## Policy Brief

# INCLUSIVE EMPLOYMENT AND UNEMPLOYMENT IN ASEAN-10


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## Key Insights

- **Productivity growth is the strongest driver of unemployment reduction in ASEAN.**
- **Job quality matters as much as job quantity.**
- **Working poverty remains a major barrier to inclusive growth.**
- **Women's vulnerable employment reflects persistent labour market inequalities.**
- **Youth disengagement poses long-term risks for labour market sustainability.**


## Executive Summary

Although ASEAN countries generally report relatively low unemployment rates, significant disparities remain in productivity, job quality, working poverty, youth labour market participation, and women’s employment conditions. These structural challenges undermine inclusive growth and limit the ability of economic expansion to generate sustainable employment opportunities.

This policy brief examines the determinants of unemployment in ASEAN-10 countries between 2014 and 2023 using a panel quantile regression approach. The analysis focuses on four key labour market indicators: output per worker growth (productivity), working poverty, youth not in employment, education or training (NEET), and female vulnerable employment.

The findings show that productivity growth plays an important role in reducing unemployment, particularly in countries experiencing relatively

high unemployment rates. Working poverty and female vulnerable employment exhibit heterogeneous effects across labour market conditions, reflecting differences in labour market structures and levels of informality. Meanwhile, youth NEET rates remain a persistent concern, although their direct impact on unemployment is less pronounced.

The results suggest that ASEAN countries need integrated policies that combine productivity enhancement, labour market formalisation, social protection, and youth employment strategies to achieve more inclusive and resilient labour market outcomes.

## Background

ASEAN has experienced rapid economic growth and regional integration over the past three decades. However, economic growth has not always translated into high-quality employment opportunities. While some member states have achieved low unemployment and strong productivity growth, others continue to face challenges related to informal employment, working poverty, and labour market exclusion.

Traditional unemployment indicators often fail to capture deeper labour market vulnerabilities. High levels of working poverty, vulnerable employment among women, and youth disengagement from education and employment suggest that employment quality remains uneven across the region.

Understanding how these factors influence unemployment is critical for designing policies that support inclusive growth and decent work.

## Methodology

The study analysed annual data from all ten ASEAN member countries covering the period 2014–2023. The dependent variable was the unemployment rate, while four explanatory variables were examined:

- ❖ Output per worker growth (labour productivity)
- ❖ Working poverty rate
- ❖ Youth NEET rate
- ❖ Female vulnerable employment

A panel quantile regression approach was employed to capture differences across countries with varying unemployment levels. Unlike conventional regression methods that estimate average effects, quantile regression identifies how determinants affect countries at different points of the unemployment distribution.

## Key Findings

### 1. Productivity Growth Reduces Unemployment

Labour productivity growth is associated with lower unemployment, particularly among countries with relatively high unemployment rates. The results support the view that productivity-enhancing investments contribute to job creation and labour market resilience.

### 2. Working Poverty Remains a Structural Challenge

Working poverty continues to affect labour market performance across ASEAN. In countries with higher unemployment, increases in working poverty are associated with worsening labour market outcomes, indicating insufficient creation of productive and decent jobs.

### 3. Female Vulnerable Employment Matters

Female vulnerable employment remains high across many ASEAN countries. The results suggest that labour market outcomes are influenced by the quality and security of women's employment. Economies with large shares of vulnerable female employment may face greater labour market fragility.

### 4. Youth NEET Reflects Long-Term Labour Market Risks

Although youth NEET rates do not consistently explain short-term unemployment fluctuations, they signal deeper structural challenges related to skills mismatch, labour market access, and future employability.

### 5. Labour Market Conditions Differ Across ASEAN

The determinants of unemployment do not affect all countries equally. Policies that work in low-unemployment economies may not generate the same outcomes in countries facing higher unemployment or greater labour market vulnerability.

The evidence suggests that unemployment in ASEAN is shaped not only by economic growth but also by labour productivity, employment quality, gender inclusiveness, and youth participation. Policies focused solely on increasing employment numbers are unlikely to achieve sustainable labour market improvements. Instead, ASEAN countries should pursue a comprehensive strategy that combines productivity enhancement, formal job creation, social protection, and inclusive labour market participation. Such an approach will strengthen employment resilience and support more equitable and sustainable growth across the region.

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## Policy Recommendations

- **Invest in Productivity and Skills Development: Strengthen technical and vocational education, digital skills training, and technology adoption to enhance labour productivity and support sustainable job creation.**
- **Promote Labour Market Formalisation: Expand incentives for businesses to create formal employment and improve enforcement of labour standards, particularly in sectors with high levels of informal work.**
- **Strengthen Women's Economic Participation: Increase access to quality employment opportunities, childcare support, skills upgrading programmes, and social protection for women workers.**
- **Reduce Youth Labour Market Exclusion: Develop targeted apprenticeship programmes, internship schemes, entrepreneurship support, and school-to-work transition initiatives to reduce NEET rates.**
- **Expand Social Protection for Vulnerable Workers: Enhance income protection, wage support, and social security coverage for low-income and informal workers to reduce working poverty and improve employment resilience.**
- **Strengthen ASEAN Labour Market Cooperation: Promote regional cooperation on skills development, labour market information systems, and best practices in employment policy to support inclusive growth across member states.**

For questions, feedback and comments, please contact

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