.g. poverty or the unemployment rate) can be used with a combination of subjective meas-



ures of social capital (e.g. interpersonal trust), well-being and life satisfaction. Indeed, the measurement of social cohesion cannot be achieved as only one dimension but rather be considered through a range of indicators monitoring a multi-dimensional reality which changes over time and space.

Looking at social cohesion calls for adopting a broader perspective than simply a national one. Many issues such as land grabbing, climate change require coordinated and collective action from both developing and developed countries. Conversely, it is important to put social cohesion related issues in context and take into account the specificities of territories, regions, countries, etc. This challenges the capacity to define and compare measures of social cohesion. Emphasizing whether one society is more cohesive than others is problematic because it puts the emphasis on static elements, which might raise issues for example in transition contexts. The measurement needs to be linked to institutional quality.

How to articulate social cohesion and development?

Although many developing countries are now facing new challenges linked to rapid growth, this growth has also brought with it new resources that include larger fiscal revenues, higher exports revenues, the continuing build-up of foreign exchange reserves, and rents from natural resources. As sources of development finance and national savings in converging countries have multiplied, shifting wealth has helped widen tax bases. Together with declining debt ratios and lower debt service, fiscal space in most converging countries has expanded. Such resources open up more opportunities which could be used to offset negative effects of the structural changes in economies induced by shifting wealth as well as promote and finance a more inclusive development process.

Social cohesion constitutes a useful broad-based framework to build a policy agenda and brings together different policy areas that are otherwise treated separately: fiscal and macro considerations, labour market and social protection, equal and unequal opportunities (education, gender and migration), and civic participation. Policies in these areas all interact to have an effect on social outcomes, and one policy area needs to be designed with a regard to the others. In this respect, public policies are a crucial instrument of social cohesion which leads to development.

The combination of fiscal, labour market and social interventions all affect social outcomes, and a lack of coherence across different policy areas can have significant costs. For example, a number of North African countries have made major investments in education in recent years. Yet labour market outcomes have been out of step with this increasingly educated population, and the skills of the population are mismatched with the employment opportunities available. High unemploy-



ment, particularly youth unemployment, has been widely cited as a factor contributing to the unrest in many countries in the region.

Southeast Asia faces specific challenges with regard to building social cohesion. Past development models have failed to generate sufficient job opportunities and inclusive growth in the region. According to 2010 Gallup World Poll, less than 30% of people in the region say they are 'thriving'. The issue of social cohesion in Asia is not new and requires addressing both pre-existing persisting challenges as well as new challenges emerging from the major structural transformations that took place over the last decade. Among the long-standing challenges faced by the region, the large number of near-poor and their persisting vulnerability are of particular concern. According to ILO, over 60% of ASEAN workers are in vulnerable employment in 2010, a figure comparable to the 2005 figure. Moreover, persistent horizontal inequalities, gender inequalities in particular remain a challenge for the region.

The region is also facing new challenges partly stemming from a massive urbanisation phenomenon, an expanding middle class coming with new aspirations and a shift in the economic structure. Possible solutions can be found in the expansion of social protection systems to offset the cost of adjustment, reduce the vulnerability of the emerging middle class and support domestic demand and consumption in mainly export-oriented countries. The recurring question of the affordability of such systems deserves a closer look. The example of India where basic coverage (health and life insurance, maternity benefits and pensions) was provided to about 300 million informal workers for a cost equivalent to 0.5% of GDP is particularly eloquent. In this period of economic shift, the role of institutions is critical. According to the World Economic Forum, Thailand ranks 38 in terms of economic competitiveness but ranks 64 regarding the quality of its institutions. Similar patterns can be observed across the region. Finally, recent events around the world have shown the importance of providing political space and a voice for civic participation and negotiation among partners. This can be notably achieved by improving the quality of institutions.

Session 2 - Public policies through the lens of social cohesion in Southeast Asia

Viewing development from the angle of social cohesion implies a holistic view of social development that incorporates along with measures of living standards, dimensions of quality of life, health, equity, justice and happiness. At the same time, social cohesion is itself a desirable social outcome, the dimensions of which can constitute policy objectives.



Social cohesion: a means for inclusive growth in Southeast Asia?

Asia is a success story for poverty reduction: People in Asia are much richer, healthier, and better educated than 30 years ago. The incidence of poverty came down from 50% in 1970 to 19% in 2005. During the same time, life expectancy increased from 48 to 64 years in South Asia, from about 59 to 71 years in East Asia and the Pacific. Adult literacy too, improved substantially from 40% in 1970 to approaching universal literacy rate today.

However the other Asia has still major outstanding poverty issues: poverty data from the Asian Development Bank suggest that in 2005 about 951 million people (33.1% of the regional population) lived in absolute poverty. Additionally 653 million people in the region are moderately poor. In total, about half of the regional population are vulnerable to poverty. More recent research by ADB shows that the region was successful in reducing incidence and number of severe poor, but the number of vulnerable poor (living on less than USD 2 a day) remained nearly the same be-



tween 2005 and 2010, pointing to the assumption that contrary to the common belief and despite successfully reducing income poverty (mainly through targeted programs), growth was perhaps not so inclusive – even in emerging middle income countries. This is also true in non-monetary dimensions of poverty: 1.6 billion people in rural Asia have no access to improved sanitation, 700 million have to drink non-safe water, 455 million are malnourished and 110 million children are underweight. 100 million children are not in school. The data show that it would be very premature to expect a region free of poverty soon.

There is a danger of the inclusive growth agenda becoming degraded to the trickle down assumption regarding economic growth that benefits the very poor but not the growing vulnerable population. Instead, labour market, social protection, social sector and urban development programs need to be adjusted and up-scaled to make sustainable growth in the region also more inclusive. The private sector has an important role to play but this needs to go much beyond investing in infrastructure: it should establish much more inclusive businesses at the base of the pyramid to better and more affordable goods and specifically services to the poor and provide productive and decent income opportunities.

Proposals to achieve sustainable and inclusive growth include action to:

- stimulate domestic demand and trade with neighbouring countries;
- move up the value chain in global production by more effectively participating in growth arising from productivity gains, and develop new labour and higher education policies for avoiding jobless growth;
- upscale and transform poverty reduction programs towards broad based social protection systems that include the lower middle class;
- use the benefits of growth for more and better targeted public investment in social sectors as well as housing and slum upgrading; and
- adjust the policy and program mix to address the multidimensional nature of poverty at a time of increasing inequalities, rapid urbanization, growing environmental stress, climate change and to improve the environments of the poor.

The inclusive growth agenda is not necessarily the same as a social cohesion policy agenda, although there are multiple overlaps. Inclusive growth addresses issues of inequality beyond poverty, but does not include issues of governance and legitimacy and other dimensions of the social cohesion agenda.

It should also be noted that “growth”, be it inclusive or not, should not be viewed as an end in itself. A “holistic societal development”, should be the ultimate goal of policy makers. A rethinking



of development paradigms is needed in order to achieve a holistic societal development, in which individuals will develop materially, socially, spiritually and culturally, in an inclusive manner. Countries around the world, including Thailand, are increasingly aiming towards such holistic development goals, measuring a country's progress not only with GDP growth but with indices that take into account people's wellbeing in all aspects of their life. Such measure of genuine progress helps humans coexist peacefully, both with one another and with nature, bringing about a truly cohesive society as a result.

Which reforms for enhanced social cohesion?

The public provision or finance of health, education and other social services can contribute to lowering inequalities. Indeed, among countries where social transfers only play a minor role in shaping the income distribution, the in-kind provision of health and education is the major contributor to reducing inequalities. Moreover, the provision of health and education services facilitates the reduction of inequalities in human development attainment, which are desirable in themselves. It also offers the prospect of future reductions in inequality by increasing the earning potential of those from disadvantaged backgrounds. For instance, the Universal Care scheme (UC scheme) in Thailand aims to extend the coverage of health insurance toward all Thais. This initiative has been successful in guaranteeing coverage for the majority of the population and has lowered the high cost of healthcare for vulnerable people who lack safety nets, including the very poor and informal sector workers.

In Malaysia, social cohesion has been the backbone of the policy agenda since 1971 and is based on 5 pillars: material conditions, social order, positive interaction, social inclusion and integration and social equality. The Malaysian social cohesion agenda puts the emphasis on the necessity to create national unity beyond ethnic and territorial divisions. One tool to achieve this is the construction of a national culture based around the use of the Malay language and the set of national principles and values.

Policy can aim to enhance social cohesion also at the level of individual organisations, especially enterprises. Through their roles as workplaces as well as productive units, enterprises and other organisations can aim at internal social cohesion objectives (happiness in the workplace, but also greater efficiency and productivity) as well as external objectives linked to social cohesion at the local or national level (through social and environmental responsibility and good governance). The promotion of social responsibility, social enterprise and good working environments through specific programmes is therefore part of a social cohesion agenda.



To enhance social cohesion, the how of public policy matters almost as much as the what: the formulation and implementation of public policy should be empowering. In policy formulation, this requires participatory processes and the integration of impact assessments to provide an evidence base for dialogue and debate. In policy implementation, decentralisation can play a role in focusing efforts and mobilising social cohesion at the local level.

Designing policy interventions that are inclusive in their implementation matters for building social cohesion. More cohesive societies have more inclusive schools and more spaces – physical, social and political – that are widely shared by citizens of different backgrounds and origins. Gender inequalities are pervasive even in fast growing countries across domains, whether it is labour market participation and wages, access to productive assets or civic participation. A social cohesion agenda will need to deal with both immediate and deep causes of gender inequalities to foster a society that is genuinely inclusive.

Finally, public policy can aim at not only alleviating but reducing the stresses that certain patterns of personal and corporate behaviour put on social cohesion. This requires that social and environmental responsibility is not only an afterthought or a public relations issue, but form part of a new mindset of administrations and firms. Several frameworks have been proposed in this regard, including that of the “sufficiency (economy) philosophy” suggested by King Bhumibol of Thailand.

Session 3 – Experiences and good practices in public policy making towards improving social cohesion: a case of Thailand

The case of Thailand is helpful to highlight policy experiences that seek to foster social cohesion. Civil society in Thailand is likely to be the most powerful force that would either threaten or promote social and economic development in the near future. The articulation between civic participation and political transparency is a key element on which public action can rely to promote a sustainable and inclusive development.

The Thai society was traditionally based on a patronage relationship with highly centralized semi-authoritarian government. Each region of the country has different historical memories, making the Thai society a complex, pluralistic one. The Thai society in the past was not based on freedom or equality under the law, but rather was highly hierarchical.

The increasing market integration of the Thai economy challenges some of the fundamentals of the Thai society. While, it opens up to foreign culture and ideas, it also questions a common sense of belonging. The current Thai society mixes modernity with traditionalism, both in the agriculture and industrial sectors. The Thai society now composes of people with different believes – from su-

perstitutions to modern sciences, from morality to natural law. Such diverse fundamental belief systems have made the Thai society a loose one that is not based on any single set of commonly agreed norms, but rather on multiple standards. Moreover, the international human rights norms conflict with the traditional patronage and hierarchical system.

In the Thai context, social cohesion is often seen as one of the dimensions of the concept of social quality, along with socio-economic security, social inclusion and social empowerment. It is one desirable characteristic of a society. Trust, both in individuals and in organisations is a necessary ingredient for social cohesion. A survey from the King Prajadhipok's Institute reveals that, in 2010, trust in political parties and community organisations is particularly low. This raises the issue of finding adequate means of civic and political participation. Forms of political participation (such as demonstrations, rallies, petitions, etc.) remain only used by a minority (only about 1/10 of people).



Decentralised governance can play an important role in bringing political empowerment and region-specific solutions. However, to make decentralisation effectively empowering minorities and expanding civic and political space for participatory decision-making is crucial. For citizens to become agents of change decentralisation has to pair the political with the fiscal dimension and strengthen the participation of civil society in policy and decision-making.



Challenges to social cohesion in Thailand are diverse and specific to each region. A closer examination at the Northeastern region, the poorest area in Thailand, suggests that market integration possibly exacerbated the problem of inequalities and changed the structure of the once highly community-based society of the Northeast into a more individualistic one. Income inequalities are important determinants of social tensions (over half of respondents perceive moderate to high tension between rich and poor), over and above other differences across religions or generational lines. This shows the important interactions between socio-economic inclusion and social cohesion. Improving economic security is therefore critical in fostering social cohesion. To that end it is necessary to put the goal of an equitable society on the national agenda and get started with some reform: particular recommendations include ensuring adequate support for older persons, strengthening security in the informal sector, putting in place systems to transfer the wealth to the poor, and more fundamental reform such as land reform and inheritance tax.



ANNEX – Programme of the meeting

9:00 – 9:30	<i>Registration and coffee</i>
9:30 – 10:00	<p>Opening remarks</p> <p>Pornprapai GANJANARINTR, Deputy-Director General, Department of International Economic Affairs, Ministry of Foreign Affairs of Thailand</p> <p>Johannes JÜTTING, Head of Unit, Poverty Reduction and Social Development, OECD Development Centre</p>
10:00 – 12:00	<p>Session 1 –Social cohesion and development</p> <p><i>How to define and measure social cohesion?</i></p> <p><i>How to articulate social cohesion and development?</i></p> <p><i>Why does social cohesion matter?</i></p>
	<p><u>Chair:</u> Suwanee KHAMMAN, Deputy Secretary-General, National Economic and Social Development Board, Thailand</p> <p>Presentation of the <i>Perspectives on Global Development 2012</i> report “Social cohesion in a shifting world”</p> <p>Johannes JÜTTING, Head of Unit, Poverty Reduction and Social Development, OECD Development Centre</p> <p><u>Discussants</u></p> <ul style="list-style-type: none"> • Prof. Surichai WANKAEO, Director of the Center for Peace and Conflict Studies, Chulalongkorn University • Gyorgy SZIRACZKI, Senior Economist and Chief of the Economic and Social Analysis Unit, Regional Office for Asia and the Pacific, International Labour Organisation
12:00 – 13:15	<i>Lunch</i>

13:15 – 15:15	<p>Session 2 - Public policies through the lens of social cohesion in Southeast Asia</p> <p><i>Inclusive growth for a more equitable distribution of wealth and thus social cohesion? Social cohesion: the impact on coherence and effectiveness of inclusive growth policy? Which reforms for enhanced social cohesion?</i></p>
	<p><u>Chair:</u> Juan DE LAIGLESIA, Economist, Poverty Reduction and Social Development, OECD Development Centre</p> <p><u>Speakers</u></p> <ul style="list-style-type: none"> • Armin BAUER, Senior Economist, Poverty Unit, Asian Development Bank • Paiboon WATTANASIRITHAM, former Deputy Prime Minister and former Minister of Social Development and Human Security of Thailand • Prof. Madya Dr. Mohamed FADZIL CHE DIN, Director, Institut Sosial Malaysia
15:15 – 15:45	Coffee break
15:45 -17:45	<p>Session 3 – Experiences and good practices in public policy making towards improving social cohesion : A Case of Thailand</p>
	<p><u>Chair:</u> Chantana Banpasirichote WUNGAE0, Head of the Department of Government, Faculty of Political Science, Chulalongkorn university</p> <p><u>Speakers</u></p> <ul style="list-style-type: none"> • Dr. Thawilwadee BUREEKUL, King Prajadhipok’s Institute • Dr. Laddawan TANTIVITAYAPITAK, Vice-Chairman of Political Development Council, Thailand • Prof. Suthipun JITPIMOLMARD, Vice President for Research and Technology Transfer Affairs, Khon Kaen University • Somchai YENSABAI, Programme Specialist, Governance Unit, UNDP Thailand
17:45 – 18:30	<p>Closing session</p>
	<p>Prof. Tanchai WOOTHISARN, King Prajadhipok’s Institute</p> <p>Johannes JÜTTING, Head of Unit, Poverty Reduction and Social Development, OECD Development Centre</p>