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Guest Editorial

Inequality and Public Policy in Asia

(Ketidaksamaan dan Polisi Awam di Asia)

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ABSTRACT

Inequality is on the rise in many parts of Asia despite decades of economic growth and falling poverty. The concern over widening income and wealth gaps has further increased following the COVID-19 pandemic, which has also revived the discussion on the role of public policy in ensuring more equal market outcomes and social opportunities. This guest editorial introduces the special issue proposed by the Global Labor Organization (GLO) on inequality in Asia which includes ten papers by academics and policy researchers. The authors present contrasting research perspectives and evidence using a variety of datasets, methodologies and country experiences to better understand the evolution of inequality and its underlying causes. More specifically, they assess the role of educational expansion, population aging, migration, structural change, trade liberalization, public expenditure and social protection programs in inequality reduction. A number of policy actions are considered to tackle rising inequality such as addressing shortfalls in social expenditure, making social protection systems more inclusive and rethinking the governance of international labor migration. The recommendations also emphasize building on the lessons learnt from the pandemic.

ABSTRAK

Ketidaksamaan semakin meningkat di banyak bahagian Asia disebalik berdekad-dekad pertumbuhan ekonomi dan kejatuhan kemiskinan. Kebimbangan terhadap jurang pendapatan dan kekayaan yang semakin melebar berikutan pandemik COVID-19, yang turut menghidupkan semula perbincangan mengenai peranan dasar awam dalam memastikan hasil pasaran dan peluang sosial yang lebih sama rata. Editorial jemputan ini memperkenalkan isu khas yang dicadangkan oleh Pertubuhan Buruh Global (GLO) mengenai ketidaksamaan di Asia yang merangkumi sepuluh kertas kerja oleh ahli akademik dan penyelidik dasar. Penulis mengemukakan perspektif dan bukti penyelidikan yang berbeza menggunakan pelbagai set data, metodologi dan pengalaman negara untuk lebih memahami evolusi ketidaksamaan dan punca asasnya. Lebih khusus lagi, mereka menilai peranan pengembangan pendidikan, penuaan penduduk, migrasi, perubahan struktur, liberalisasi perdagangan, perbelanjaan awam dan program perlindungan sosial dalam mengurangan ketidaksamaan. Beberapa tindakan dasar dipertimbangkan untuk menangani ketidaksamaan yang semakin meningkat seperti menangani kekurangan dalam perbelanjaan sosial, menjadikan sistem perlindungan sosial lebih inklusif dan memikirkan semula tadbir urus migrasi buruh antarabangsa. Cadangan tersebut juga menekankan membina pengajaran yang dipelajari daripada wabak itu.

INTRODUCTION

The past two decades have seen considerable improvement in social indicators alongside a decline in global poverty. With the exception of selected African countries, per capita income has risen in most parts of the world following sustained economic growth. This in turn helped narrow between-country income gaps and reduce global income inequality. However, within-country inequality has risen during the same period in many developing and developed countries (Gradín, 2021; Gradín & Oppel, 2021). Those in Asia are no exception, despite rapid educational expansion, poverty reduction and export-driven macroeconomic growth. Furthermore, there has been a sharp rise in global inequality and poverty following the Covid-19 pandemic (Mahler et al., 2022). In many parts of Asia, the Covid-19 pandemic has further worsened the pre-existing inequality trends, even though, at the onset of the pandemic, government expenditure rose sharply in response to health and economic crises (World Health Organization 2021) All these raise questions about the role and effectiveness of governments in redistributing income and wealth.

Public policies are widely believed to influence economic inequality through redistribution. Fiscal policy tools such as progressive direct taxation and social benefits affect the distribution of disposable income. Other channels through which public policy affects inequality is via its impact on the distribution of market incomes - through public provision of education, public sector employment, investment in physical infrastructure and better regulation of the labor market (Battisti & Zeira 2018; Atkinson, 2018). However, which type of fiscal policy (e.g. transfer payments vs direct taxation vs overall measure of fiscal policy such as public expenditures as percent of GDP or the size of the public sector) is most effective in fighting inequality remains debatable (Battisti & Zeira 2016).

Another role of public policy is to eliminate market and pre-market inequality that can be attributed to circumstances beyond individuals' control. Evidence confirms significant inequalities in social opportunities in developing Asia (Aizawa 2019, 2021). At the same time, in some countries with a strong state and growing economy such as China, there is evidence of a decline in the level of IOp as well as its contribution to total inequality (Yang et al. 2021).Therefore, alongside commonly researched drivers of inequality (e.g. the role of globalization, technological change and market liberalization and financial deregulation), it is important to revisit the role of public expenditures, social programs and educational development in inequality reduction.

THE STUDY CONTEXT AND BACKGROUND

Beyond impacting economic growth, rising inequality may hinder poverty reduction efforts and exacerbate distrust in institutions, giving rise to social unrest and political instability (Milanovic 2011; Bergstrom 2022). Yet recent research on the extent and nature of income and wealth distributions in the world highlights some worrying patterns (Chancel et al. 2022). First, within-country inequality has increased in most countries over the past two decades even though inequalities between countries have fallen. Second, global wealth inequalities are even more pronounced than income inequalities. Third, one sub-region in Asia (i.e. Middle East (including North Africa) is the most unequal region in the world. Fourth and most importantly, there are serious concerns over the role of public policy in inequality reduction – as countries have become richer, their governments have become poorer and in debts, indicating an increasing concentration of wealth in the private sector hands.

COVID-19 related macroeconomic shocks have created new public policy challenges – while the government's fiscal capacity has been adversely affected, by suddenly pushing millions into poverty, the pandemic has also created new demands for fiscal transfers to the vulnerable groups. Moreover, research indicates that the adverse unequal effect of the pandemic has been magnified by deficits in state provisions: two-thirds of the inequality in COVID deaths reflect pre-existing inequality in access to quality health care (Eichenbaum et al. 2022).

However, even before the pandemic, widening income inequality has been accompanied by growing demand for redistributive policy measures. In the past few decades, many Asian developing countries have experienced an increase in income inequality along the path of economic development. This is true also for East Asia, a region known for rapid and broad-based economic growth during the 1980s and 1990s. Despite this legacy of inclusive growth, there is evidence of a growing concentration of income and wealth (World Bank 2018). Furthermore, even in countries such as Malaysia where between-group income gaps have declined in the past decade, inequality still remains high (Asadullah et al. 2020).

In the past two decades, some Asian countries (including China) have undergone structural changes while others have seen major expansions of their secondary and tertiary education systems. At the same time, the 2008 Global Financial Crisis has brought about important changes to social protection systems. Given the differential response of government policies within Asia, it remains debatable whether the recent evolution of income inequality in the continent is a story of within-country inequality or changes in the average incomes across countries. Moreover, in populous Asian countries such as China, Bangladesh, India and Indonesia, average income has increased more rapidly compared to high-income countries such as Singapore and Japan. This has contributed to a significant growth in the middle-class population (World Bank 2018; Sicular et al. 2022) which, in Asian democracies, may create additional political challenges to divert fiscal resources for redistribution purposes (Acemoglu et al. 2013).

Other policy challenges facing the region includes rapid population ageing, shrinking labor force and falling labor share in national income. Moreover, in some Asian countries, demands for migrant workers will increase in the coming decades leading to greater population movements from countries such as Bangladesh and India to others such as Thailand, Malaysia and Japan. Thailand alone receives over 3 million workers from Laos, Cambodia, and Myanmar to support its economic activities. More migration is inevitable as Thailand gets old before becoming rich. In particular, demographic change in China and India is likely to have implications for inequality in rest of Asia. Population movements across locations and countries based on human capital and skills is well-recognized as an important source of international differences in between and within country inequality (Young 2013). In developing Asia, migration has been also critical for closing regional income inequality (Hao et al. 2020). How these forthcoming demographic shifts will affect inequality needs careful scrutiny.

Another related debate in the empirical literature on inequality is the role of fiscal policy. In poorer countries such as Bangladesh with rising inequality, state capacity (e.g. tax-GDP ratio; size of government spending) is also poor. Some supporting evidence is available that public expenditure helps reduce inequality (Anderson et al. 2017). On the other hand, there is no clear evidence that higher government spending per se plays a significant role in reducing income poverty in low- and middle-income countries (Anderson et al. 2018). Social spending could be also used to cushion the effect of globalization on (within-country) inequality. But once again, clear evidence is lacking (Bergh et al. 2020). These findings call for further research on the redistributive role of fiscal policy.

Various international development agencies have commissioned reports, studies and policy papers on inequality to demystify widening inequality in Asia (ADB 2012; Kanbur et al. 2014; Huang et al. 2019; Lee & Choong, 2019). More recent studies include Zhuang (2022) and Kim (2022) who focus on a sub-set of Asian countries. However, available research on inequality often lacks consensus owing to differences in the choice of concepts, measurement and data source, resulting in conflicting conclusions. Even when using the widely used measure of inequality, namely, Gini coefficient, estimates differ depending on the choice of data on market income (i.e. income before tax and without transfers) vs disposable income (i.e. after tax and including transfers). Assessing inequality in one dimension can understate both the level of and growth in inequality (Fisher et al. 2022). Evidence indicates that research using data on average national incomes grossly understates existing inequality in a society, which is particularly true for certain Asian countries such as India (Chancel et al. 2022). The consensus therefore is to use disaggregated data (e.g. at regional, household and individual level) and accommodate multiple indices of inequality when summarizing its extent and intensity.

Needless to say, existing studies on Asia also differ greatly in other aspects such as their geographical focus as well as measures of correlates of inequality. Official inequality data is measured differently across countries which in turn affects the sample composition of studies with a global or regional focus. The differences in findings may reflect how inequality is measured, e.g. the labor share in the GDP, the Gini coefficient, the top income share and so on. Findings are also sensitive to the use of disposable vs market income data for assessing inequality. When measured at the household level, some scholars find that the (income) Gini coefficient in Asia as a whole has decreased between 2008 and 2013 (Milanovic 2022). Nonetheless, within country inequality estimates for Asian countries differ significantly depending on whether income or expenditure data is utilized (Gradín & Wu 2020).

Similar challenges arise when choosing how to define the main covariate of interest e.g. the role of governance and state capacity partly depends on the proxies used to measure and define institutional quality. Lastly, there is the added challenge of model specification; both the size and direction of the estimated relationship between a specific correlate and income inequality is potentially sensitive to the choice of control variables and estimation methods used.

Given the above gaps and challenges, more research using a variety of data is required to inform our understanding of inequality. This special issue contributes in that direction with an exclusive focus on inequality experiences of Asian countries.

THE INEQUALITY CHALLENGES IN ASIA: AN OVERVIEW OF THE SPECIAL ISSUE MANUSCRIPTS

This special issue, proposed by the Global Labor Organization (GLO), brings scholars from differ parts of developing Asia to deliberate on the nature, trends, and drivers of inequality in Asia. Contributors include academics, policy researchers and members of the GLO. In total, 10 studies offer new evidence and insights on inequality in Asia and the role of public policy. The spatial coverage is broad. Papers offer regional/global perspectives as well as country studies related to Indonesia, Malaysia and Jordan. Some papers draw reference to Australia and New Zealand in the analysis, even though they are not parts of Asia. While most contributors focus on macro data, three papers look at inequality and distributional issues using household, individual and regional data.

The first paper by **Koh, Lee and Siah (2022)** revisits the puzzle of the resurgence of income inequality in Asia-Pacific with a focus on the role of trade openness, educational attainment and institutional quality. The authors limit their analysis to nineteen Asian economies from Asia and the Pacific focusing on the period 1990-2019. Methodologically, they follow Generalised Methods of Moments for model estimation purposes. The main hypothesis is that good institutions can generate better distributional outcomes in terms of foreign trade and educational attainment. To test this, they model the role of governance in multiple dimensions: government stability, corruption, law and order, democratic accountability, and bureaucratic quality. Their results confirm that controlling for the country's income level, increasing trade openness and improvements in institutional quality contributed to reducing the income Gini coefficient during the study period. However, educational attainment has an unexpected inequality-widening effect. The authors therefore also reflect on country-specific experiences and policy choices to understand the rising trend in inequality in the Asia-Pacific region.

The authors neither find evidence that inequality-widening effect of education was mediated via trade openness, nor by the country's institutional quality.

This then questions the relevance of public policy in inequality reduction. It should be noted that an overall analysis of inequality in Asia-Pacific may conceal important heterogeneity since countries are at different stages of economic development and the fiscal capacity of the state can vary accordingly. Therefore, it is useful to re-evaluate the role of government and assess whether, for instance, public expenditure has a differential effect on inequality vis-à-vis the process of structural transformation.

Next, **Durongkaveroj (2022)** examines this using a sample of 21 Asian countries (Bangladesh, Cambodia, China, Chinese Taipei, Hong Kong, India, Indonesia, Israel, Japan, Laos, Malaysia, Myanmar, Nepal, Pakistan, Philippines, Singapore, South Korea, Sri Lanka, Thailand, Turkey, and Vietnam) with an exclusive focus on structural transformation. For comparison purposes, the author also offers supplementary evidence using an expanded sample that includes 21 African and 7 Latin American countries. The primary goal of the paper is to examine the nexus between government spending and income inequality (measured by the net Gini coefficient) in the context of structural transformation. For this, the author uses a multi-country panel data set covering 51 countries for the period 1990 to 2018 and an analytical framework that draws on Kuznets (1955). Methodologically, the paper employs a system GMM approach.

The estimates show that at a low level of government expenditure, an expansion increases income inequality but falls at the later stage, suggesting an inverted U-shaped relationship. Compared to high income countries, this inequality-reducing effect of government spending is more pronounced in developing nations. Moreover, the relationship varies by expenditure type -- the effect of government spending on inequality in Asian countries is only limited to health expenditure. This suggests that the redistributive effect of government expenditure may partly depend on the extent to which the primary beneficiaries are low-income people.

Any analysis based on income Gini can be accused of understating the true extent of inequality. To this end, the paper by **Raihan (2022)** offers a comprehensive assessment of trends in and correlates of income inequality in the Asia-Pacific using data on functional income distribution. More specifically, for the period 2004-2017, the paper examines the trend and patterns of three closely related indicators: (i) the share of labor in GDP, (ii) the gap between wage and productivity, and (iii) income Gini coefficient. The author first presents evidence that the labor share in income is negatively associated with inequality in the Asia-Pacific countries. Yet country level data also shows a decline in labor income shares during the study period in most of the countries examined. This has coincided with a rise in the gap between labor productivity and wage, defined as the shortfall of wage from labor productivity as a percentage of wage.

To understand the determinants of cross-country differences in labor share, the author undertakes panel econometric regression analysis. Consistent with **Koh, Lee and Siah (2022)**, multivariate model estimates confirm that trade openness (and FDI) have a negative association with the labor share in GDP in the Asia-Pacific countries ; this relationship is positive with the gap between labor productivity and wage. Among other findings, economic growth and structural transformation processes have not contributed to a rise in the labor share in GDP. The author also reports a negative association between non-agricultural employment share in total employment and the labor share in GDP. One encouraging finding however is that education is positively associated with labor productivity. Therefore, further investment in schooling can potentially contribute to a higher labor share in GDP. Based on these results, the author emphasises on the importance of government revenue generation and higher social spending to reverse the trend of falling labor share in the GDP.

The first three articles of the special issue have focused on economic and institutional drivers of past inequality patterns in Asia. But one issue that is critical in the global assessment of inequality is the role of demographic change and how it may affect between-country income difference in the future. For countries that are ageing (e.g. Japan) or at an early stage of ageing (e.g. China), there is a serious risk of shrinking labor force which can adversely impact labor share in the GDP. As a matter of fact, beyond a declining labor share, population ageing may also adversely affect the average wages. Studies on Asian countries confirm a positive relationship between aging and income inequality which is mediated via a reduction in labor income share (Wang et al. 2017). For South Korea, there is also some evidence of a negative effect of population ageing on household income (Hwang et al. 2021).

Therefore, by way of critically reviewing the demographic changes across developed and developing countries, **Bruni (2022)** integrates the debate over global (between-country) income inequality with “the Great Population Debate” to provide some provocative perspectives on the future of inequality in Asia. Based on an analysis of historical trends, the author reflects on more recent trends spanning the period 1990 – 2020 and with a focus on four country/regional case studies. The experience of India and China are considered separately. Building on the work of the proponents of the “demographic dividend”, it is argued that to understand the complex relationship between population growth and economic growth, it is necessary to scrutinize how demographic transition will affect the population age structure across countries at different stages of economic development.

Conceptually, the paper explains that the demographic transition process generates several interlinked challenges with respect to education, employment and migration. In the coming decades, a demographic polarization in rich countries will create a chronic shortage of labor while leaving poor countries with a structural excess of labor. This will exert an upward pressure on wages in high income countries and in turn increase demand for immigration. Prominent inequality scholars including Branko Milanovic have also argued in favor of leveraging this trend and exploit international migrations as a measure to reduce between-country inequality even though the underlying analysis does not fully factor in future demographic trends and their labor market implications. The policy implication is that considering the new reality, high income country governments should mobilize public opinion towards foreign migrants alongside innovating institutional provisions for greater migration. Such innovations have the potential of triggering a new cycle of migration-induced economic growth in low income countries and in turn narrow the between-country inequality in per capita income. However, **Bruni (2022)** also cautions about the political challenges for greater circular migration in the current geopolitical climate.

A recent meta-analysis of the effects of government spending on income inequality in low- and middle-income countries indicates a moderate negative relationship between government spending and income inequality (Anderson et al. 2017). However, there is also considerable heterogeneity e.g. effects being strongest for social spending. Therefore, in their analysis of regional inequality, **Hakim and Rosini (2022)** use panel data from 33 Indonesian provinces to distinguish between public and private expenditure. The study is additionally motivated by the fact that in Asian countries under a federal system, regional policy differences account for much of the within-country inequality variation. Differences in aggregate spending aside, the authors additionally explore the role of educational and infrastructure (using internet access as a proxy) developments. Another notable aspect of the study is that the study period (i.e. 2006 -2021) spans the Covid-19 pandemic.

The authors distinguish among three types of investment -- regional public investment (RDI), private domestic investment (PDI), and foreign direct investment (FDI). Given the use of panel dataset, methodologically they employ a system generalized method of moment (Sys-GMM) estimation technique. The main finding is that FDI and PDI affect regional economic growth positively but PDI increases regional income inequality. In contrast, school participation rate and internet access were associated with reduced regional income inequality, though this was not the case with average years of schooling. The authors conjecture that the latter finding could be owing to the fact that school completion opportunities favored middle- and high-income groups. Another notable policy related finding is that during the pandemic (i.e. 2020-2021), most Indonesian provinces did not experience an increase in income inequality except populous and urbanized provinces such as Jakarta, West Java, and East Java. This contrasting inequality experience vis-à-vis COVID-19 pandemic suggest that the social security program to protect the poor during the pandemic was better implemented in low-income provinces.

Overall, the paper highlights two unexpected public policy trade-offs for regional governments. First, while provisions to attract private and foreign investment are pro-growth, they can have unintended distributional consequences. Second, the positive impact of school enrolment participation on regional income inequality reduction can be cancelled out by the opposite effect of the average years of schooling.

The above finding of between-province differences in inequality trends, particularly the spike in inequality in Java, raises an important question about inequality persistence as well as the role of public policy during crisis times. As a matter of fact, following the outbreak of the Covid-19 pandemic, there is an ongoing debate over economic inequality as well as the relative importance of policies to saving lives vs. protecting livelihoods during times of crisis. But some parts of Asia have experienced similar challenges in the past, for instance during the Spanish flue pandemic of 1920s. In this context, one question of interest regards any policy lessons from the past and whether regions (e.g. late colonial Java) historically affected by crisis are those that are structurally more vulnerable to a rise in inequality during crisis times.

Therefore, the paper by **Brata, Triandaru, Patnasari, Setyastuti, Sutarta & Sukamto (2022)** revisits Indonesia's experience with the Spanish flue pandemic. The authors compile historical data to construct a province-level panel dataset on Java to understand how the loss of lives affected sub-regional inequality. In addition, they examine recent inequality trends in Java during Covid-19 pandemic. Methodologically, they estimate ordinary least squares regression (OLS) and report a negative association between population fatality during the Spanish flu and economic inequality across 14 residencies. This in turn is shown to have improved income distribution in the post-pandemic period in late colonial Java. The authors further build on their historical analysis to shed light on the current pattern of inequality in Java. Analyzing recent spatial and temporal trends, they conjecture about the existence of an inequality trap in Java.

Another aspect of inequality in Asia relates to uneven distribution of pre-market opportunities. In many parts of South Asia, literacy and school participation remains particularly low among girls, ethnic minority groups and others from economically disadvantaged groups. On the other hand, East Asian governments have done well to expand schooling opportunities as evidenced from a relatively high level of secondary education enrolment.

But even then, there is considerable inequality in learning outcomes and school performance which is suggestive of high Inequality of Educational Opportunity (IEOp) i.e. the high share in test score variance explained by predetermined circumstances beyond a student's control. This remains a relatively overlooked aspect in the inequality debate in Asia even though academic research has documented the issue of the coevolution of educational expansion and educational inequality and its socioeconomic consequences (Hannum et al. 2019; Das et al. 2022).

Such inequalities are a little puzzling considering heavy public investment in education. In Malaysia, for instance, learners benefit from a relatively high number of teachers resulting in a very small class size (or student-teacher ratio). Yet learning opportunities differ by ethnicity and location; in some instances, there is also a sizable boy-girl gap often to the disadvantage of the former. Therefore **Surianshah (2022)** revisits the issue of widening gender gap in learning outcomes in Malaysia despite a narrowing of rural-urban achievement gap, and whether and how it varies by class size in school. The main motivation of the study is to verify whether gender differentiated investment in class size can help in addressing the boy-girl performance gap in Malaysian schools. Since boys are often associated with disruptive behaviour, those of lower ability may be placed in a smaller class for disciplinary reasons, leaving girls on average in a relatively larger class size.

In the absence of official data on learning outcomes, the author uses student level data from PISA. The raw data does show a significantly smaller class size experienced by boys vis-à-vis girls. To investigate the issue further, the paper estimates educational production function using mathematics, science and language scores of the students as dependent variables. Methodologically, the production functions are estimated using the two-step least squares and quantile regression techniques. Findings show that, contrary to the common perception, decrease in class size does not have a statistical effect on student scores in mathematics and science; this is true for boys as well as girls. Based on further analysis, the author stresses that the boy-girl difference in maths and science test scores in Malaysia is unlikely to be a matter of school level investment or infrastructure. Quintile regression analysis shows that, if anything, it is high-ability girls who benefit from reduced class sizes. The paper therefore recommends governments to look beyond resource intensive solutions and innovate cost-effective policy responses to social inequalities in learning outcomes.

Apart from rapid expansion of schooling opportunities, two recent developments have created new hopes for inequality reduction in Asia. These are: (i) international migration and (ii) greater use of technology for job creation. Overseas migration offers a way out of poverty by giving access to high income labor markets. The money remitted back to left-behind family members can reduce poverty in otherwise economically disadvantaged rural locations. However, for workers too poor to afford the expenses of seeking jobs overseas or without the necessary social networks to search for such jobs, international migration is unlikely to be an option.

Numerous studies have documented the consequences of foreign migration for economic inequalities. However, in countries that are receiver and sender of migrant workers (and/or foreign refugees), the inequality implications are less clear cut. To this end, **Hlasny and AlAzzawi (2022)** utilize the 2010 and 2016 waves of the Jordanian Labor Market Panel Survey data to offer some insights into the experience of return migrants, with a focus on their socioeconomic mobility. The authors profile returnee migrants in terms of socioeconomic characteristics as well as labor market performance vis-à-vis those who never migrated overseas. Another notable aspect of the study is comparison of socioeconomic status across generations for which the authors link (male) workers' current labor market status to that of their fathers. This provides a rich empirical setting in which social mobility can be examined in terms of the respondent's prior migration experience, socioeconomic and demographics characteristics. Among others, the authors report OLS regression estimate of wage returns enjoyed by returnee migrants.

The findings show that overseas migration flows in Jordan evolve over time, and vary significantly across socioeconomic and spatial groups. For instance, overseas out migration is geographically diffused which implies that its impact on inequality is likely to be greater, through more even distribution of foreign remittance across Jordanian regions. At the same time, there is evidence of selection effects: a larger proportion of the migrants come belong to urban areas and more educated groups. Upon their return to Jordan, they transition to relatively prosperous urban areas. Unsurprisingly the authors find a higher concentration of return migrants in high-pay jobs. The earnings premium enjoyed by returnee migrants compared to their peers who never migrated is not driven by socio-economic background differences. Overall, the migrants are found to outperform non-migrants in terms of both current as well as previous labor market outcomes.

Advancements in communication technology and digital infrastructure have created new labor market opportunities in developing Asia. In populous Asian countries such as Indonesia, the Philippines, Bangladesh and India, platform apps such as Grab, GoJek and Pathao are supporting livelihoods of millions of citizens. The rise of the Gig Economy (also known as the "on-demand economy") promises to expand labor market participation for a broad category of low-income workers and micro-entrepreneurs by offering participants greater autonomy, flexibility and affordability (Barzilay, 2018). However, this also creates new debates about the nature of jobs created (e.g. in terms of pay, work hours and provisions for workplace safety, social protection and collective representation) and whether this will exacerbate or reduce labor market inequality (Heeks et al 2020).

Research on platform workers is severely constrained by the lack of data. Since many operate as unregistered self- businesses or use unofficial digital platforms, they are not properly captured in official labor market statistics. Therefore, **Uchiyama, Furuoka and Akhir (2022)** collect primary data from Malaysia during the Covid-19 pandemic lockdown to look into the social protection provisions for gig workers. The paper concludes by offering some reflections on what the findings mean for labor market inequality and whether there are lessons, if any, for other Asian countries. The authors rely on semi-structured interviews to examine the working conditions of two groups of platform workers: (i) e-hailing drivers and (ii) online food delivery riders. The analysis of the qualitative data collected highlights three dominant themes: (a) performance-based short-term decent work; (b) platform and customer-centricity operations, and (c) ecosystem for gig worker sustainability. The analysis confirms the vulnerability of platform workers in relation to crisis. The non-interventionist governance culture in this new platform-based labor market leaves all social responsibility and risk for work to the employee, paradoxically exposing gig workers to hidden forms of inequality. The authors narrate how travel restrictions during the pandemic had a differential effect on gig workers in the ride-hailing and online food delivery sector. Based on the findings, the authors discuss the need for creating a new safety net scheme (including provisions for mandatory insurance) for better protection of gig economy workers.

Another path to reduce inequality is via poverty eradication. Low income share of vulnerable population often reflects weak fiscal provisions by the state. In many Asian countries, the challenge of increasing social spending aside, improvement in governance of social programs and safety net schemes is equally important. Existing large-scale anti-poverty programs are often accused of leaving out eligible beneficiaries. Better inclusion of low-income groups requires reduction in targeting errors. In this context, one idea is to broaden the definition of included groups. For instance, governments in many parts of Asia have started adopting the Multidimensional Poverty Index (MPI) for measuring poverty. In the Middle East, for instance, government officials and international development partners have succeeded in promoting a wider use of MPI (the global MPI or its regional equivalent or custom-tailored national MPIs) for tracking socio-economic progress. Moreover, some countries have started relying on MPIs as an instrument for the formal design, enaction and evaluation of social policies and programs.

How much of a difference this shift in practice can make for better implementation of social program targeting in Asia? **Hlasny, Asadullah and Sabra** (2022) reflect on this question by critically reviewing the recent academic literature on poverty targeting. More specifically, they critically evaluate the call for adopting multidimensional poverty and inequality instruments in poverty program implementation in developing Asia. The authors first review recent trends in poverty and inequality, using both monetary and non-monetary indicators. Then they compare and contrast the strengths and weaknesses of the MPI and the proxy means tests (PMT) approaches and assess whether, and under what circumstances, an approach that combines MPI with PMT can strengthen social program targeting.

The authors note that those advocating a wider adoption of MPI in national planning are motivated by both the multiplicity of SDG indicators as well as shortfalls of the PMT-based targeting approach. An added motivation comes from the evidence of high multidimensional poverty and inequality in countries that otherwise do well in income inequality. Their global review of country-specific indicators singles out those in the Middle East (ME) as unique compared to rest of Asia. Compared to East Asia, the ME region is show to suffer from a relatively inequality in income and non-income indicators and lag behind East Asia in multi-dimensional poverty and inequality. In this context, **Hlasny, Asadullah and Sabra (2022)** further scrutinize the prospect of greater use of MPI in social programs as this can help in addressing multidimensional inequality in the region.

The paper synthesizes the emerging literature advocating for the use of MPI both as a measurement and targeting tool and, building on this, present a unified framework for multi-dimensional poverty targeting. They discuss how this can be a promising approach in the context of the ME where there is an emerging regional alliance across various stakeholders favoring such a shift in social program governance. However, they also caution that there are a number of pre-conditions that need to be met for the success of multi-dimensional poverty targeting. Among others, they stress on the need for more pilot studies, capacity building as well as better quality administrative data. The concluding message is that the wider use of a combination of monetary and non-monetary indicators for identifying multidimensionally-deprived households as beneficiaries of social programs is a move in the right direction, even though we are far from a universally accepted and integrated multi-dimensional targeting approach.

CONCLUSIONS

In spite of developing Asia's progress in terms of improvements in living standards and poverty reduction, income disparities have grown. This calls for appropriate policy interventions to ensure that the benefits of growth are widely shared. Therefore, in this volume, authors from different parts of Asia have come together to seek a better understanding of the extent and nature of resurgence in inequality as well as the role of public policy. The papers employ a variety of methods and utilize cross-country as well as country specific quantitative data. The first 5 papers focus on the big picture scenario, looking at broader regional pattern in income inequality and labor share in the GDP. The correlates considered are trade openness, human capital development, institutional quality, and structural transformation.

Taken together, the articles contribute to a rapidly growing literature on inequality in the developing world with an exclusive focus on Asia. While they confirm that inequality is on the rise, they also highlight the complexity of the issue. Countries in the region differ in terms of institutions, market infrastructures, governance and corruption, exposure to external shocks – all of which shape the policy response to widening economic disparity. The overall message is that we need a robust public policy response to effectively redistribute income and wealth for achieving inclusive growth and an equitable society. The authors of the special issue make a number of policy recommendations such as reducing barriers for cross-border migration, reforming tax system, increased allocations to education and health, and greater effectiveness of social programs targeting.

Nonetheless, the research findings presented here need to be revisited using a wider range of inequality indicators and updated data. A specific challenge for inequality research is the use of comparable data across countries and time. Inequality research on Asian countries using granular micro data is lacking. As cautioned earlier in this article, the choice of data and unit can matter and often provide contrasting results. Available data on the Gini coefficient and other measures of income inequality that rely on household surveys tends to exclude the super-rich and the ultra-poor. To overcome these gaps, it is also necessary to look at the top 1% income and wealth share to better understand inequality in all dimensions. For this to happen, governments throughout Asia should make detailed personal tax records available to researchers. While tax record is incomplete for Asian countries with large informal sector, it at least reveals the high end of income distribution.

While there are ongoing efforts to harmonize survey data on income for different countries (e.g. the Luxembourg Income Survey (LIS) project), relatively fewer Asian countries are included in such databanks. For instance, the LIS has data from only 9 Asian countries -- China, India, Israel, Japan, Laos, Palestine, South Korea, Taiwan, and Vietnam. Equally, data on wealth and top income shares is also lacking. We hope that future research on Asian countries will employ a wider range of data as updated versions of the global databanks on inequality become available.

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