INEQUALITY in Asia and the Pacific

International Trade Union Confederation - Asia Pacific
INTERNATIONAL TRADE UNION CONFEDERATION - ASIA PACIFIC (ITUC - AP)

INEQUALITY IN ASIA AND THE PACIFIC - CONSEQUENCES OF NEO-LIBERALISM -
FOREWORD

Inequality is rising everywhere in the last 3 decades because of growing dominance of the Neo-Liberalism in pursuit of deregulation, financialisation, labour flexibility, privatisation and retrenchment of welfare state, to name a few.

Rising income inequality is detrimental to sustainable economic growth, social cohesion and political stability. Contrary to visible economic growth, the working poor and informality have been prevailing. Obviously, the current economic growth regime has inherent deficiencies that increase inequality and impede sustainable and inclusive growth.

Regardless the level of economic development, income inequality comes from one common ground, weakening labour market institutions under the market fundamentalism. We have to change this growth paradigm.

The trade union is the crucial institution for fair income distribution through collective bargaining, and is also instrumental to re-distribution through institutional reforms by political mobilisation. Therefore, the role of the ITUC-Asia Pacific and its affiliates is clear: to curb rising inequality. Under the ITUC/ITUC-AP’s slogan, “Building Workers’ Power”, we reaffirm our commitment to organising and strong unity towards a growth based on high-income and pro-labour distributional policies, accompanied by legislative and structural policies aiming at building strong labour market institutions, that generates, by boosting domestic demand, and equitable, stable and inclusive growth regime from the sustainable future.

Against this backdrop, it is vital for the trade union to build up its research and education capacity for formulating trade union policies to redress increasing inequality. This paper is prepared as a useful tool for this purpose by providing main features in inequality as identified in our region and globally on the basis of discussions and findings at the ITUC-Asia Pacific Regional Capacity Building Workshop on Inequality and Sustainable Growth on 10-11 March 2015 in Singapore.

I would like to take this opportunity to thank all sisters and brothers from our affiliates who actively participated in the meeting to contribute to data collection, in-depth discussions and analysis of the serous situation for policy options.

Noriyuki Suzuki
General Secretary

October 2015, Singapore
CONTENTS

Foreword i

I. Introduction 1

II. Executive Summary 3

III. Analysis 4

IV. Causes and Impacts 23

V. Conclusion 24
Inequality in Asia and the Pacific

Consequences of Neo-Liberalism

Top 1% of the population monopolized:
- 12% of the GDP in 1985
- 25% of the GDP in 2010

Growth of income from 1979 to 2007
- as a whole: 62%
- Top 1: 275%
- Top 20% excluding top 1: 65%
- Middle 60: 37%
- Bottom, 20%: 18%
- CPI increase 80%

from US Congressional Budget Office

Neo-Liberalism in pursuit of:
Market Fundamentalism, Small Government, Austerity Budget, Deregulation, Privatisation, Financialisation, Denial of Welfare Society, Flat Taxation, Denial of Fiscal Policy, Trickle-Down....

I. Introduction

Almost 7 years after the global economic crisis in 2008, sluggish, uneven and jobless economic growth with stagnant real wages becomes the new economic norm while the trends of inequality in many advanced and developing economies have been upwards. Asia and the Pacific with remarkable economic growth over the last 2 decades is no exception as economic prosperity has not been fairly shared between labour and capital as well as within and across countries. Between 1990 and 2008, the labour income share declined by 10 percentage points in Asia and the Pacific despite an increase in employment. Also the ADB in its recent publication (ADB & Routledge, Inequality in Asia and the Pacific – Trends, Drivers and Policy Implications, 2014) indicated that inequality has been increasing among 80% of population in the Developing Asia.

Supported by increasing number of studies with quantitative analyses, among eminent international institutions such as ILO, OECD, IMF, ADB as well as international fora like G20, there is a broad consensus that income inequality impedes economic growth and has a negative impact on social cohesion, societal stability, public health standards and even climate sustainability. Furthermore,

---

1 This publication is prepared on the basis of discussions and analyses at the ITUC-Asia Pacific Capacity Building Workshop on Inequality and Sustainable Growth held in Singapore on 10-11 March 2015.
2 Hidehiro Kikuchi, 2015
inequality has hampered international efforts for poverty reduction, especially in Asia and the Pacific where 240 million more people are trapped under the $1.25-a-day poverty line solely because of rising inequality for last 2 decades.

Income inequality is also a threat to political stability and democracy. 'Occupy Wall Street' in 2011 and recent 'Occupy Central' and 'Sunflower Student Movement' are nothing but the expression of concerns and dissatisfaction about rising inequality and uncertainty among young people. It should be remembered that historically the Great Depression in 1929, followed by a serious social upheaval and eventually by the Second World War, occurred during the time of high income inequality in the early 1900’s.

The labour market is a primary channel through which impacts of factors driving the rise in inequality can be strengthened or weakened as a recent ILO report also says, ‘much of the recent increase in inequality in many countries is driven by changes in wages and wage inequality’. This is the reason why the ITUC-Asia Pacific has been rigorously raising workers’ voices having been concerned about the high level of inequality in our region and its adverse impacts on livelihoods of working families, sustainability of economic growth and socio-political progress in the pursuit of our constitutional aims; to defend and promote the rights and interests of all working people, without distinction, and to obtain, in particular, a fair return for their labour in conditions of dignity, justice, and safety at work and in society in general; and to be a countervailing force in the global economy in the region, committed to securing a fair distribution of wealth and income within and between countries, protection of the environment, universal access to public goods and services, comprehensive social protection, life-long learning and decent work opportunities for all.

Against this backdrop, this paper was prepared on the basis of discussions and findings at the ITUC-AP Regional Capacity Building Workshop on Inequality and Sustainable Growth on 10-11 March 2015 in Singapore.

---

4 Global Wage Report 2014/15, the ILO (2014)
5 The number of participants was 30 representing 23 affiliates of the ITUC-AP from 17 countries and ILO-ROAP, OECD-TUAC, ITUC and ITUC-AP
II. Executive Summary

Inequality is prevailing across countries and regions in most of the globe. This trend is verified and shared by increasing number of studies conducted by ILO, OECD, World Bank, IMF, ADB as well as international fora like the G20 and the ASEM. In Asia and the Pacific, remarkable economic growth over the last 2 decades has failed to deliver its promise in fairly sharing such economic growth.

Income inequality is a threat to sustainable development, as well as to political stability and democracy. ‘Occupy Wall Street’ in 2011 and recent ‘Occupy Central’ and ‘Sunflower Student Movement’ are nothing but the eruption of concerns and dissatisfaction over the rising inequality in income and uncertainty for the future, especially among young people and women.

The question of inequality is a matter of distributive injustice to realise inclusive and sustainable society.

The main features in inequality as identified in our region and globally are as follows:
1. Between 1990 and 2006, the labour income share declined by 10 percentage points in Asia and the Pacific.
2. Widening gap between the real wage growth and the labour productivity
3. Inequality has been increasing among 80% of population in developing counties in Asia and the Pacific.
4. Lower inequality contributes to higher economic growth
5. Lower inequality results in longer duration of high-economic growth
6. Increasing inequality has a negative impact on poverty reduction
7. Huge gap of poverty rate between urban and rural areas
8. Participation in global value chains has a positive impact on productivity but not on wages
9. Significant income disparity between permanent and temporary/contract workers
10. Wage gaps based on gender and according to a size of enterprises
11. Strong correlation between union density and inequality; higher union density/CBA coverage, less inequality
12. Minimum wage is effective to redress inequality
13. Taxation and SSNs are instrumental to redress inequality

On the basis of the above, the direction of trade union policy to redress inequality should be:
Raising union density, Strengthening bargaining capacity, and Unity for institutional reform to promote the shift of the current growth paradigm to the income-led growth, which is a growth model based on high-income and pro-labour distributional policies, accompanied by legislative and structural policies aiming at building strong labour market institutions, that generates, by boosting domestic demand, and equitable, stable and inclusive growth regime for the sustainable future⁶.

---

⁶ This is the definition of ‘Income-led Growth’ endorsed by the ITUC-AP 9th Regional General Council in Bangkok, Thailand on 25-26 November 2014.
III. Analysis

1. Between 1990 and 2006, the labour income share declined by 10 percentage points in Asia and the Pacific.

The labour income share or wage share, the proportion of economic value added going to wages, has been falling since 1980s across most of the world regardless of the level of economic development (Figure 1-1), contrary to an economic belief that the share is constant and consequently any government intervention to alter the share has no effect.

According to the ILO\(^7\), the labour income share declined between 1990s and 2000s, and the share in Asia and the Pacific declined by 10 percentage points as depicted by the blue line in the below graph (Figure 1-2). Simply, more and more workers with higher productivity contributing to fast economic growth received a smaller and smaller share from the growth.

---

\(^7\) ILO, World of Work Report 2008, 2008; In addition, ILO World of Work Report 2014 reaffirms the trend of declining the labour income share in the region; between 2000 and 2008, the unadjusted labour share of income declined in all observed countries in Middle East and 77 per cent of the Asian and Pacific countries.
The failure of fair distribution of total income between labour and capital, so called functional income distribution\(^8\), is also linked to the failure of fair personal income distribution. As illustrated in Figure 1-3, a noticeable decline of the labour income share in the Group 20 countries coincides with a significant increase in market as well as net income Gini indexes. This has a significant implication that the increase in personal income inequality can be explained to a large extent by the labour market\(^9\) in which the percentage of the total amount of wages to workers in the national income has been falling.

\[\text{Figure 1-3}\]

Trends in Functional and Personal Income Distribution in G20 Countries

![Graph showing trends in functional and personal income distribution.](source)


2. Widening gap between the real wage growth and the labour productivity

An increasing gap between real wage growth and labour productivity growth is visible where wage growth has been lagging behind labour productivity growth (Figure 2-1).

Asia and the Pacific is no exception to this de-linkage of wage growth and labour productivity growth.

---

\(^8\) The distribution of the national income between profits accruing to capital and wages accruing to labour

\(^9\) Sangheon LEE & Giuditta RUSCONI (*The Dimensions of Income Distribution: Measurement, Trends, and Linkage*, 2014) found that, in G20 countries as a whole, there is a statistically significant negative correlation between the labour income share and the net income Gini index. Also Margaret Jacobson and Filippo Occhino (Labour's declining Share of Income and Rising Inequality, 2012) showed that in the US the Gini index increased by 0.15~0.33 percentage point for every one percentage point decrease in the labour income share.
Since 1980s, the Asian and Pacific region has experienced fast economic growth than other regions. Labour productivity growth is one of main factors behind it (Figure 2-2). Most countries in the region had annual economic growth at 5% or more between 1999 and 2007, and, even during the economic recession between 2008 and 2011, the region showed strong economic performance with the growth rate at above 3% in most economies. However, the real wage growth in the region did not match up with the productivity growth (Figure 2-3). Figure 2-4, for example, manifests the gap between the real wage growth and the labour productivity growth in ASEAN.
3. Inequality has been increasing among 80% of population in developing counties in Asia and the Pacific.

Inequality in terms of disposable income Gini coefficient (after tax and other transfers) has been continuously increasing for the last 3 decades (Figure 3-1)\textsuperscript{11}.

\textsuperscript{11} The average real wage growth in Asia with China is 5.4% in 2011, 5.9% in 2012 and 6.0% in 2013.

\textsuperscript{12} The increase, around 0.025 percentage point, in terms of Gini coefficient, is of significance and also it should be taken into account that the increase in inequality persists even after fiscal measures of tax and transfer. The inequality level of Asia and the Pacific is lower than those of Latin America/Caribbean and Sub-Saharan Africa but both regions have had the downward trend in inequality.
According to the ADB, among 35 countries with comparative data, inequality in terms of Gini coefficient rose between the early 1990s and the late 2000s in 12 Asian and Pacific countries which account for about 82% of population in Developing Asia.\textsuperscript{13}

The figure below illustrates rising inequality for the last 2 decades (Figure 3-2). Except Singapore and Taiwan-ROC, Gini coefficients\textsuperscript{14} in the figure are calculated on the basis of per capita consumption expenditure which is, in general, lower than other income based Gini coefficients.

\textsuperscript{13}ADB & Routledge, Inequality in Asia and the Pacific – Trends, Drivers and Policy Implications, 2014

\textsuperscript{14}Gini index (or coefficient) measures the extent to which the distribution of income or consumption expenditure among individuals or households within an economy deviated from a perfectly equal distribution. Expenditure based Gini is calculated with consumption expenditure and income based Gini indexes are calculated with income without taxes or other transfer incomes (market income) or income after taxes and other transfers (disposable income)
4. Lower inequality contributes to higher economic growth

There is a broad consensus among prominent international institutions that inequality has a negative impact on economic growth, especially in medium or longer term, supported by an increasing number of analyses.

For instance, increasing inequality among OECD countries by 3 Gini points\(^\text{15}\) over the past 2 decades would have resulted in a cumulated loss in GDP of 8.5 % at the end of the period. As estimated in the figure (Figure 4-1), rising inequality would have dragged down the economic growth in New Zealand by 10 percentage points between 1990 and 2010. Also Japan and Turkey could have achieved almost 5 percentage points more economic growth between 1990 and 2010 if inequality had been contained.

![Figure 4-1](image)


The below figure (Figure 4-2) also illustrates that higher net income (disposable income) inequality is correlated to lower economic growth over the following 10 years. Each dot represents a net income Gini of a given year \(t\) (for example, in 1980) in a country and the corresponding average economic growth rate of that country between the year \(t\) and \(t+10\) (for example, average growth rate between 1980 and 1990). Thus the line shows a general trend of a slower medium term economic growth where the inequality is higher.

In addition to a strong negative correlation between economic growth and the level of inequality, a recent study found that if the richest 20% (5th income quintile) increases their income by 1 percentage point, GDP growth over the next five years would be lowered by 0.08 percentage points; on the contrary, this is the average increase in inequality in terms of Gini Index among OECD economies between 1985 and 2005. 3 Gini points is equivalent to 0.03 in Gini coefficient.
increasing income of the poorest 20% (1st income quintile) by 1 percentage point could raise GDP growth by 0.38 percentage points.

5. Lower inequality results in longer duration of high-economic growth

The level of inequality contributes to sustainability of economic growth. Figure 5-1 below illustrates the negative correlation between the level of net income inequality and the duration of growth spells, defined as the time interval of higher growth starting with a growth upbreak and ending with a downbreak.  

16 A growth spell begins with a statistical upbreak followed by a period of at least 2% average real per capital growth and ends with a statistical downbreak followed by a period of less than 2% average growth per capital.
According to a study\(^\text{17}\), among many factors affecting the duration of growth spells, a fair income distribution is the most robust and important factor associated with the duration. As illustrated by Figure 5-2 below, the 10 percentile decrease in inequality could increase the duration of a growth spell by 50 percent.

### 6. Increasing inequality has a negative impact on poverty reduction

Asia and the Pacific with remarkable economic growth over the last decades has achieved significant reduction of extreme poverty; the extreme poverty rate of developing Asia declined from 70% in 1981 to 20.7% in 2010, especially driven by fast poverty reduction in South East Asia and East Asia (Figure 6-1).

However, according to the ADB, the Asian and Pacific region could have managed to reduce further extreme poverty today if inequality in the region had been contained at the level of 1990s. Figure 6-2 below demonstrates the negative impact of increasing inequality on poverty reduction. The simulated poverty rate is the poverty rate that could have been observable in the final year if the inequality had remained at its level of the initial year.

The population under $1.25-a-day poverty line in Indonesia would have fallen to 6.1%, instead of the actual 16.3% if inequality had remained same between 1990s and 2000s. India also would have had the lower poverty rate of 29.5%, instead of 32.7%, if inequality had not risen for the past 2 decades. In total, it is estimated that 240 million more people could have been out of the extreme poverty in Asia and the Pacific if the level of inequality had remained at the level of 1990s.

Rising inequality increases vulnerability of those people to falling back to poverty again. For the next 15 years, the population under $1.25 as well as
$1.51 poverty lines will decline. However, the pace of poverty reduction would become much slower if food insecurity and vulnerability (to climate degradation as well as to external shocks) which could be aggravated by rising inequality (Figure 6-3) were taken into account.

7. Huge gap of poverty rate between urban and rural areas

In Asia and the Pacific, there is the gap of the poverty rate between rural and urban areas (Figure 7-1), as urban-rural inequality persists. Fast urbanisation without proper measures to mitigate adverse outcomes increases the income gap between urban and rural areas and it has significantly contributed to inequality in general in Asia and the Pacific (Figure 7-2). Urban-rural inequality could explain 45% of inequality in China and around 20% of inequality in Indian, Indonesia and Philippines. Furthermore regional inequality, based on uneven allocation of economic activity and infrastructure as well as unevenly distributed natural resources or geographical benefits, etc. becomes more exacerbated as a self-perpetuation process in benefited areas increases further concentration of benefits.

Source: ADB, Key Indicators for Asia and the Pacific 2014, 2014

Source: World Bank, World Development Indicators, 2015
Spatial inequality, which includes urban-rural inequality and interregional inequality together, contribute significantly to overall level of inequality in Asia (Figure 7-3). For example, spatial inequality contributes to more than 50% of inequality in China. Also around 30% of overall inequality in India as well as 25% of inequality in Indonesia could be explained by such spatial urban-rural inequality.

8. Participation in global value chains has a positive impact on productivity but not on wages

The participation of Asian firms in global value chains has been increasing (Figure 8-1), mainly as suppliers in developing and emerging economies such as Bangladesh, Cambodia, China, India, Indonesia, Pakistan, Sri Lanka and Turkey. Participation of supplier firms in global supply chains has a positive impact on labour productivity in total, mainly due to higher productivity gain in advanced economies, but no significant impacts on wages as well as working
conditions regardless of economic status. As depicted by Figure 8-2, an increase in the share of exported goods and services of supplier firms used as imported inputs to produce other countries’ exports is associated with around 0.07 percentage change in the labour productivity growth in terms of value added per worker in total. The positive impact on productivity growth is significant since the line indicating the 90 per cent confidence interval lies above 0. On the other hand, the increase in the share has no significant effects on wage growth as the lines lie across 0, which implies that there would be no or even negative relationship between global supply chain participation and wages within the 90 per cent confidence interval. The positive impact of participation in global supply chains on the labour productivity without any positive impact on wages could be interpreted as a cause of the declining labour income share.

Source: ILO & ADB, ASEAN Community 2015: Managing Integration for better jobs and shared prosperity, 2014

18 The small square point is the value of the point estimate of a regression model and a line indicates the 90 percent confidence interval. If a line comprises 0 or even negative values, it cannot be said that the impact of global supply chain participation on wage or productivity is significantly positive. In the figure 8-2, participation of sectors as suppliers in the global supply chain has only significant impact on productivity in advanced economies or in total.

Source: ILO, World Employment and Social Outlook (Asia and the Pacific Supplement), 2015
9. Significant income disparity between permanent and temporary/contract workers

The nature of jobs has been changing; (Figure 9-1); only five in ten workers in the world are in wage and salaried employment and only one in every four workers is in permanent employment. More than half of the total employment in a middle income country is in vulnerable employment so is more than 80% of total employment in a low income country. Vulnerable employment is rampant in Asia and the Pacific; 70% of total employment in South Asia, 40% of total employment in South East Asia and the Pacific, and 40 percent of total employment in East Asia.¹⁹

There is significant income disparity between permanent and temporary/informal workers as depicted below (Figure 9-2), especially in emerging and developing countries. For instance in Turkey, a temporary/informal worker is paid 60% less than the average annual wage income of permanent/formal worker.

Figure 9-3 manifests the growing wage gap between regular workers and irregular workers in Korea.

10. Wage gaps based on gender and according to sizes of enterprises

There are pervasive gender disparities in our region. Female workers are around US$9 trillion worse off due to the gender pay gap as demonstrated by Figure 10-1 on gender pay gaps in Asia and the Pacific. Also women’s opportunity to participate in the labour market is limited (Figure 10-2) and their employment is disproportionately concentrated in informal economy and precarious employment. For example, the number of female workers in part time jobs is more than double of the number of male part time workers (Figure 10-3).
Also there is a wage gap based on size of enterprises. Figure 10-4 illustrates wage gaps by enterprise size in Japan and Figure 10-5 shows the ratio of less than 500 employee companies to over 500 employee companies in terms of per capita remuneration in Korea. In Japan, there is a pay gap of around 20 thousand Japanese Yen (US$160) based on the size of enterprises among workers in the age group between 50 and 54. In Korea, wage gaps based on the size of enterprises has been widening.
11. Strong correlation between union density and inequality; higher union density/CBA coverage, less inequality

With the declining trend of union densities in the region and globally, serious erosion of bargaining power of unions has resulted in decrease in earnings for middle/low income workers but contrarily the increase in top income earners such as shareholders and top managers. A recent IMF article found that the decline in unionisation was strongly associated with the rise of income shares at the top[^20].

Figure 11-1 depicts the negative correlation between union density and inequality. Similarly Figure 11-2 illustrates the correlation of lower unionisation in advanced economies with an increase in top 10 percent income share.

The below figure (Figure 11-3) shows the negative correlation between CBA coverage and inequality. Figure 11-4 shows the negative relation between union density and the incidence of low pay\textsuperscript{21}. In a country with 15\% of union density, the average incident of low pay is about 25\%. However, the incident becomes halved if the density increases to 50\%.

\textsuperscript{21} The incidence of low pay refers to the share of workers earning less than two-thirds of median earnings.
12. Minimum wage is effective to redress inequality

The minimum wage level in Asia and the Pacific is substantially low, below the poverty line at 50% of the median wage, to guarantee the minimum necessities of living standards of low-wage workers.

The figure below illustrates the negative correlation between the levels of minimum wage and inequality (Figure 12-1). Figure 12-2 shows that the gap between a minimum wage and an average wage becomes narrower as the union density is higher. Minimum wage is effective to redress inequality.
13. Taxation and SSNs are instrumental to redress inequality.

Well-established taxation and comprehensive social protection are already proven to be effective to reduce inequality, even up to 50% reduction of the level of inequality in terms of Gini coefficient (Figure 13-1/2).

The above figure demonstrates a strong correlation between top tax rates and top pre-tax income shares.
IV. Causes and Impacts

An ITUC-AP Workshop conducted the survey on 1) country trend of income inequality with available labour indicators, 2) causes and impacts of rising inequality, 3) best practices and actions to redress rising inequality. Total 23 replies covering 17 countries were looked into, especially focusing on causes and impacts of rising inequality.

5 main causes of increasing inequality in order of significance were identified. Each cause from a survey reply was given a point from 5 to 1 according to its order of significance (Figure 14).

The most significant cause (85 points) of rising inequality was weakened labour market institutions and the trade union movement including labour market deregulation, job insecurity, labour market segmentation, persistent discrimination, lower wages including minimum wages.

Secondly, social and political instability including incompetent or weak national governance as well as lack of social dialogue (45 points) was identified as the next most serious cause of rising inequality. This finding clearly demonstrates the fact that rising inequality in Asia and the Pacific has social and political aspects including the level of democracy.

Thirdly, neo-liberalism (43 points) pursuing globalisation and economic integration was pointed out as a main cause of rising inequality. Especially, it was answered that conditionality of the IMF deteriorated aggravated inequality in Pakistan. It is clear that inequality (32 points) feeds inequality in many countries, and lack of social protection and unfair taxation (32 points) could result in rising inequality.

Additionally, jobless growth, unequal opportunity of education, discrimination against vulnerable workers such as women, youth and migrant workers, energy shortage, lack of investment opportunity were pointed out as main causes of rising inequality.

---

23 the ITUC-Asia Pacific Capacity Building Workshop on Inequality and Sustainable Growth held in Singapore on 10-11 March 2015
5 main impacts of rising inequality in each country were also identified in order of significance. Each impact answered in a survey reply was again given a point from 5 to 1 according to its order of significance (Figure 15). It was answered that societies were facing persistent poverty and working poor with further aggravated level of inequality (90 points).

Then it was pointed out that there were many social and political issues (86 points) arisen due to rising inequality such as social tension and unrest, socio-political instability, social immobility, late marriage and high suicide, increasing household debts. Working conditions and employment situations (49 points) were also deteriorated as economic growth and development were impeded (33 points).

![Figure 15]

V. Conclusion

Regardless the level of economic development, most countries in Asia and the Pacific have experienced increasing inequality on a common ground, that is weakening labour market institutions. Labour market deregulation aggravates job insecurity and increase wage gaps as well as precarisation of employment while the global value chains have increased imbalance across the world.

The bargaining power of trade unions has been eroded as the membership has been declining with increasing difficulty to organise workers as well as violation of fundamental workers’ rights. The below figure clearly demonstrates that labour market flexibility, the apologetic of labour market liberation by weakening labour market institutions and policies, is a robust factor to increase inequality.
Figure 17 could illustrate 2 important aspects; 1) adverse impact of labour market deregulation on inequality and 2) importance of workers' political mobilisation for a pro-labour government.

In New Zealand, deregulation of the labour market had been accelerated since the end of 1980's as a new Labour Relations Act 1987 ending compulsory arbitration as well as the Employment contracts Act 1991 increasing flexibility and heterogeneity in employment were introduced. Rapid increase in Gini coefficient can be observed between 1998 and 2000. However, since 1999 when the labour government came into power until 2008, the level of inequality has slightly decreased.

Without redressing these phenomena, rising inequality would perpetuate and the social and political consequences of which would be immensely wide and deep in our society; political instability is rising; situation in health and education are
undermined; inequality of opportunities is rampant; social cohesion is undercut; generation gap is deepened; These negative aspects in economic development would ultimately result in deficits in democracy and peace.

The roles of the trade union are clear and important as the trade union movement is a crucial institution of wage income distributional mechanism through collective bargaining and also re-distributional mechanism through institutional reform by political mobilisation. It is pivotal to restore the power of the trade union movement; increasing union density by organizing workers, especially vulnerable workers such as youth, women and migrant workers, is vital; the right to collective bargaining must be exercised with broadening its coverage; formalization of informal economy is urgent; and living wage should be given based on a sufficient level of minimum wages.

Above all, it is clear that sustainable economic growth and equitable society are not natural products of the current economic growth regime driven only by the market with inherent deficiencies to increase inequality. Therefore, the trade union movement should promote the shift of the current growth paradigm to the income-led growth, which is a growth model based on high-income and pro-labour distributional policies, accompanied by legislative and structural policies aiming at building strong labour market institutions, that generates, by boosting domestic demand, and equitable, stable and inclusive growth regime for the sustainable future.\textsuperscript{24}

\textsuperscript{24} This is the definitional of ‘Income-led Growth’ endorsed by the ITUC-AP 9\textsuperscript{th} Regional General Council in Bangkok, Thailand on 25-26 November 2014.