

7. South-East Asia and the Pacific

Development in South-East Asia & the Pacific has been less impressive than in East Asia and, more recently, in South Asia. Nevertheless, the region has profited from the economic boom in China and India and the good economic performance of most developed economies in recent years; 2007 was the fourth consecutive year with a GDP growth rate of 6 per cent or more. Within the region, economic performance was poorest in the Pacific.

Employment-to-population ratios of the overall population decreased slightly between 1997 and 2007 (from 67.2 per cent in 1997 to 66.4 per cent in 2007), mainly the result of a considerable decrease in youth employment-to-population ratios. The latter decreased by 4.7 percentage points and stayed, in 2007, at the comparatively low level of 47.1 per cent. This is partly the result of more education. For both, overall population as well as youth, employment-to population ratios are much lower for women than for men, but the difference is not as large as in South Asia, Middle East and North Africa.

The unemployment rates in the region are comparably low and have stabilized in recent years. What is worrying is the increasing unemployment rate for women, who already participate less in labour markets, and may become further discouraged by the increases in the unemployment rates. In 2007, unemployment rates were 6.9 per cent for women compared to 5.6 per cent for men. Ten years earlier the difference in the rate was only 0.3 percentage points. Some labour markets in the region provide fewer and fewer opportunities for young people. This is especially the case in Indonesia. As a young person, your risk of being unemployed in the region is almost five times higher than for an adult. Over the period 1997 to 2007, the unemployment rate for young people increased by 6.3 percentage points, the highest increase in the world. The situation in 2007 was almost as bad for young men as for young women. The former group had an unemployment rate of 16.0 per cent in 2007, the latter of 16.7 per cent. For young educated people the unemployment is not only the result of the fewer jobs offered; there is, in addition, a widening gap between the expectations of educated young people and the quality of jobs available. The majority of young, educated unemployed people are well educated, but have to queue for good formal sector jobs, whereas the uneducated young people still have to take the jobs in the growing informal economy.

The move out of agriculture is slower than in other regions in Asia, and also in sub-Saharan Africa. In 2007, 43.9 per cent of all workers were still in agriculture, only 4.8 percentage points less than ten years ago. This is the third highest share in the world after sub-Saharan Africa and South Asia. Men and women have almost the same share in agriculture; 19 per cent of all those employed work in industry. This is the second lowest share in the world after sub-Saharan Africa, but after a sharp decrease between 1997 and 1998, there has been a strong upward trend. The increase in service sector jobs has also been slow; only North Africa has seen a slower increase of those working in the sector. The increase in this share was mainly driven by women moving into this sector.

Box 4. Micro-level analysis of working poverty in the Philippines

All estimates for working poverty in this publication are derived from a macro-econometric model which takes poverty rates as the main input. (For details of the estimation technology see Kapsos, S., Estimating Growth Requirements for Reducing working poverty: can the world halve working poverty by 2015? Employment Paper 2004/14, ILO, Geneva, 2004 and <http://www.ilo/trends> for information on all world and regional estimates). The main reason behind the use of macro-based models for estimating working poverty is the lack of direct measurements of poverty among the employed population. However it is clear that micro-based estimates of working poverty are more reliable than macro-derived estimates simply because they are based on direct household-level measurement and do not require the simplifying assumptions that underlie the macro-based estimates. Yet careful analysis of the relationship between employment and poverty is not usually feasible because the most reliable way of collecting information on the two topics is through “dedicated” separate surveys, such as the Labour Force Survey (LFS) for the employment status of the population and the Household Income and Expenditure Survey (HIES), or the Living Standards Measurement Survey (LSMS), for the measurement of poverty.

In the case of the Philippines both a LFS and HIES survey is carried out on the same households, allowing for the direct calculation of working poverty using the ideal sources for both employment and poverty status. The results showed that in total, over 3 million workers aged 15 and above in the Philippines were living on less than \$1 a day in 2003, with nearly 12.6 million living on less than \$2 a day. This corresponds to 9.9 and 40.9 per cent of workers, respectively. In comparison with the macro-based approach, in both cases of \$1 and \$2 working poverty, the macro-derived estimates result in overestimation of poverty rates and headcounts as compared with the micro-derived estimates. It is important to note though that the comparison between the micro- and macro-derived results is based on data from only one country in only one year and therefore does not represent conclusive evidence regarding the plausibility of the various assumptions used in the macro-derived estimates. However, the case of the Philippines reveals considerable potential for broadening the use of micro based surveys to generate new country-level working poverty estimates and to begin to test and improve upon the assumptions underlying the existing macro-based models. In addition to providing more accurate country-level estimates of working poverty, micro surveys enable national and sub-national tabulations of a wide variety of labour market and socioeconomic indicators to be produced. These tabulations can increase the use of statistical data and evidence-based approaches in policy formulation, while giving researchers and civil society the ability to monitor the related trends and progress towards national and sub-national goals.

Source: Kapsos, S., Micro-and Macro-based approaches for estimating working poverty, paper prepared for United Nations Economic and Social Council, Economic and Social Commission for Asia and the Pacific, Committee on Poverty Reduction, Document No. E/ESCAP/CPR(4)/5, 19 September 2007.

The shift in terms of status of employment has been slightly more impressive than the sectoral move, especially the move out of the status group of contributing family workers, for women. The share of this group in total employment decreased by 10.5 percentage points to a level of 36.0 per cent – nevertheless, the second highest in the world after South Asia. Apparently, a large share of women moved into own-account work, but a promising aspect is that an even larger share moved into wage and salary work; there the female share increased by 5.7 percentage points between 1997 and 2007 to reach 35.1 per cent. Movements in men’s status shares have been less impressive, but going in the right direction. Decreases in the contributing family share and the own-account share and increases in wage and salary work. More than four out of ten workers belong to the latter status group. Overall, vulnerable employment decreased in the last ten years between 1997 and 2007 by 4.0 percentage points. In 2007, six out of ten people employed were in a vulnerable employment situation.

Labour productivity growth was stagnant and much slower than in the other Asian regions, which led to the fact that East Asia overtook South-East Asia & the Pacific in terms of levels of productivity. The average annual increase between 1997 and 2007 was below 2 per cent. However, recent years growth rates were much higher.

Taking the mixed performance of labour market indicators together, the development of working poverty comes as a surprise at first sight: the working poor share at the US\$1 a day level almost halved – down from 24.1 per cent in 1997 to 13.4 per cent in 2007. With a decline of 12.2 percentage points, the decrease in US\$2 a day working poverty was the second highest in the world after East Asia. Nevertheless, every second worker lives with his family on less than US\$2 a day. One of the explanations for the rapid reduction in working poverty is that the region started from lower levels of poverty and higher incomes per capita ten years ago than other regions, which means that there was not that much growth needed to further improve the situation. (For more information on working poverty in the Philippines and working poverty estimations in general see box 4.)

The region still needs decent jobs. How to find sectors where such jobs can be created is the challenge for the future, especially given that the region overall does not have an advantage in either cheap labour or productivity levels. As only higher productivity levels can insure decent work growth, there is a strong need to focus on improving productivity through education and skills development.

The situation is especially challenging in the Pacific Island States. Combined with high labour force growth and poor labour market performance, living standards have deteriorated in many countries there.

Cambodia, Viet Nam and the Philippines have shown promising developments over the past ten years, so has Singapore in more recent years. In the first three cases GDP growth was not driven but supported by a good performance of the agricultural sector. This should be taken as good examples for other countries in the region and at the same level of development, given the continuing high share in this sector in these countries and given that poverty is becoming, more and more, a rural phenomenon.¹⁶

Social protection schemes and social safety nets are more important than ever, especially for the young generation, in view of the high unemployment challenge they face. The situation of young people in the region's labour markets has become the most pressing challenge. The high unemployment and the mismatch between expectations and the quality of jobs, and consequent discouragement, will lead to a heavy constraint in development. The region's youth share in the working age population will decrease in the future (see Figure 7) which could lead to lower unemployment amongst the youth. But for today's youth measures need to be taken to help them to better integrate in labour markets, otherwise a high share of their potential could be lost.

¹⁶ World Bank, *World Development Report 2008*, "Agriculture for Development", Washington, 2007, <http://econ.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTRESEARCH/EXTWDRS/EXTWDR2008/0,,menuPK:2795178~pagePK:64167702~piPK:64167676~theSitePK:2795143,00.html>.