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MEDIA SUMMARY

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**ILO REPORT FINDS SLOWER ECONOMIC GROWTH, WEAK LABOUR MARKET
PERFORMANCE IN SOUTH-EAST ASIA**

BUSAN (ILO News) -- South-East Asia and the Pacific¹ areas have suffered from reduced economic growth, weak job creation and a high degree of underemployment since the financial crisis of 1997, according to a new ILO report.

The Pacific economies recorded the poorest performance anywhere in Asia.

Although employment growth picked up slightly in 2005, raising hopes that economic growth coupled with employment gains could bring continued poverty reduction in the sub region, the overall economic and labour market performance has not matched its pre-1997 success, the report says.

The report, “Labour and Social Trends in Asia and the Pacific 2006: Progress towards Decent Work” has been produced by the International Labour Organization (ILO), the United Nations body covering work and workplace issues.

According to the report, Cambodia and Viet Nam have been the best sub regional economic performers since 2000, with annual average GDP growth rates of 7.3 and 6.5 per cent, respectively. Malaysia also performed well, with annual GDP growth rates over 5 per cent between 2003 and 2005. By contrast economic growth slowed somewhat in Thailand and Singapore during 2005.

However, nearly everywhere else in South-East Asia the unemployment rate was higher in 2004 than in 1995, indicating the effects of the 1997 crash are still being felt. Although GDP in Indonesia grew (particularly in manufacturing) it was insufficient to create enough jobs to absorb the estimated 2.0 to 2.5 million new workers coming onto the labour market every year. Consequently unemployment in Indonesia rose sharply from 6.1 per cent in 2000 to 9.9 per cent in 2004. On a more positive note the report finds that labour productivity in Indonesia expanded by more than 14 per cent between 2000 and 2004.

Malaysia’s unemployment rate rose from 3 to 3.5 per cent between 2000 and 2004. Unemployment in the Philippines increased modestly to 10.9 per cent in 2004.

Thailand’s unemployment rate actually declined between 2000 and 2004, reflecting solid growth in output and labour productivity in this period.

¹ Brunei Darussalam, Cambodia, Fiji, Indonesia, Laos, Malaysia, Myanmar, Papua New Guinea, Philippines, Singapore, Solomon Islands, Thailand, Timor-Leste, Viet Nam

The report also warns of alarming underemployment rates in the sub region, notably in Indonesia and the Philippines. In Indonesia a total of 31.4 million workers in 2002 (or 34.3 per cent of the labour force) were underemployed (working less than 35 hours a week) compared with 34.1 million in 1996, according to labour force survey data.

“One reason for the poor labour market performance over the past few years is that some economies still have not fully recovered from the Asian financial crisis. This is especially true for Indonesia, the biggest economy in the sub region”, explains Gyorgy Sziraczki, head of the Economic and Social Analysis Unit of the ILO Regional Office for Asia and the Pacific, which produced the report.

“Between 2005 and 2015, around 5.6 million people will enter the sub region’s labour market each year. Even if success in reducing working poverty can be repeated, South-East Asian countries need to create new employment opportunities to avoid stagnation in unemployment and underemployment rates in the future”, he said.

The Pacific sub region experienced the poorest economic performance in Asia. In 2005, GDP grew at 2.3 per cent in the Pacific, compared with an overall growth rate of 7.3 per cent in developing Asia. Poor economic performance combined with high population and labour force growth has led to declining living standards and a deteriorating employment situation in many Pacific countries.

The report cites Papua New Guinea as an example to illustrate this enormous challenge. Its economy grew by 2.5 per cent in 2004, only the third year of positive growth since 1996. In 2005, the economy grew by an estimated 2.9 per cent and employment growth was 1.9 per cent compared with the year before. Although this is a positive sign, the country’s economic growth and productivity improvements still lag well behind the rest of Asia.

The Report will be launched at the ILO’s Asian Regional Meeting which is being held in Busan, Republic of Korea from August 29th to Sept 1 2006. Representatives of Governments, workers’ and employers’ organizations from South-East Asia will be among 40 countries attending. The meeting will focus on the labour market and employment effects of globalization. It is normally held every four years.

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