

# Introduction

## Inequality and Exclusion in Southeast Asia

**Hwok-Aun Lee and Christopher Choong**

Inequality presents challenges to countries the world over. Persistent gaps in income, wealth and opportunity, and entrenchment of power and privilege resonate globally and regionally. Waves of popular discontent towards a system perceived or experienced as unfair serve notice to governments, and can influence the outcome of elections. Inequality is a flourishing subject of empirical study and policy advocacy. International agencies, notably the United Nations Department of Economic and Social Affairs (UNDESA) and United Nations Conference on Trade and Development (UNCTAD), have given prominence to the problem, with attention to disparities within countries and between countries, regional trends, and changing distributional dynamics over time (UNDESA 2013; UNCTAD 2012).

Disparities in economic opportunity and entrenchment of privilege, mirrored in the concentration of wealth and influence in the top 1 per cent, have attracted particular interest in these times (Atkinson, Piketty and Saez 2011). Piketty (2014) has also shone light on the increasing share of income going to capital instead of labour, and the importance of analysing distributional issues jointly with economic growth and production, as interrelated and co-dependent phenomena. Milanovic (2011) argues that inequality is a problem in terms of sustained economic performance, social cohesion and political stability. Gallas et al. (2016) collate a set of country studies and thematic studies, striving to include more cases of inequality in the South and to provide a labour perspective.

The realization of inequality as a defining issue of our time, in both academic and political spaces, took a sharp turn after the Global Financial Crisis of 2008/2009. International non-government organizations (NGOs), the World Bank, and more recently the International Monetary Fund (IMF), have since joined the fray, commissioning more studies and policy papers on inequality. Oxfam, drawing on Credit Suisse data, has established itself as a voice of conscience—estimating global wealth concentration and advocating policy responses to broad, popular audiences (Oxfam 2017).

Inequality also resonates closer to the region of this journal's focus. The Asian Development Bank's 2012 *Development Outlook*, themed "Confronting Rising Inequality in Asia", and the recently published *Demystifying Rising Inequality in Asia* (Huang, Morgan and Yoshino 2019), have drawn attention to the phenomena in the continent. These reports, covering the 1990s into the 2000s, find rising inequality in the

**Hwok-Aun Lee** is Senior Fellow and Co-coordinator of the Malaysia Studies Programme at the ISEAS – Yusof Ishak Institute, 30 Heng Mui Keng Terrace, Singapore 119614; email: [lee\\_hwok\\_aun@iseas.edu.sg](mailto:lee_hwok_aun@iseas.edu.sg)

**Christopher Choong** is Deputy Director of Research at the Khazanah Research Institute, Level 25, Mercu UEM, Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur, Malaysia; email: [christopher.choong@krinstitute.org](mailto:christopher.choong@krinstitute.org)

major developing economies—especially China, India and Indonesia—which lend gravity to the issue. The World Bank's 2018 *East Asia and Pacific Regional Report, Riding the Wave: An East Asian Miracle for the 21st Century*, probed questions of inclusive growth and upward mobility, also with reference to select Southeast Asian economies. These documents cover important issues—structural change, technology, education, employment, skills premiums, social protection, gender gaps and urban-rural divides—that deserve to be followed up in country-specific detail.

Southeast Asia shows a mix of trends. As shown in ADB (2012), from the mid-1990s to the late 2000s, income or expenditure inequality grew in Indonesia, Singapore and Vietnam, but dropped in Cambodia, Malaysia, Thailand and the Philippines. The report highlights the urgency of confronting inequality, which if left unaddressed, not only undermines the poverty reduction impact of economic growth, but also threatens the basis of growth itself.

However, the post-2010 period has received relatively scant attention. Southeast Asia stands out in some ways; the 2010s have seen most countries in the region reduce income gaps. Nonetheless, inequality levels remain high, especially in the middle-income to high-income countries, and there appears to be a growing disconnect between the macro-data and realities on the ground. Widespread discontent and economic anxiety prevail, even while macroeconomic indicators paint a more buoyant picture.

Furthermore, although income gaps have broadly declined in the past decade, inequality levels remain high in most countries, and these macro snapshots, based on national survey data and aggregate indicators such as the Gini coefficient, only tell part of the story. Across the region, societies express discontent towards economic systems that are leaving many in the lurch.

Southeast Asian nations have broadened access to schooling and maintained relatively low unemployment, but inclusion in the growth process for a majority of the population increasingly depends on quality of education, skills and jobs. Governments across the region are acutely mindful of social expectations and realize that the economic system must deliver benefits to the lower and middle-income segments, and improve the livelihoods of successive generations.

This special issue arises out of a regional project of country studies. Four cases constitute this issue: Indonesia, Malaysia, the Philippines and Singapore.

Each study provides overviews of inequality, mainly in income, but also wealth and opportunity, discussion of salient features of disparity and exclusion, and a deeper dive into a country-specific issue under one of these overarching themes: elite power and meritocracy; spatial and intergroup disparity; structural change; and informal economies. Following the analysis of inequality patterns and underlying factors, the studies conclude by outlining policy implications and challenges.

While the four articles are structured in a way to facilitate country comparisons, the impetus for each one is highly country-specific: the marked increase in inequality in post-Soeharto Indonesia and a subsequent moderation, characterized by regional and structural dynamics; the persistence and entrenchment of an oligarchical political economy in the Philippines, underpinning high inequality levels; questionable official accounts in Malaysia, possibly overstating success in reducing income inequality and excluding important gender dimensions; and heightened consciousness and debate on inequality and inclusiveness in Singapore, with significant trade-offs at the intersections of economic competitiveness and social cohesion.

There are common threads that run across the four papers, saliently in terms of some shortcomings in empirical measurement of inequality. In the past decade or so, statistics computed from national surveys have shown declining inequality, but we also observe disconnects between macro-data and lived experiences and perceptions on the ground. More disaggregated data can lend insights, but access to such data remains a challenge. Income inequality is recognized as one of a few forms of the rich-poor divide in societies; wealth inequality continually grows in importance, and as a factor in the exclusion of households and communities from the socioeconomic mainstream.

---

The articles address structural underpinnings of inequality in ways that reflect similarities and differences across countries. These include the effects of: premature deindustrialization, spatial movements and regional disparities; group-based dynamics underlying horizontal inequalities, i.e., ethnicity and gender; as well as entrenched privilege and meritocracy. The structural factors and their interconnectedness have significant impact on the design and implementation of policies seeking to redress inequality, and also help explain the limits of such interventions.

On the whole, these articles not only highlight themes, trends and challenges in inequality and exclusion on a country-specific basis, but also provide findings and analyses for drawing out lessons at the regional level. We hope to have advanced the discourse on an issue that inevitably crosses national boundaries.

This special issue is the fruit of a regional research project based at the ISEAS – Yusof Ishak Institute and funded by the Konrad Adenauer Stiftung (KAS). The authors gratefully acknowledge KAS' financial support, and the Institute's facilitation of forums that allowed works in progress to be presented and critiqued. The four articles benefited from the proceedings of a March 2019 workshop and July 2019 conference, both held at the ISEAS – Yusof Ishak Institute.

#### REFERENCES

- ADB. 2012. *Asian Development Outlook 2012: Confronting Rising Inequality in Asia*. Bangkok: Asian Development Bank.
- Atkinson, Anthony B., Thomas Piketty, and Emmanuel Saez. 2011. "Top Incomes in the Long Run of History". *Journal of Economic Literature* 49, no. 1: 3–71.
- Gallas, Alexander Gallas, Hansjörg Herr, Frank Hoffer, and Christoph Scherrer. 2016. *Combating Inequality: The Global North and South*. Routledge: New York and London.
- Huang, Bihong, Peter J. Morgan, and Naoyuki Yoshino. 2018. *Demystifying Rising Inequality in Asia*. Tokyo: ADB Institute.
- Kanbur, Ravi, Changyong Rhee, and Juzhong Zhuang. 2014. *Inequality in Asia and the Pacific: Trends, Drivers, and Policy Implications*. Abingdon, Oxon and New York: Routledge and ADB.
- Milanovic, Branko. 2011. *The Haves and the Have-nots: A Brief and Idiosyncratic History of Global Inequality*. New York: Basic Books.
- Oxfam. 2017. *An Economy for the 99%*. Oxfam Briefing Paper, January. [https://www.oxfam.org/sites/www.oxfam.org/files/file\\_attachments/bp-economy-for-99-percent-160117-en.pdf](https://www.oxfam.org/sites/www.oxfam.org/files/file_attachments/bp-economy-for-99-percent-160117-en.pdf) (accessed 22 October 2018).
- Piketty, Thomas. 2014. *Capital in the Twenty-first Century*. Cambridge: Harvard University Press.
- UNCTAD. 2012. *Trade and Development Report 2012: Policies for Inclusive and Balanced Growth*. Geneva: United Nations Conference on Trade and Development.
- UNDESA. 2014. *Report on World Social Situation 2013: Inequality Matters*. New York: United Nations Department of Economic and Social Affairs.
- World Bank. 2018. *East Asia and Pacific Regional Report, Riding the Wave: An East Asian Miracle for the 21st Century*. Washington, DC: World Bank.
-