

## 6. East Asia

In 2007, East Asia registered a GDP growth rate of 10.4 per cent, the strongest annual rate of growth in the last decade. This was the sixth consecutive year with a growth rate above 8 per cent. This positive trend was mainly driven by China's growth performance. However, strong export performance has been a common feature sustaining robust economic activity throughout the region. Improved public finances and lower public debt are also providing fiscal space for higher public spending, which could benefit the region through greater investments in infrastructure and social services.<sup>14</sup>

Total employment in 2007 increased by 7.5 million, 0.9 per cent more compared to the previous year. This increase accounts for 16 per cent of all jobs created in the world in 2007 (see Figure 2). Employment-to-population ratios stayed at the world's highest levels in 2007, with 71.9 per cent of all people of working age employed. This ratio was 78.4 per cent for men and 65.2 per cent for women. All ratios continued their downward trend which, given the high levels, does not reflect a threat to growth and development. The decrease is partly the result of higher educational participation, reflected in the fact that the decrease for youth employment-to-population ratios is even higher than for adults. Nevertheless, youth employment-to-population ratios are also the highest in the world, at 63.0 per cent in 2007. East Asia is the only region in the world where employment-to-population ratios for young women are higher than for young men.

The unemployment rate continues to remain at low levels. It decreased between 2006 and 2007 and was 3.3 per cent in 2007, the lowest rate observed in any region and any year between 1997 and 2007. Also, youth unemployment is the lowest in the world, at 6.9 per cent in 2007, continuing a decreasing trend. (See Figure 6.)

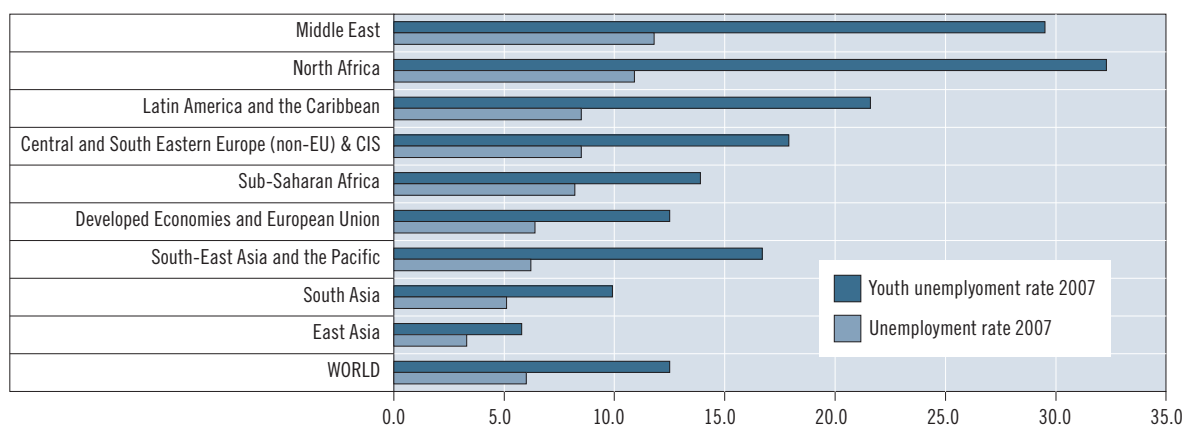
People are quickly moving out of agriculture. In 1997, 47.9 per cent of all those employed worked in this sector; in 2007, agriculture accounted for only 38.4 per cent of all jobs. Only South Asia has seen a faster decrease. During the same period, employment in industry increased from 24.3 to 26.9 per cent and employment in services increased from 27.8 to 34.7 per cent.

The move out of agriculture was paralleled with a move out of vulnerable employment. The share of those in vulnerable employment situations out of all people employed decreased by 7.5 percentage points and is now down to 55.7 per cent. The situation changed more for women than men. The share of female contributing family workers decreased by an impressive 20.7 percentage points. Unfortunately, not all women moved into wage and salary work, but also into own-account work. However, the share of women in wage and salary work is 10.5 percentage points higher than in 1997, at a level of 39.2 per cent. The level for men in this group also increased and was 46.4 per cent in 2007.

Additionally, looking at labour productivity growth in the region, the increase in this indicator has been impressive and by far the fastest of all regions. In 1997,

<sup>14</sup> World Bank, *East Asia Update November 2006 and November 2007*, <http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/EASTASIAPACIFICEXT/EXTEAPHALFYEARLYUPDATE/0,,menuPK:550232~pagePK:64168427~piPK:64168435~theSitePK:550226,00.html>.

Figure 6. Unemployment rates total and youth, world and regions, 2007



\* 2007 are preliminary estimates.

Source: ILO, *Global Employment Trends Model*, November 2007; see also note to table 1.

the output a worker produced was US\$6,781 (in comparison with US\$54,035 in the Developed Economies & the European Union). Ten years later the output per person employed had almost doubled to US\$13,423 (in comparison with US\$64,231 in the Developed Economies & the European Union). Thus, whereas in 1997 an average worker in the Developed Economies & European Union region produced eight times more than a worker in East Asia, in 2007 it was only five times more.

Current estimates suggest that the number of people in East Asia working, but still living with their families on less than US\$2 a day, fell to 286.8 million or a share of 35.6 per cent of all people employed in 2007. Ten years ago this share was 59.1 per cent. And, extreme working poverty at the US\$1 a day level only affects 8.7 per cent of all working people, whereas ten years ago 18.8 per cent of all those working belonged to this group. It appears that sustained productivity increases have led to income increases and made it possible for families to escape poverty.

Where do the challenges for this successful region lie? More and more countries in East Asia are on their way to becoming middle-income economies. The newly created wealth needs to be well managed. This means increasing efforts to reverse the trend in rising inequality<sup>15</sup> that has been observed in some countries in the region. Well developed and functioning labour markets can help to reverse inequality. They insure, for example, that earnings follow productivity increases. They would have to become more inclusive, and labour market institutions and social security systems would have to be in place for those times when growth starts to slow down. Another challenge is to prepare young people for the future through investment in their human capital, as low-cost labour will not continue to be the region's comparable advantage. Also, even if people move quickly out of agriculture, it is important to continue watching this sector, as it is where most poor people work and it still contributes considerably to the GDP of the region. Furthermore, improvements in other decent work components are not keeping up with economic development: average working hours are longer than in other regions and exceed 50 hours per week in some countries; safety and health at work, as well as rights at work, have not progressed significantly; and, social dialogue between workers, employers and governments is far from being implemented everywhere. Finally, rapidly increasing environmental problems could soon constrain economic development and will certainly have a huge impact on labour markets.

<sup>15</sup> Asian Development Bank, *Key Indicators 2007, Inequality in Asia*, Manila, 2007, [http://www.adb.org/Documents/Books/Key\\_Indicators/2007/default.asp](http://www.adb.org/Documents/Books/Key_Indicators/2007/default.asp).