

Overview¹

The global outlook is increasingly uncertain. Asia will not be immune from turbulence and weak demand. While the region's economic performance remains positive – in some countries impressively so – there are signs of slowing growth, with economic and social vulnerabilities appearing in both industrialized and developing Asia.

The region must not lose the economic and social gains it has made. Policy makers must base their strategies to reinvigorate economic growth on job creation, social inclusion and better regional integration. Young people require particular attention; youth unemployment is disproportionately high, yet renewed economic growth will depend on their skills, drive and talent for innovation.

Small and medium-sized enterprises are the region's main engine of job creation and it will be critical to unlock their potential with properly designed finance and support services. Green jobs and industries are one area of opportunity – leveraging the shift towards a low-carbon, sustainable development path.

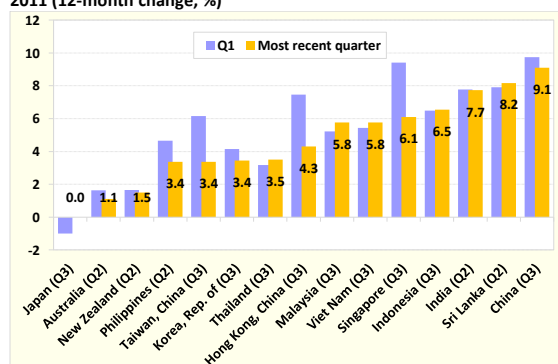
Progress on tackling persistent gender equalities must also not be lost. The region's informal economy remains massive. Extending affordable social protection can help create resilience, reduce poverty, boost domestic consumption and strengthen social stability, while preparing for tomorrow's ageing workforce. Respect for rights and constructive dialogue (between government, workers and employers) must be supported with the same diligence as maintaining low inflation, balanced public finances and other macroeconomic goals.

Quality employment, underpinned by productivity growth, fair wages and decent working conditions, determines the quality of lives and societies and is key to Asia's future growth and prosperity.

Renewed policy focus needed on balanced growth and quality jobs

Economic growth decelerating as outlook uncertain...

Figure 1: Real gross domestic product, most recent quarter and Q1 2011 (12-month change, %)



Note: Period in parentheses represents most recent quarter.

Source: CEIC Global Database; National statistical offices.

- Economic activity during the year moderated in Asia and Pacific due to short-term supply-chain disruptions resulting from the Japan earthquake and tsunami in March and weakening external markets.² The deceleration was stronger in export-oriented economies.

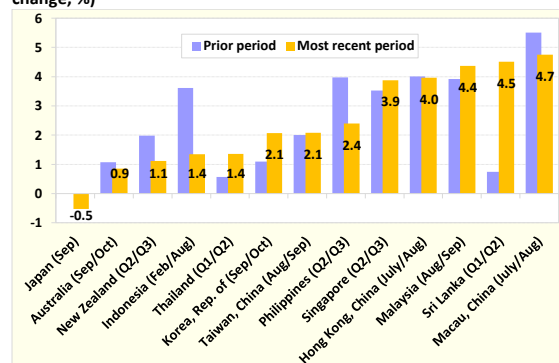
- Thailand's growth stood at 3.5% in Q3 and will certainly slow in the last quarter of the year as a result of the increasing costs of the flooding that has crippled key parts of the country, causing widespread factory closures and work stoppages.
- However, year-on-year growth remained robust in China (9.1%), Sri Lanka (8.2%), India (7.7%) and Indonesia (6.5%), and was underpinned by resilient domestic demand.
- Growth in the more industrialized Asian economies was slower than in developing Asia, and was particularly weak in Australia and New Zealand in Q2. In Japan the impact of the earthquake and tsunami led to an overall economic contraction of 1.0% in Q2 and zero growth in Q3.
- Having focussed on countering inflationary pressures, a number of Asian central banks are now shifting to monetary easing to alleviate

concerns about the euro area debt crisis, weak confidence in US markets and a possible contraction in global trade.³ In China, however, policymakers are juggling these fears while still striving to contain price inflation which stood at 6.1% in September and 5.5% in October.

- The level of external downside risks and increasing uncertainty suggests further economic slowdown in 2012 for much of Asia, with a concomitant deceleration in job creation and worsening job quality.
- As well as rebalancing growth towards domestic demand, policymakers must also ensure growth is inclusive and efficient, to reverse the increasing inequality seen in many parts of the region in recent years.

... while job creation remains uneven...

Figure 2: Employment, most recent and prior periods 2011 (12-month change, %)



Note: Ages 15+, except Macau, China (ages 16+) and Sri Lanka (ages 10+); Sri Lanka excludes Northern province. Periods in parentheses represent prior period followed by most recent period.

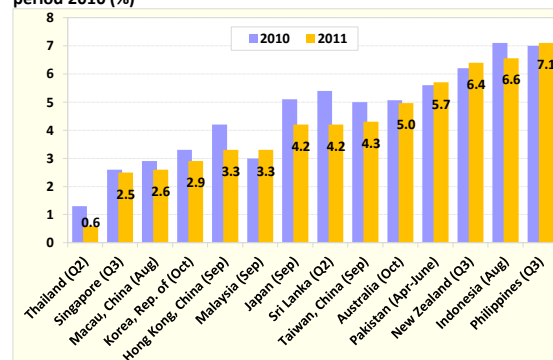
Source: ILO: Laborsta; National statistical offices.

- Job creation was robust in Hong Kong (China), Macau (China), Malaysia and Sri Lanka, with year-on-year employment growth of 4% or higher.
- Singapore also saw significant employment growth of 3.9%, driven by job creation in the services sector.
- On the other hand, employment levels improved less notably in Indonesia (1.4%) and the Philippines (2.4%), reflecting a marked slowdown in job creation compared to the previous period.
- Job growth was weak in some industrialized economies. In Australia job increases remained mostly flat at 0.9% in October, and only 1.1% in New Zealand in Q3. In Japan employment contraction coincided with the decreasing economically active population.
- In light of the projected deceleration in economic growth in the region, the pace of

employment creation could also moderate during the latter part of 2011.

...and unemployment is falling...

Figure 3: Unemployment rate, most recent period 2011 and same period 2010 (%)



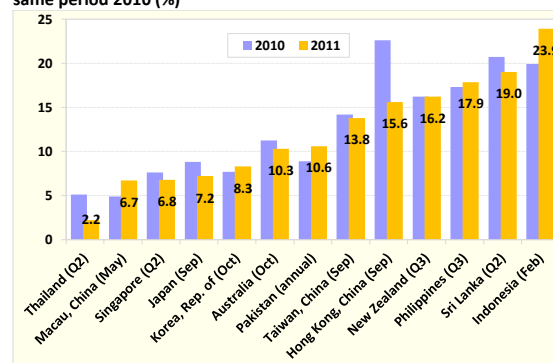
Note: Rates are not seasonally adjusted; ages 15+, except Macau, China (ages 16+), Pakistan (ages 10+) and Sri Lanka (ages 10+); Sri Lanka excludes Northern province.

Source: ILO: Laborsta; National statistical offices.

- Employment growth underpinned progress in reducing unemployment rates in ten of fourteen economies where official data are available.
- In Sri Lanka and Thailand unemployment continued to fall, to 4.2% and 0.6% respectively. However, concerns are warranted regarding job quality for the newly employed (see below) as well as the adverse employment impact of Thailand's flooding crisis.
- In the Philippines some progress in employment creation was unable to prevent higher unemployment of 7.1%, as the economy struggled to generate sufficient jobs to match its expanding labour force of nearly one million new labour market entrants in the last year.

... but joblessness among young people still a major challenge...

Figure 4: Youth unemployment rate, most recent period 2011 and same period 2010 (%)



Note: Rates are not seasonally adjusted; ages 15-24, except Hong Kong, China (ages 15-19); Macau, China (ages 16-24); Pakistan (ages 15-19); and Singapore (Residents ages 15-29); Sri Lanka excludes Northern province.

Source: ILO: Laborsta; National statistical offices.

- A lack of decent and productive jobs for young people is a drag on Asia's economic potential, and may also threaten social stability. Young people account for around 20% of the population in Asia and the Pacific yet make up almost half of the region's jobless.
- Compared to adults, young people are at least three times more likely to be unemployed in the region as a whole and nearly five times more likely in South-East Asia and the Pacific.
- Although youth unemployment fell in 2011 in seven of the thirteen economies, only in Hong Kong (China), Sri Lanka and Thailand was the decline greater than 1.5 percentage points. However, despite progress, the situation remains alarming; for example, in Hong Kong (China) nearly one in six youth in the labour force was still unemployed in September.
- In Pakistan, the Philippines and Indonesia youth unemployment rates increased in 2011 (following some declines in 2010) and remain higher than at the 2009 peak of the global economic crisis. Moreover, in Indonesia the percentage of unemployed young people rose even as adult unemployment fell, resulting in a worsening youth-to-adult unemployment ratio.
- Unemployment figures tell only part of the story. In low-income economies, there are far more young women and men stuck in circumstances of working poverty than are without work. Other countries face problems related to skills deficits, graduate unemployment, and a lack of support services to smooth school to work transitions. Many of these challenges are particularly acute in the Pacific Island States (see Box 1).

Box 1: Youth employment challenge in the Pacific Island States

While the challenge of giving youth a better start is common throughout the region, the labour market constraints faced by young people are perhaps most acute in the Pacific Island States. This is a combination of many factors such as geographic isolation, economic constraints (small economies and limited domestic markets) and demographic dynamics (rapid population and youth labour force growth).

In Samoa, 4,000 youth enter the labour market every year but only 500 will land a job; in Vanuatu the ratio is 700 jobs to 3,500 job seekers. The ratio of youth-to-adult unemployment rates was estimated at 3.9 in 2009 across the Pacific; in Fiji this translates into a youth unemployment rate of around 46%.¹

The youth employment challenge in the Pacific region has been further exacerbated by slow economic growth (an annual average of 2% during the ten years preceding the 2008-09 economic crisis) and sluggish recovery from the global economic downturn. Differences are prevalent, however. While high commodity prices have spurred post-crisis growth in some states (Papua New Guinea, Solomon Islands), narrowly based economies and natural disasters have weighed negatively on recent growth performance in others (Fiji, Samoa).²

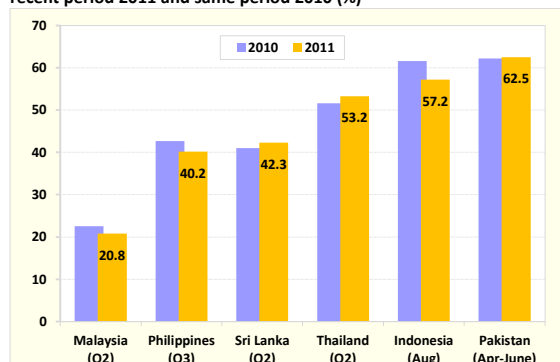
To create sufficient decent work opportunities for young people, the Pacific Island States need to strengthen their resilience to shocks and implement growth-oriented structural reforms and innovative employment and social policies tailored both to the country context and the specific nature of the youth employment challenge. Policies to nurture youth potential and ensure broad access to decent employment opportunities may come in multiple forms, including bridging skills deficits (through education and training), job search support services, entrepreneurship training and subsidies and other incentives for businesses to hire young people. These measures can make a real difference, especially when supported with concomitant measures to enhance the domestic environment for business and improve access to credit for small enterprises, and to pre-empt future youth employment problems through universal school completion and the elimination of all forms of child labour.

¹ UNICEF: *Investing in Youth Policy*, UN Asia-Pacific Interagency Group on Youth (2011).

² IMF: *Regional Economic Outlook: Asia and the Pacific: Navigating an Uncertain Global Environment While Building Inclusive Growth* (October 2011).

... and job quality remains poor and worsened in some countries

Figure 5: Vulnerable employment as a share of total employment, most recent period 2011 and same period 2010 (%)



Note: Ages 15+, except Pakistan and Sri Lanka (ages 10+); Sri Lanka excludes Northern province. Vulnerable employment is defined as own-account and contributing family workers.

Source: National statistical offices.

- Despite a slight decline in the vulnerable employment rate in several countries, around three-fifths of all workers in Indonesia and Pakistan are classified as own-account or contributing family workers. The proportion is more than one-half in Thailand and at least two out of five workers in the Philippines and Sri Lanka. Workers in vulnerable employment, such as this, are more likely to suffer poor working conditions, low wages, and an absence of legal and social protection.

- In Sri Lanka and Thailand, recent employment growth was concentrated in low quality jobs, as the level of formal wage earners in both countries changed little or shrank while the number of own-account and contributing family workers increased by 7.8% and 4.5%, respectively.
- On the other hand, wage employment in Indonesia and the Philippines grew remarkably, by a corresponding 16.1% and 7.9%. However, in both countries, significant proportions of the employed worked insufficient hours, as the time-related underemployment rate was 12.3% and 19.1%, respectively.
- Informal jobs in developing Asia are widespread. The most recent data indicate that informal employment as a share of non-agricultural employment was 42.3% in Thailand, 62.0% in Timor-Leste, 62.1% in Sri Lanka and 68.2% in Viet Nam.⁴
- In addition, any recent progress in improving job quality and reducing vulnerable employment in developing Asia could be reversed in the context of a prolonged global economic slowdown.

Promoting inclusive and sustainable development with decent work while preparing for tomorrow's ageing society

Stronger labour market institutions needed to ensure fair wages...

Figure 6: Annual average change in real wages and labour productivity, 2000s (%)



Note: Covers all sectors except China (wages in public, urban units only), and Indonesia and Malaysia (wages and productivity in manufacturing sector only).

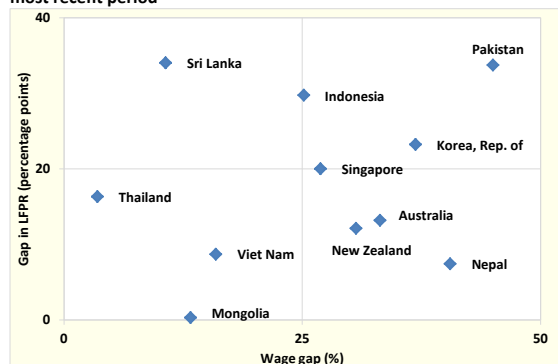
Source: The Conference Board Total Economy Database (Jan. 2011); ILO: *Global Wage Report 2010/11* (2010); ILO: *Key Indicators of the Labour Market*, 7th Edition (2011); IMF: *World Economic Outlook Database* (Sep. 2010); Official national sources; World Bank: *World Development Indicators* (2011).

- The quality of jobs is also tied to wages and earnings, and strong labour market institutions are critical to this end. Among a sample of Asian developing countries where data are available, annual average real wage growth lagged behind productivity growth in a majority during the past decade.
- In the Philippines, for instance, real wages actually contracted by 1.3% as periods of substantial nominal wage increases were offset by even higher price inflation.
- On the other hand, China posted remarkable productivity growth of 10.6% which was even outpaced by real wage growth of 12.5%. This demonstrates, in part, China's policy objective to rebalance growth and expand domestic demand through increasing workers' wages and other measures.

- Gains in productivity can drive higher wages, better working conditions and greater investment in human resources. But ensuring this linkage requires strong labour market institutions, collective bargaining and effective social dialogue between workers, employers and governments.

...and women continue to face barriers...

Figure 7: Gender gap in wages and labour force participation rates, most recent period



Note: Gender wage gap represents difference between male and female wages as a percentage of male wages; gap in LFPR represents difference between male and female labour force participation rates.

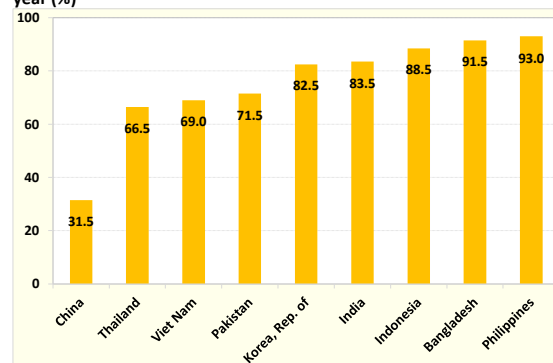
Source: ILO: Global Wage Database (2010); ILO: Laborsta; National statistical offices.

- Significant labour market gender gaps indicate persistent and wide-ranging challenges in ensuring equal pay and the elimination of work-related discrimination for Asian women.
- Indonesia, the Republic of Korea and Pakistan face wide gaps in both economic participation and earnings. In Pakistan the difference was 33.7 percentage points in labour force participation and 45% in wages, the highest for both indicators among the sample of countries.
- In Nepal, male-female inequality in wages is among the highest (40.5%) but among the lowest when it comes to labour force participation (7.4 percentage points). In Sri Lanka, the situation seems reversed; although the wage gap is relatively low at 10.7%, the difference in male-female labour force participation rates is a striking 34 percentage points.
- In Thailand, Mongolia and Viet Nam, the male-female gaps in both earnings and economic activity are relatively lower; the difference in wages ranges from 3.5% to 16% and in labour force participation from 0.3 to 16.3 percentage points.
- Gender disparities in Singapore, New Zealand and Australia were also comparatively lower when looking at economic activity rates (between 12.1 and 20 percentage points) but

considerably more pronounced in terms of wage differentials (between 26.9% to 33.2%).

...while sustainable development is emerging as a key priority...

Figure 8: Perception of climate change as a serious threat, most recent year (%)



Note: Represents the share of the population ages 15+ that know about global warming and climate change and perceive climate change as a serious threat.

Source: Gallup World Poll.

- Climate change is one of the most important long-term issues of our time, and with more than half the world's population living in Asia-Pacific the region arguably has more at stake than any other. More and more people in the region are aware of this challenge and feel threatened by global warming and deteriorating natural environments according to a Gallup survey.⁵
- In 2010, nearly all Japanese, Korean and Thai adults, and two-thirds or more of Chinese, Filipino and Vietnamese adults said that they knew about global warming or climate change. In countries with large rural populations and generally lower educational levels (such as in Bangladesh, India, Indonesia and Pakistan) people exhibited lower awareness of climate change (about 36% of respondents). However, the figures were 2 to 4 percentage points higher than just a few years earlier.
- The vast majority of those aware of climate change viewed it as a serious threat to themselves and their families (see Figure 8). In Bangladesh and the Philippines, concern was particularly widespread – perhaps due to these countries' dense population and well-known vulnerability to rising sea levels, extensive flooding and unpredictable weather conditions.
- To avert dangerous climate change and further deterioration of natural resources, the majority of people indicated a preference for sustainable development. In Japan, 53% were willing to sacrifice living standards for a zero-waste society, according to a 2009 survey.⁶ In India, polls show that the population would give

priority to environmental protection (45%) over economic growth (35%).⁷ Governments and

businesses in many countries are responding to this challenge (see Box 2).

Box 2: Green jobs: a low-carbon economy with decent work

Moving to a low-carbon, sustainable development path opens up new opportunities for investment, business ventures and the creation of “green jobs”. The concept of green jobs refers to the transformation of economies, enterprises, workplaces, and labour markets into sustainable, low-carbon economic patterns that support decent work. Green jobs reduce the environmental impact of enterprises and economic sectors, ultimately to levels that are sustainable. They contribute to reducing the need for energy and raw materials, avoiding greenhouse gas emissions, minimizing waste and pollution, and restoring ecosystem services like clean water, flood protection and biodiversity.

In Bangladesh, environment-related jobs (both direct and indirect) already represent about 10% of all employment opportunities, with sustainable transport (45%) and climate adaptation activities (35%) accounting for most of these new employment opportunities. The government is spending about US\$ 2 billion a year on sustainable development, which should create about 1.7 million new jobs. Although the number of jobs in recycling, waste management and sustainable energy is still small, the potential for further green job creation in these sectors is significant.¹

In China, the Chinese Academy of Social Sciences projects that about 30 million new jobs will be created between 2005 and 2030 in forestry and the energy sector, based on current energy efficiency promotion policies, reduced emissions and the protection of the ecosystem. The bulk of direct employment created is expected to be in the forestry sector, although the wind and solar power industries, while creating few jobs directly (about 900,000), could have a much larger indirect employment effect.²

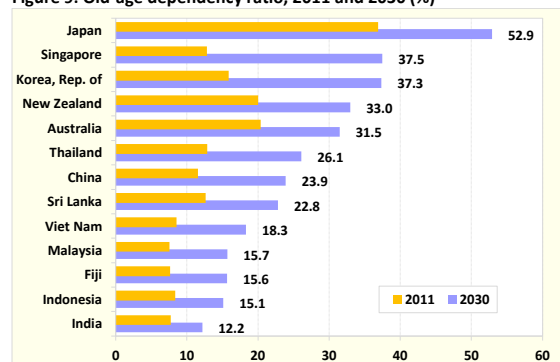
This suggests that both the direct and indirect effects of ‘climate smart’ policies need to be taken into account, as well as measures that ensure that people in green jobs have adequate income, social protection, respect for rights at work, and a voice in decisions which will affect their lives. Promoting decent work by expanding green jobs is key to more balanced, sustainable development in the region.

¹ GHK: *Estimating green jobs in Bangladesh*, A GHK report for the ILO (June 2010).

² Institute for Urban and Environmental Studies (IUE), Chinese Academy of Social Sciences (CASS): *Study on Low Carbon Development and Green Employment in China* (2010).

...and demographic challenges call for imaginative policy responses

Figure 9: Old-age dependency ratio, 2011 and 2030 (%)



Note: Represents the share of the population ages 65+ as a ratio of the population ages 15-64.

Source: United Nations, Department of Economic and Social Affairs, Population Division (2011): *World Population Prospects: The 2010 Revision*.

- Asia is ageing rapidly, particularly in the more industrialized economies. By 2030, the old-age dependency ratio is projected to spike to 52.9%

in Japan and more than 30% in Singapore, the Republic of Korea, New Zealand and Australia.

- The middle-income countries of Thailand, China and Sri Lanka will also face tremendous demographic pressures as their dependency ratios will reach 26.1%, 23.9% and 22.8%, respectively, in the same period.
- In preparation for this transition, tripartite action is essential to support the necessary economic structural changes related to a “greying” population. These include appropriate skills policies, nurturing life-long learning, and creating effective incentives that will increase labour force participation among women and the elderly, through delayed retirement.

- Better management of regional labour migration will also be critical, so that labour shortages in ageing societies can be addressed while the rights of migrant workers are protected.
- These demographic challenges mean that policy-makers must also prioritize the development of fiscally sustainable social protection systems in the region (see Box 3).

Box 3: Building a social protection floor: the example of health care

The Social Protection Floor (SPF) is a basic set of rights and transfers that allow all members of a society to access essential services (water, sanitation, adequate nutrition, health, education and housing) and essential transfers (cash and in-kind transfers that provide minimum income security). In a fiscally sustainable manner, an effective SPF should aim to make the following core guarantees (as agreed by cooperating UN agencies¹):

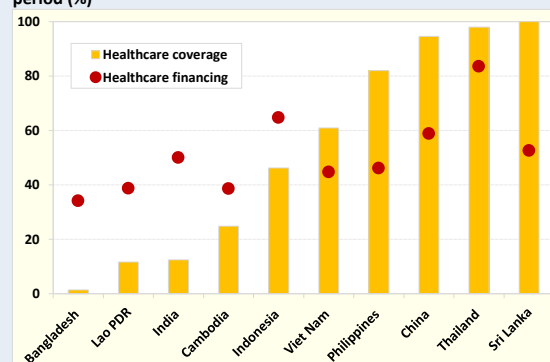
- All children should enjoy income security, through transfers in cash or kind, to at least the level of the nationally defined poverty line, so ensuring access to nutrition, education and care;
- Those in economically active age groups who cannot (due to sickness, unemployment or underemployment) or should not (for example, because of maternity) work should receive minimum income security through social transfer or employment guarantee schemes;
- Older people or those with disabilities should have income security at least at the level of the nationally defined poverty line, through pensions or transfers in kind; and
- All residents should have access to a nationally defined set of affordable essential health care services.

Several countries in the region have made significant efforts to improve health protection. For example, Thailand established a universal health care scheme in 2002 while China has recently made major reforms. Indonesia expanded the *Jamkesmas* programme and Viet Nam issued health cards to poor and vulnerable groups.

A pertinent indicator of the success of these and other programmes is the share of the population covered by health care. In China, the Philippines, Sri Lanka and Thailand more than 80% of the populations are covered. In Indonesia and Viet Nam, where health care reforms left behind informal economy workers and employees of small and medium enterprises (who are often not poor enough to qualify for targeted programmes), the coverage is 45% and 60%, respectively. In Cambodia, India, Lao PDR and Bangladesh the share of the protected population is below 25%.

While a high level of coverage is ultimately desirable, it is not necessarily indicative of a household's ability to pay. In this regard Thailand stands out. Not only does its scheme cover almost 95% of the population but the share of total health expenses paid "out-of-pocket" by households is low, at less than 20%. In China, India, Indonesia, Sri Lanka and Viet Nam, "out-of-pocket" payments account for 35% to 55% of total health expenditures. In some other countries which still have low levels of health coverage (Bangladesh, Cambodia and Lao PDR, for example) households account for as much as 60% to 70% of this spending. This is a major burden to the poorest groups in society.

Box Figure 1: Healthcare protection coverage and financing, most recent period (%)



Note: Healthcare coverage represents the percentage of the population covered by formal health protection; healthcare financing represents the percentage of total healthcare expenditure not financed out-of-pocket by private households.

Source: ILO: *World Social Security Report* (Geneva, 2012, forthcoming).

¹ UN cooperating agencies for the Social Protection Floor Initiative (SPF-I) include: FAO, OHCHR, UN Regional Commissions, UNAIDS, UN-DESA, UNDP, UNESCO, UNFPA, UN-HABITAT, UNHCR, UNICEF, UNODC, UNRWA, WFP and WMO. Other co-operating agencies include the IMF and the World Bank. The SPF-I is led by ILO and WHO.

Recent publications

- ILO: *Building a Sustainable Future with Decent Work in Asia and the Pacific: Supplement to the Report of the Director-General* (October 2011)
- ILO: *Global Employment Trends for Youth* (October 2011)
- ILO: *Key Indicators of the Labour Market (KILM), 7th Edition* (October 2011)
- ILO: *World of Work Report 2011: Making Markets Work for Jobs* (October 2011)
- Report of the Social Protection Floor Advisory Group: *Social Protection Floor for a Fair and Inclusive Globalization* (October 2011)

Forthcoming publications

- ILO: *Global Employment Trends 2012* (January 2012)

Data and statistics

- ILO Global Wage Database
- ILO Key Indicators of the Labour Market (KILM)
- ILO Laborsta Database
- ILO Short term indicators of the labour market

For more information, please contact

ILO Regional Office for Asia and the Pacific
United Nations Building
Rajdamnern Nok Avenue
Bangkok 10200, Thailand
bangkok@ilo.org | Tel: +66 (0) 2 288 1234

Krisdaporn Singhaseni, Information Officer
Regional Communications Department
krisdaporn@ilo.org | Tel: +66 (0) 2 288 1664

Gyorgy Sziraczki, Senior Economist
Regional Economic and Social Analysis Unit
sziraczki@ilo.org | Tel: +66 (0) 2 288 1215

¹ This update was prepared by Nikhilesh Bhattacharyya, Phu Huynh, Gyorgy Sziraczki and David Williams of the Regional Economic and Social Analysis Unit, Myriam Fernando of the Green Jobs Programme for Asia and the Pacific and Valérie Schmitt-Diabate of the Decent Work Technical Support Team for East and South-East Asia and the Pacific. It provides a snapshot of economic and labour market trends for a number of Asian economies based on official data available as of 21 November 2011. Due to variations in national definitions, data presented for different economies are not strictly comparable.

² IMF: *Regional Economic Outlook: Asia and the Pacific: Navigating an Uncertain Global Environment While Building Inclusive Growth* (October 2011).

³ Kevin Brown: "Asia braces for economic downturn," in *Financial Times*, 14 October 2011.

⁴ ILO: *Statistical Update on Employment in the Informal Economy* (June 2011).

⁵ Gallup World Poll.

⁶ Japan for Sustainability (JFS): "More than 50% of Japanese People Willing to Sacrifice Standard of Living for Zero-Waste Society, Research Says," 27 December 2009.

⁷ Julie Ray and Anita Pugliese: "Indians give environment slight edge over economy," in *Gallup News*, 3 June 2011.