

Asian Employment Forum: Growth, Employment and Decent Work

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ABSTRACT

Sustaining productivity and competitiveness for Decent Work

The 14th Asian Regional Meeting concluded that achieving decent work and reducing poverty across the region would require productivity growth and competitiveness at the national and enterprise levels in order to improve the number and quality of jobs available. This paper is intended to assist ILO constituents to understand the range of economic trends influencing productivity and competitiveness and to present the specific challenges and range of policy options available, as the basis for discussion and further planning to promote decent work during the Asian Decent Work Decade and beyond.

Countries in Asia and the Pacific have experienced considerable growth in productivity (increasing by 45.4 per cent between 1996 and 2006), improved competitiveness and vibrant trade globally and within the region. However, this has not translated to improvements for workers at the same rate. A number of critical trends (discussed at greater length in the paper *Visions for Asia's Decent Work Decade: Sustainable Growth and Jobs to 2015*) will shape the range of policies available:

- China, Japan and India are projected to account for up to 70 per cent of the total economy of the region by 2020.
- Globalization and ever-stronger trade links in the region will increase competition for scarce resources, both human and natural.
- The population will continue to grow, adding a further 10 per cent to the total by 2015; however older age groups, especially over 55, will increase at a greater rate.
- Young people will have more education, measured in years of schooling.
- Female labour force participation rates are projected to remain low in South Asia.
- The uneven rate of development between countries will continue.
- Increased trade and the growing importance of regional organizations and affiliations will intensify pressures for compatible or common national policies
- The competitiveness and productivity of individual enterprises will have a larger impact on national measures of economic success.

- While extreme poverty is projected to decline to approximately 1 in 5, poverty will remain pervasive: 7 in 10 workers in South Asia, 4 in 10 workers in South-East Asia and the Pacific and nearly 2 in 10 workers in East Asia will live on less than US\$2 per person per day.

Overall, many countries in the region are on track to continue to grow, reduce poverty and to expand the numbers and improve the quality of available jobs. Yet to promote sustainable and equitable growth over the long run, economies in the region will need to carefully balance the objectives of increased competitiveness, improved productivity and employment growth and seek out strategies to increase both the quality of work, particularly its productivity and protection, and the number of jobs.

- Low-income countries are challenged to move beyond competing on cheap labour or natural resource endowments. Effective strategies include improving fundamental conditions: basic education, employability and technical skills, health and infrastructure
- Middle-income countries are challenged to improve the value of their production. Useful strategies include improving the quality of management in enterprises, the relevance of human resource development, IT infrastructure and expanding the export base.
- High-income countries are challenged to remain competitive through innovation, and respond by improving corporate governance; the quality, mobility and flexibility of skilled labour; strengthening financial markets; supporting cluster development; and reducing bureaucracy.

Two challenges common to all countries in the region are: how to accelerate the growth of productivity; and how to make the distribution of productivity gains more equitable.

Accelerating the growth of productivity with employment demands attention to a number of linked policies, over time, in order to produce a 'virtuous cycle' where increased productivity will lead to sustained employment growth. The policies involved include:

- Creating an environment conducive to sustainable enterprises, as set out in the Global Employment Agenda, recognizing that the legitimate desire for profit succeeds best where enterprise is located within a sustainable, humane society.
- Building human capital to ensure that workers have the skills to contribute to economic and social development, innovation and technological change and that their skills are recognized.
- Encouraging the application of decent and productive workplace practices; recognizing that investment in workplace practices may have equal or greater payoffs in terms of sustained productivity growth, as technological investments.
- Improving labour-management cooperation and dialogue; recognizing that productive employee engagement in improvements is potent source of innovation and improvement.

- Addressing sector specific challenges. Improvements in productivity of direct agricultural activities and other rural value added activities would have an immediate impact on poverty levels. The service industry is particularly fast growing in Asia: improvements here have the capacity to benefit large numbers of workers. Finally, the ‘informal economy’ represents the bulk of enterprises and workers in many countries. Policies designed to improve competitiveness and productivity must reach these enterprises and workers.

Distributing productivity gains is the other common challenge. Individual firms must benefit in order to make investments in innovation to fuel further growth. Workers also contribute their skills and labour to productivity improvements and should also gain a share, thus contributing to a more equitable distribution of income and a more equitable and sustainable economy. Collective bargaining is one important way the question of how productivity gains are shared can be addressed. Gains may be shared in a variety of ways including increased pay and/or benefits, better working conditions and shorter working hours. But both employers and workers organizations need the appropriate technical capacities to represent their stakeholders and to understand the issues involved.

Suggested key questions

1. To promote sustainable and equitable growth over the long run, economies in the region will need to carefully balance policies to achieve the mutually reinforcing objectives of increased competitiveness, improved productivity and employment growth. In this respect, what policies, incentives and institutional strengthening are needed to achieve employment-centred growth and decent work for all?
2. There have been significant business and regulatory reforms in many Asia-Pacific countries in recent years. Based on the conclusions of the Committee on The Promotion of Sustainable Enterprises, what are the most significant outstanding reforms needed to promote sustainable enterprises as the principal source of growth, wealth creation, employment and decent work?
3. There is a sense in many countries that public investments in skills development are not achieving the desired impact in terms of employability and productive work. What role can governments, workers’ and employers’ organizations play in building effective national skills development systems to better link education, vocational training, labour market entry, workplace and lifelong learning in order to increase opportunities for productive work? What multidisciplinary strategies and multi-ministerial collaborative efforts are needed?
4. How can skills development help maintain productivity and employability in the face of technological, environmental and market changes – at the level of the individual enterprise, along value chains and within industrial clusters, and for national economies as a whole?
5. How can governments and social partners promote the application of decent and productive workplace practices so that they become commonplace and are not seen as innovative or exceptional?

6. What policies and institutions are needed to ensure that the benefits of productivity and competitiveness gains are shared equitably by all stakeholders?
7. In many Asia-Pacific countries there are very large informal economies that are characterized by high levels of underemployment, low productivity, low wages, employment insecurity, and poor working conditions. Increasing the productivity of informal economy workers and improving working conditions will go a long way towards reducing working poverty. What policy initiatives are recommended to attain this goal?
8. How can countries in Asia-Pacific more effectively share experiences and knowledge about good practices for improving productivity and expanding decent work?