

REALIZING DECENT WORK
IN ASIA

Realizing decent work in Asia

Fourteenth Asian Regional Meeting
Busan, Republic of Korea, August-September 2006

Report of the Director-General

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Acronyms and abbreviations

| | |
|--------|---|
| ADB | Asian Development Bank |
| ALMP | active labour market policy |
| ASEAN | Association of South-East Asian Nations |
| ATC | Agreement on Textiles and Clothing |
| BCI | Business Competitiveness Index |
| BPO | business process outsourcing |
| BTA | bilateral trading agreement |
| CSR | corporate social responsibility |
| DMC | Developing member countries of the Asian Development Bank |
| DWCP | decent work country programmes |
| ECOP | Employers Confederation of the Philippines |
| ECOSOC | United Nations Economic and Social Council |
| EEZ | exclusive economic zone |
| EFA | Education for All |
| EPZ | export processing zone |
| ESCWA | Economic and Social Commission for Western Asia |
| FDI | foreign direct investment |
| GCC | Gulf Cooperation Council |
| GCI | Growth Competitiveness Index |
| GDP | gross domestic product |
| GUF | global union federation |
| HCR | head count ratio |
| ICFTU | International Confederation of Free Trade Unions |
| ICT | information and communication technology |
| IFA | international framework agreement |
| ILS | international labour standards |
| IOM | International Organization for Migration |
| IT | information technology |
| ITES | information technology-enabled services |
| LDC | least developed country |
| LMI | labour market information |
| M&A | merger and acquisition |
| MDG | Millennium Development Goal |
| MENA | Middle East and North Africa |
| MFA | Multifibre Arrangement |
| MNE | multinational enterprise |
| MOU | Memorandum of Understanding |
| ODA | Official Development Assistance |
| OECD | Organisation for Economic Co-operation and Development |
| OSH | occupational safety and health |

| | |
|---------|--|
| PPP | purchasing power parity |
| PYBF | Philippines Youth Business Foundation |
| R&D | research and development |
| RTA | regional trading agreement |
| SME | small and medium-sized enterprise |
| TNC | transnational corporation |
| TVE | township and village enterprise |
| UNCTAD | United Nations Conference on Trade and Development |
| UNESCAP | United Nations Economic and Social Commission for Asia and the Pacific |
| UNIFEM | United Nations Development Fund for Women |
| VET | vocational education and training |
| YEN | Youth Employment Network |

Preface

Realizing decent work in Asia

With over 60 per cent of the global workforce, the countries attending the Meeting are of great diversity and global significance. They range from the natural resource-rich Gulf States, or the new economic giants of the global economy, to the Pacific island States. It is a region of action and entrepreneurship, opportunity and challenge. My Report and this Meeting seek to help constituents to harness the resilience, energy and dynamism that abound in these countries to realize decent work for a better life for all.

The Decent Work Agenda reflects a tripartite consensus within the ILO, as well as being a contemporary statement of the ILO's historical mandate and the basis for reform to respond better to the demands of today. The Agenda that we have crafted together has had a resounding success beyond the institution.

Working women and men have welcomed the Agenda because it connects with the universal demand of people for a decent job and a decent life for themselves and their families through their own efforts. The struggle for policies and institutions that expand opportunities, voice and representation has been at the heart of the struggle of workers' organizations.

Business and employers' organizations have found in the Agenda a practical means of advancing economic and social development because it is linked to the productive system and takes into account the imperatives of enhancing productivity and growth in an increasingly competitive global market.

Politicians have embraced the Agenda because work and employment are at the heart of politics. They are a generalized demand of citizens when they vote. The World Commission on the Social Dimension of Globalization, in a critical but balanced report, stated that the present model of globalization was highly unbalanced. In no small way, this reflected widespread concerns about a global jobs crisis that undermines the legitimacy of current approaches to development and of globalization itself.

The call for decent work has thus resonated in many places beyond the ILO.

Last September at the United Nations General Assembly, world leaders stated in the World Summit Outcome document:

We strongly support fair globalization and resolve to make the goals of full and productive employment and decent work for all, including for women and young people, a central objective of our relevant national and international policies as well as national development strategies including poverty reduction strategies, as part of our efforts to achieve the Millennium Development Goals. These measures should also encompass the elimination of the worst forms of child labour, as defined in the ILO Convention No. 182, and forced labour. We also resolve to ensure full respect for the fundamental principles and rights at work.

Decent work, which began as a tripartite goal of ILO constituents, has now been embraced as a global goal by governments at the highest level. This is vital because there are limits to national action in an era of globalization and connectedness: decent work must be founded on national commitment, supported by regional initiatives and realized in a supportive global environment.

There is a growing convergence of perspectives on the need to make employment a direct objective of policy-making, rather than a mere by-product of policies for growth and economic development. Equally important is the commitment to decent work, not just any work. United Nations Secretary General Kofi Annan, in a recent address to the Fourth Summit of Heads of State and Government of the European Union, Latin America and the Caribbean in Vienna, sent a strong message on the need to place job creation "right next to economic growth in national and international economic and social policies" and called for "an institutionalized reflex which constantly asks 'what can this do for jobs?' when discussing macroeconomic policy".

What world leaders agreed to at the United Nations Summit last year in many ways reflected what you called for at the last Regional Meeting. You asked for work to be at the heart of the policy agenda nationally, regionally and globally. World leaders have set the stage for this. You stressed the role of employment in poverty reduction within the framework of the Decent Work Agenda, and this was recognized by the Heads of State and Government.

They also resolved to ensure full respect for fundamental principles and rights at work, with special reference to child labour in its worst forms. You highlighted the role of the Declaration on Fundamental

Principles and Rights at Work in shaping an effective response to the social problems and structural changes resulting from economic fluctuations and globalization.

At that Meeting you also called for the development of national plans of action for decent work, and many of you have developed such plans on the basis of that experience. Now we need to redouble our efforts to ensure that decent work country programmes are implemented and included in national development frameworks.

The global political commitment to the pursuit of decent work is the beginning of a journey to real changes for the better in people's lives. The challenge is great. Charting a new course for policies and institutions and orienting them towards decent work for all is still some distance away.

Recent economic growth in Asia has been by far the most rapid in the world, and yet it has not been sufficient to tackle effectively the situation of the working poor and other work-related challenges including rising unemployment.

The situation of the working poor across this group of countries illustrates the task we have in hand. As my Report indicates, some 84 per cent of workers in South Asia, 58 per cent in South-East Asia and the Pacific, 47 per cent in East Asia and 36 per cent in the Arab States live in households whose members are living on less than US\$2 a day. The jobs crisis gravely threatens the credibility of governmental and private authorities; it places a strain on families, communities and societies, and erodes human security.

The widespread endorsement of a decent work approach is a recognition that "business as usual" will deliver neither the quantity of jobs that people need nor the quality of jobs that can redress deep imbalances and lift people out of poverty. This was acknowledged in the 2005 report of the Asian Development Bank entitled *Labor markets in Asia: Promoting full, productive and decent employment*. It stated: "Attaining full, productive and decent employment must be the priority for (Asian) policymakers in the march to a poverty-free Asia. Indeed, the surest means of fighting poverty is large-scale job creation."

We know that policies can change so that employment can be much better. The Decent Work Agenda calls for universal respect for fundamental principles and rights as a global social floor. Above that floor, it is a moving target. Decent work is not defined in terms of any fixed standard or monetary level. But everybody, everywhere, has a sense of what decent work means in terms of their own lives and in relation to their own society. And it is an aspiration that rises further with a country's development.

The Fourteenth Asian Regional Meeting brings together the ILO's constituents around the common purpose of decent work – a shared aspiration, transcending national boundaries and cultures. The Meeting will look at five major themes that have emerged as broad areas of common concern. These are:

- competitiveness, productivity and decent jobs in a globalizing context;
- the "Millennium generation": decent jobs for young people;
- managing labour migration;
- labour market governance for realizing decent work in Asia; and
- extending social protection to the informal economy.

The discussions will take up standards and fundamental principles and rights at work, gender equality and social dialogue as cross-cutting themes.

These five themes provide a framework for the discussions. They are areas for collective focus but do not exhaust all the issues pertinent to the Decent Work Agenda. Each country, in shaping its own national agenda, will reflect the range of decent work issues to be given priority in its particular context, at a particular time. The key element is to make policies converge in that direction. The decent work country programmes will define what the ILO can do to contribute to the decent work priorities in each country.

In the region and beyond, the climate is very propitious for moving ahead. At the Fourteenth Regional Meeting you have the opportunity to define an agenda for action, to identify the mechanisms that give life to the conclusions you will adopt, and to ensure that the ILO's own contribution to the realization of decent work in Asia is effective and credible.

A major reduction in the decent work deficit in this region will be a tremendous boost to the realization of decent work globally.

Juan Somavia

1. Decent work: The priority for Asia in the twenty-first century

Asia in a century of turbulence and change

Asia¹ entered the twenty-first century under the cloud of the financial crisis of 1997-98. The region's impressive record of economic growth and poverty reduction associated with trade and foreign direct investment (FDI) had been reversed; many countries went into a deep recession, unemployment and underemployment soared, and painful adjustments had to be made by governments, businesses and working women and men and their families. Asian countries, once lauded for their openness, had become vulnerable precisely because of that openness. Delegates to the Thirteenth Asian Regional Meeting in 2001 responded by urging the ILO to help constituents to better manage the forces of globalization, notably through national plans of action for decent work.

Since then, the region as a whole has made a remarkable recovery to occupy a premier position in the global economy. The emergence of China and India as economic powerhouses has shifted the growth pole from west to east. Asia has become the centre of activities for outsourcing, offshoring, inshoring and supply chaining. Recent economic growth in the region, with close to 4 billion people, has been by far the most rapid in the world. Output growth has been over twice the world average. Growth has been underpinned by exceptional trade performance and strong domestic demand, with many countries running consistent and sizeable current account surpluses and generally robust income growth boosting consumer spending and business investment. Asia has led the world in reducing poverty on a per capita basis, and several countries have already achieved Millennium Development Goal (MDG1) well before the 2015 deadline.

Increasingly, the talk is of the twenty-first century being “the Asian century”. In this period of rapid change, the world is looking to Asia for examples and good practices on how to seize the opportunities and address the challenges posed by globalization and intensifying competition, technological progress, demographic dynamics and the changing nature of jobs and work.

But within Asia, there is great diversity. The distribution of the benefits of globalization and economic growth within and between countries has been uneven. Not all countries or groups in society have become integrated into the global economy as fast as the leaders, and the gaps have been growing. Several countries in the region remain mired in social or political conflicts and tensions, their path to democracy and peace hampered by the lack of decent and productive employment opportunities for the population.

Asia leading in the global economy ...

... but great diversity and imbalances within Asia

¹ For the purposes of this report, Asia covers the Arab States in West Asia, the developing countries of South, East and South-East Asia, the island States of the Pacific and the developed (industrialized) economies of Australia, Japan and New Zealand.

Decent work: The priority

The challenge of decent jobs

Asia's economic performance has not been matched by performance in job creation. Increased trade and direct foreign investments and robust growth of output have failed to keep pace with the growth of the labour force, let alone reduce unemployment and underemployment. Employment elasticities (the percentage increase in employment associated with a 1 percentage point increase in GDP growth) have been low. Recent unemployment rates represent rather large increases over those prevailing five to seven years ago, and are typically well above the pre-crisis levels for East Asian and South-East Asian economies. The Arab States in West Asia face tremendous labour market pressures, with overall unemployment rates hovering in the 12-14 per cent range for at least the past decade.

The jobs challenge is enormous. At approximately 1.9 billion, Asia's labour force is huge and growing – by at least 14 per cent, or 256 million, over the next ten years. By 2015, Asia will be home to some 60 per cent of the world's total labour force.

The jobs deficit hitting young people hardest

Perhaps the most worrying aspect of the jobs deficit is its impact on young people. We are in grave danger of letting down the Millennium generation. The twenty-first century cannot belong to Asia's youth if they do not have decent jobs. In 2005, Asia had over 48 per cent, or 41.6 million, of the world's young people without work. A young person's risk of being unemployed is at least three times higher than that of adults. Increasingly, young women are doing better than young men in the education system but still find it harder to enter, compete and do well in the labour market. Progress in closing the gender gap in employment and working conditions has been frustratingly slow.

Underemployment rampant in many forms

Open unemployment is, however, only the "tip of the iceberg". The more serious problem is that of underemployment, which manifests itself in different forms, including workers involuntarily working less than full time, taking jobs below their educational qualifications or skills, or being underutilized in overstuffed, bloated state enterprises. Millions of workers have to make do with their raw labour in subsistence agriculture and the informal economy.

Dualism becoming more acute

Dualism – the coexistence of the modern or formal sector with the traditional or informal sector – has become a more acute and notorious feature of labour markets in many Asian countries.² They have very well developed formal sectors in industry and services that resemble those in industrial countries, while simultaneously having large informal economies. In most Asian countries the informal economy has been burgeoning, but for most workers and small businesses in the informal economy, work is unproductive and insecure, despite long, hard working days and much ingenuity. Furthermore, in many countries, agricultural jobs have tended to suffer from policy neglect. Nevertheless, agricultural work continues to absorb a very sizeable share of the workforce.

The changing nature and insecurity of jobs

Even when people have jobs today, their level of insecurity and uncertainty has increased – they worry about being employed and able to feed their families tomorrow, especially in a context where employers are seeking greater flexibility to hire and fire workers in response to intensified global competition, and where effective social protection is limited or non-existent. Whether in rural or urban areas, women and men

² Asian Development Bank (ADB): *Labor markets in Asia: Promoting full, productive and decent employment* (Manila, 2005), p. 81.

see their working lives directly affected by free trade agreements, the massive restructuring of garment production systems consequent on the phasing out of the Multifibre Arrangement (MFA) export quotas, global sourcing or the volatility of orders down the international subcontracting chains related to “just-in-time” production.³

Workers’ safety and health is also a major concern. According to ILO estimates, some 1 million workers are killed annually in Asia by work-related accidents and diseases – not to mention the many more whose productivity and quality of life are affected by exposure to poor working conditions and occupational safety and health (OSH) hazards.

Health and safety concerns

HIV/AIDS infection rates are comparatively low, but because the populations of many Asian countries are so huge, these low rates still translate into large numbers. About 97 per cent of persons living with HIV/AIDS are in the productive working age group of 15-49 years, so that the major impact of HIV/AIDS is on the productive labour force and can be serious. The epidemic is progressing more quickly among women than men. The extent of the impact of the epidemic is projected to be limited initially, but labour force losses as a proportion of the labour force are expected to double every five years. The economic burden for the working population is expected to rise sharply over the next ten years, and the social burden to increase even more sharply, which may have a noticeable negative impact on the region’s economies.

Ratification by member States of the ILO’s eight fundamental Conventions – relating to freedom of association and the right to collective bargaining, forced labour, child labour and discrimination – has risen significantly and efforts to bring labour legislation into line with the ratified Conventions have picked up. However, compared to other regions of the world, Asia and the Pacific has the lowest rate of ratification of the Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87), and the Right to Organise and Collective Bargaining Convention, 1949 (No. 98). Several countries still allow various forms of exception to legal protection of freedom of association and the right to collective bargaining. Workers in the informal economy, agriculture and export processing zones, and migrant and domestic workers, often face difficulties in exercising their right to freedom of association and collective bargaining. Without strong workers’ and employers’ organizations and effective mechanisms for social dialogue and tripartism, the true achievement of decent work is not possible.

Rights at work still an issue

The search for jobs has resulted in millions of Asians, a growing proportion of whom are women, being on the move – from rural to urban areas and across national borders. When people cannot find work at home in their communities and societies, they look elsewhere. Over the past two decades, gross emigration of labour rose at an annual rate of 6 per cent for the Asian region as a whole. This means an increase in migration more than two times faster on average than the growth of the labour force of the origin countries. In today’s environment, labour migration easily becomes a source of economic, social and political tensions, not to mention human trafficking. The challenge is how to manage labour migration so as to benefit both sending and receiving societies and to better protect the rights and equal treatment of migrant workers.

Moving in search of jobs

The jobs crisis is creating a decent work deficit and putting a brake on efforts to reduce poverty. Without effective social protection schemes and social safety nets, most

The working poor

³ These changes are highlighted in ILO: *Changing patterns in the world of work*, Report of the Director-General to the International Labour Conference, 95th Session, Geneva, June 2006.

people cannot afford to be openly unemployed: they have to work – and work very hard and long hours – but in low-productivity and precarious jobs where they do not earn enough to support themselves and their families. Despite increasingly persuasive evidence of the correlation between enhanced productivity and the provision of effective social protection, limited social protection remains one of the most serious decent work deficits in the region.

The problem of the “working poor” is huge: in 2005, some 84 per cent of workers in South Asia, 58 per cent in South-East Asia, 47 per cent in East Asia and 36 per cent in the Arab States did not earn enough to lift themselves and their families above the US\$2 a day poverty line. Income inequality has been increasing in many countries, posing a growing threat to social stability.

That productive and decent employment is the top priority concern of Asian countries is evident from box 1.1.

Box 1.1. Decent work: The priority concern in Asia

“A peaceful and secure ASEAN where job creation, employment and the livelihood of its citizens are taken care of is the desired goal in combating all the threats to society. Such a condition will provide human security” (Secretary-General of **ASEAN** at the Second Asia-Pacific Homeland Security Summit and Exposition, 16 November 2004).

“Improving labour market opportunities for workers is the key to reducing poverty and improving standards of living for the large majority of Asia’s workers and their families. Poverty reduction requires helping people as workers. Indeed, of all the problems that beset developing member countries (DMCs) today, the employment problem is probably the central one” (Asian Development Bank: *Labor markets in Asia: Promoting full, productive and decent employment*, Manila, 2005, p. 1).

“As I unfold the vision of the UPA Government, Honourable Members will note that the central theme that runs through the various schemes and programmes is creation of jobs” (Minister of Finance of **India**, Budget Speech 2005-06).

“Our attempt hence should be to find gainful employment for around 76 million people ... which is an essential need for India to become a developed country before 2020” (President of **India** unveiling an Action Plan for Employment Generation on the eve of Republic Day in 2005).

“An important focus will be to improve the rate of economic growth and its quality in the sense of creating more and better jobs, sustainable reduction in poverty and vulnerability. Our growth rate has not created the number of good jobs we would expect from a 4 to 5 per cent growth rate nor significantly reduced Indonesia’s vulnerability to falling into poverty” (Minister of State for National Development Planning on the overview of **Indonesia’s** Medium-Term Development Plan 2004-09).

“Labour policies shall be guided by the principles of providing decent and productive employment. Decent and productive employment means that adequate income is generated, rights at work are protected, social protection is provided for, and participation in the democratic process is guaranteed through tripartism and social dialogue. It also means sufficient employment, where all workers have full access to income-earning opportunities” (Medium-Term **Philippines** Development Plan 2004-10).

“We will continue to follow a vigorous employment policy. We will take more steps to help people laid off because of economic restructuring find new jobs and make appropriate arrangements for employees of state-owned enterprises that have been reorganized and restructured, or closed and declared bankrupt. We will energetically develop service industries, labour-intensive industries and small and medium-sized enterprises to provide more employment opportunities.

We will do a good job in providing guidance and services for people newly entering the workforce, particularly college graduates, demobilized soldiers and people having difficulty finding jobs” (National Development and Reform Commission of the **People’s Republic of China**, Fourth Session of the Tenth National People’s Congress, 5 March 2006).

“A key to solving the problem of socio-economic divides is job creation. Small and medium-size enterprises should be activated. Only when they are revitalized can effects of exports be lead to a boost in domestic demand and job growth. The service industry is also important as it can create a large number of jobs. We need to intensively foster quality services to resolve the unemployment problem among well-educated young people” (The President of the **Republic of Korea** in his New Year address, 2006).

“States Parties agree that broad-based growth should create productive employment opportunities for all groups of people, including young people. States Parties agree to provide enhanced job opportunities for young people through increased investment in education and vocational training” (Social Charter, Thirteenth **SAARC** Summit, Dhaka, 8-13 November 2005).

“Anyone who thinks at all about the future of our region must share your fundamental concern about the high rates of youth unemployment in most of our countries and agree with you that youth should be recognized as a primary resource for progressing economic development” (Secretary-General of the **Pacific Islands Forum** Secretariat).

“Our constant and increasingly successful search for, and encouragement of investment, is directly linked to the creation of jobs and income opportunities” (Minister for Women, Social Welfare and Poverty Alleviation, **Fiji**).

“Few challenges confronting the economies and societies of the Middle East and North Africa (MENA) region are as pressing as those emanating from their labour markets. Almost every country in the region suffers from high unemployment, which mostly affects the young, the educated and women In no small measure, MENA’s economic future will be determined by the fate of its labour markets” (World Bank: *Unlocking the employment potential in the **Middle East and North Africa: Towards a new social contract***, Washington, DC, 2004, pp. xvii and 1).

“Unless countries in the Arab world can ensure gainful employment for their fast growing populations – particularly the young – the significant political difficulties that are already emerging could worsen, with potentially unfavourable economic and political consequences” (World Economic Forum: *The **Arab World Competitiveness Report 2005***).

Realizing decent work in Asia

The ILO has been responding to the conclusions of the Thirteenth Asian Regional Meeting by helping countries to “begin at home” to address globalization and poverty reduction, through efforts at local and national levels to give people a fair chance of a decent job.

Going local, beginning at home

People experience globalization most directly through their work – not just in terms of having a job but in terms of having productive and decent employment that provide an adequate income to keep them and their families out of poverty, security in times of adversity, basic rights and a voice in decisions that affect their lives and livelihoods. A decent job respects and confers the dignity of work, promotes a sense of self-worth and is central to family stability. How much productive employment is available, what skills and training people need to access the work, what their working conditions will be and what rewards they will reap from the work – these are fundamental concerns of all working women and men. Furthermore, the successful organization of work is

the key to successful businesses and prosperous countries in a competitive global marketplace.

The accompanying report for the Fourteenth Asian Regional Meeting⁴ describes the ILO's efforts to promote productive and remunerative work in conditions of freedom, equity, security and human dignity. Since 2001, the national economic and social development plans of several countries in the region have incorporated explicit employment-friendly policies and made productive and decent employment the key to their commitment to achieving the MDGs. The ILO itself has developed decent work country programmes (DWCPs), which put the Office's knowledge, instruments and advocacy at the service of the tripartite constituents to assist countries to achieve clearly identified priority decent work outcomes.

*Going regional
and global*

This report is about taking the next steps to realize decent work in Asia – not only at the local and national levels but also at the regional and global levels. At the United Nations World Summit in September 2005, world leaders strongly supported fair globalization and adopted as a global goal full and productive employment and decent work for all. The specific resolution (in particular paragraph 47) adopted at the Summit,⁵ and its implications, are highlighted in the preface to this report. With decent work now endorsed as a global goal, the task is to make it a reality – and Asia has the potential to take the lead in realizing decent work.

The World Economic Forum in Davos, Switzerland, in January 2006 devoted an agenda item to the creation of future jobs, in acknowledgement of the fact that the world is sliding into an unprecedented global jobs crisis. The high-level segment of the United Nations Economic and Social Council (ECOSOC) meeting in July 2006 will be devoted to a consideration of creating an environment at the national and international levels conducive to generating full and productive employment and decent work for all and its impact on sustainable development; while the theme for the item on regional cooperation will be the regional dimension of creating an environment conducive to generating full and productive employment, and its impact on sustainable development. Regional organizations, such as the Asian Development Bank (ADB) and the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), have addressed the challenge of decent jobs in their recent flagship publications.⁶

*Interconnectivity,
complementarities
and competitiveness
within Asia*

Economic and social progress is increasingly determined not by the actions of individual countries but by the interconnectivity, complementarities and competitiveness among people, economies and countries. While there is great diversity within the Asian region, there is also growing interdependence. Workers are engaged in national labour markets that are linked through trade and investment to decisions taken in other countries. Asian countries are being linked in regional production systems, driven by the operations of multinational enterprises and fuelled by technological progress. The regional labour market has been widening, with growing cross-border flows of Asian workers. Trade, investment and financial flows are increasingly intra-Asian. Various types of free trade arrangements have been proliferating. Global competition is intensifying, but, at the same time, regional integration and cooperation arrangements are deepening.

⁴ ILO: *Decent work in Asia: Reporting on results 2001-05*, Report of the Director-General, Fourteenth Asian Regional Meeting, Busan, Republic of Korea, 2006.

⁵ United Nations: *World Summit Outcome document*, resolution adopted by the General Assembly, 60th Session, New York (doc. A/RES/60/1, 24 Oct. 2005).

⁶ ADB: *Labor markets in Asia*, op. cit.; and UNESCAP: *Economic and social survey of Asia and the Pacific 2006: Energizing the global economy* (New York, 2006).

It is in this context that the report calls upon the ILO's tripartite constituents to come together not only at the local but also at the regional level, and in close cooperation with other stakeholders of global society, to promote economic growth together with decent work – to make the twenty-first century truly the century for Asian women and men, young and old.

At the regional level, the report reflects the Millennium Declaration's call for strategic partnerships for development (MDG8). It emphasizes that integration and cooperation can effectively help Asian countries manage global forces and realize decent work for all. The regional organizations of member States can go beyond trade and economic cooperation to incorporate social concerns for productive employment and workers' rights. Multinational enterprises (MNEs) have corporate social responsibility to help make globalization and technological change work for everyone. (Sub)regional organizations of workers and employers have important roles to play. There can also be (sub)regional networks and other cooperation arrangements on shared objectives, for example among skills and human resource development institutions, youth organizations, and so on.

There is no “one size fits all” strategy for realizing decent work in Asia. Different countries, given their national realities, cultures and development levels, will strive in different ways to achieve the goal of more and better jobs. However, there are principles and rights at work that can and should be respected in all contexts and at all levels of development. These cover freedom of association and collective bargaining, non-discrimination (including the promotion of gender equality) and non-use of forced labour and child labour. On this foundation, social dialogue is the most effective way of achieving national consensus on the best policy combination for a country, including the trade-offs that may be required and the appropriate policy responses.

No “one size fits all” strategy, but certain fundamentals for realizing decent work can be identified

At the same time, there are certain aspects on which countries would find it effective to strengthen regional integration, improve harmonization of macroeconomic, trade, investment, labour and social policies, and address issues of common concern, such as networking for human resource development, management of labour migration and joint action to tackle natural disasters and crises. Certainly, Asian countries would benefit from improved sharing of knowledge and experiences and the development of common statistical databases. We need to join forces to realize decent work for all.

Structure of the report

Chapter 2 describes the turbulent changes taking place in the twenty-first century in Asia and the rest of the world. Labour markets and employment outcomes today are greatly influenced by the effects of trade, foreign direct investment, technological progress and global competition.

Chapter 3 highlights the opportunities and challenges for realizing decent work as the main pathway out of poverty and for creating a more productive and equitable society in Asia. In addition to the forces described in the previous chapter, the focus is on:

- the demographic dynamics in the region, which offer a “demographic gift” but also increase the pressure on jobs in some countries and pose problems related to intensifying ageing in others;
- the poverty challenge: the “working poor” in Asia and the importance of raising productivity;
- the challenge of productive employment, which assumes greater significance when linked both to the problem of the “working poor” and to the importance of tapping the enormous potential of the Millennium generation of young Asian women and men; and

- the rising mobility of people within and across national borders: depending on how well this is managed, labour migration can become a unique source of comparative advantage in an increasingly competitive global environment.

How ILO constituents, both on their own and through strategic partnerships and regional cooperation, address these labour market-related opportunities and challenges will contribute greatly to realizing decent work in Asia.

Chapter 4 identifies the policy and programme considerations at national, (sub)regional and global levels relating to:

- the challenge of promoting competitiveness, productivity and decent employment growth;
- the promotion of decent jobs for young people as being crucial in the decent work life cycle;
- the management of labour migration so as to benefit both sending and receiving countries and better protect the rights of migrant workers;
- the adaptation and modernization of labour market governance for realizing decent work; and
- the extension of social protection to unprotected workers in the informal economy.

These issues are highlighted in Chapter 4 and emerged from a process of consultation with ILO constituents on the topics on which they wished to focus their discussions at the Fourteenth Asian Regional Meeting. This focus does not in any way imply that other aspects of the Decent Work Agenda are not important.

The final chapter emphasizes strategic partnerships and calls upon governments, business, trade union leaders and relevant national, international and regional organizations to come together, in close cooperation with other stakeholders such as youth organizations, to make decent work a reality in Asia by:

- identifying concrete and practical steps to be taken and specific outcomes to be achieved;
- making specific commitments to achieving these outcomes, in particular through tripartism and social dialogue and innovative regional partnership efforts; and
- defining and supporting the role of the Office in contributing to these outcomes.

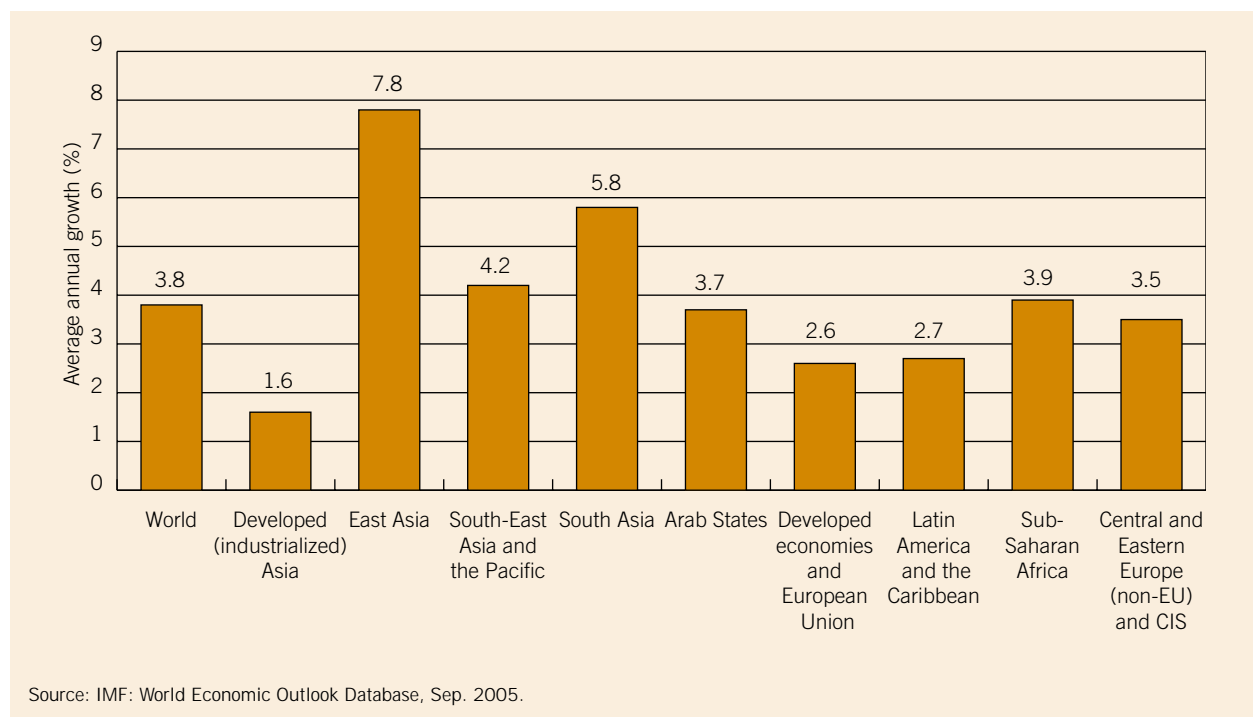
2. Globalization, regionalization and competitiveness in Asia

The opportunities and challenges for realizing decent work in Asia are greatly influenced by the interplay of the globalization forces of trade, foreign direct investment and technological progress. In this chapter, we shall see that the context in which Asian labour markets are operating is undergoing dramatic changes. A consequence of these changes is intensifying competition, on the one hand, and growing regional interdependence and cooperation, on the other.

Asia leading in the global economy

The significance of Asia in the world economy can be judged from a number of indicators.¹ Recent economic growth in the region has been by far the most rapid in the world (figure 2.1). Growth has been underpinned by exceptional trade performance and strong domestic demand, with many countries running consistent and sizeable current account surpluses and generally robust income growth boosting consumer spending and business investment.

Figure 2.1. Economic growth for Asia and other major subregions, 1995-2005



¹ ILO: *Labour and social trends in Asia and the Pacific 2006: Progress towards decent work* (forthcoming).

China and India the emerging economic powerhouses

Asia's growth performance has been dominated by **China** and **India**. Rapid growth of the large Chinese and Indian economies has spilled over into many other developing countries and has established Asia as a new pole of growth in the world economy. At the 2006 World Economic Forum in Davos, the spotlight was very much on the implications of the emergence of China and India for the rest of the world and also on the race between India and China for growth, prosperity and investment.

The discussions focused on the centre of economic gravity shifting from west to east, and on how the emergence of China and India is transforming the world, "from the changing nature of sourcing and manufacturing, to market entry strategies, talent development, and increasingly new regions to source creativity and innovation".² The discussions highlighted not just competition but also growing cooperation between the two giants and generally concluded that, while they clearly share strong economic prospects, they both face very real problems, including: their respective demographics (an exploding population in India and an ageing one in China); labour market imbalances between rural and urban areas; physical infrastructure, resource and environmental constraints; growing income inequalities (although both countries have been successful in reducing absolute poverty); corruption (a problem not just for these two countries but for many countries in the region); and the need to continue reforms to further open up their economies.

A strong regional dimension to Asian trade

Rapid expansion of Asian exports

Over the last two decades, exports of goods and services from Asia as a whole increased five and a half times, as compared to a threefold increase worldwide. The region's share of world merchandise exports was 24.2 per cent in 2002. The rate of growth of the export volume in East and South Asia in 2004 was 22 per cent, as compared to 3 per cent for West Asia and 13 per cent for the world. Asia's share of world exports in services grew from less than 10 per cent in 1980 to 17 per cent in 2002, whereas the relative positions of Latin America and Africa deteriorated as their services exports grew more slowly than the world average.³

China's exports led the expansion. Merchandise exports grew by 33 per cent in 2004, and several other countries that participate in regional production networks associated with China also benefited from its strong export performance. In 2004, China was the world's third largest exporter of merchandise goods and the ninth largest exporter of commercial services, with a share of 9 per cent and 2.8 per cent, respectively, of total world exports. In the same year, **India's** merchandise exports grew by 18 per cent, so that the country now ranks 20th in the world; it was also the world's 22nd largest exporter of commercial services. In recent years, India's services exports have grown much more rapidly than its exports of goods.⁴

Asian countries trading more between themselves than with rest of the world

Intra-Asian trade has been growing much faster than trans-Pacific trade – more than sixfold over the last three decades. In part this reflects the rising importance of Asian consumers. The other important factor behind the growing trade among Asian countries is the reorganization of production processes into regional production networks; there are increasing intraregional trade flows of industrial supplies and intermediate goods. China has been serving as a "conveyor belt" for goods from other emerging

² Jonathan Schmidt, Director, Global Agenda, World Economic Forum, Davos, 2006, in an interview published in Jan. 2006.

³ United Nations Conference on Trade and Development (UNCTAD): *Development and globalization: Facts and figures* (New York and Geneva, 2004), pp. 51 and 60. See also UNCTAD: *Trade and Development Report, 2005* (New York and Geneva, 2005), p. 8.

⁴ UNCTAD: *Trade and Development Report, 2005*, *ibid.* pp. 56-57.

Asian economies, with parts being imported to China, assembled and then re-exported. But instead of being merely the “factory to the world”, China has been moving rapidly up the value chain and has become increasingly integrated into the framework of global competition, substantially reshaping the global supply chain and exerting an important influence on labour markets in the region.

The share of intraregional trade within the **Association of Southeast Asian Nations (ASEAN)** has been around 23 per cent since 2000, but trade with the rest of the world, including other Asian, non-ASEAN countries, has been increasing rapidly. Dynamic trade with these other countries contributed to a speedy recovery in the ASEAN region after the financial crisis. In particular, China’s booming economy and raw material requirements have led to strong demand for agricultural products and minerals from the ASEAN countries.⁵

South Asia’s economic performance has been driven mainly by India, although the Islamic Republic of Iran, Pakistan and Sri Lanka have also performed relatively well in terms of GDP growth rates. But the subregion includes several least developed countries whose economic performance has been affected by natural disasters and political unrest.

South Asia’s performance driven mainly by India

The **Arab States** in West Asia have experienced slower integration into the global economy, with oil production being the main driver of foreign trade and inward investment, and heavy dependence on labour migration from both within and beyond the Arab world. The sharp increase in oil prices since the beginning of 2004 contributed to strong economic performance in the oil exporting countries, and also indirectly benefited most of the other countries in the subregion through increased demand for their exports, capital inflows and workers’ remittances.

Slower integration of West Asia into the global economy

The small and narrowly focused economies of the Pacific island States have been significantly underperforming compared to other parts of Asia, although with an exclusive economic zone (EEZ) of nearly 20 million square kilometres and a huge maritime area, they are rich in resources. All are very open to trade, relying heavily on imports for many essential supplies and on a narrow range of commodity and natural resource exports or international tourism for their export revenues. Many also depend on remittances from their nationals abroad.⁶

Pacific island States underperforming

In terms of trade openness, defined as the percentage ratio of total trade (exports plus imports) to gross domestic product (GDP), **East and South-East Asia** are well ahead of other developing regions in the world. Whereas the 1993-2003 world average was 47.6 per cent, several East and South-East Asian countries exceeded 100 per cent. **Hong Kong (China)** and **Singapore** had trade-GDP ratios close to 300 per cent.⁷ In recent years, **China** has demonstrated the most dramatic increase in trade opening, accounting for around one-fifth of the increase in world trade. This has been driven not only by exports but also by imports, a growing proportion of which comes from other Asian countries. The countries that have been most integrated with the global economy, in particular those that have been able to shift their export base from primary

Trade openness linked to GDP growth but impact on employment mixed

⁵ A. Trebilcock (ed.): *Labour and employment implications of the ASEAN Free Trade Agreement: Preliminary studies sponsored by ASEAN and the ILO* (Geneva, ASEAN secretariat and the ILO, 2005), pp. 10-12.

⁶ ADB: *Responding to the priorities of the poor: A Pacific strategy for the Asian Development Bank 2005-09* (Manila, Oct. 2004), pp. 3-4.

⁷ World Bank: *2005 World Development Indicators* (Washington, DC, 2005), table 6.1, pp. 322-324.

commodities to manufactures, have tended to report the highest rates of economic growth.⁸

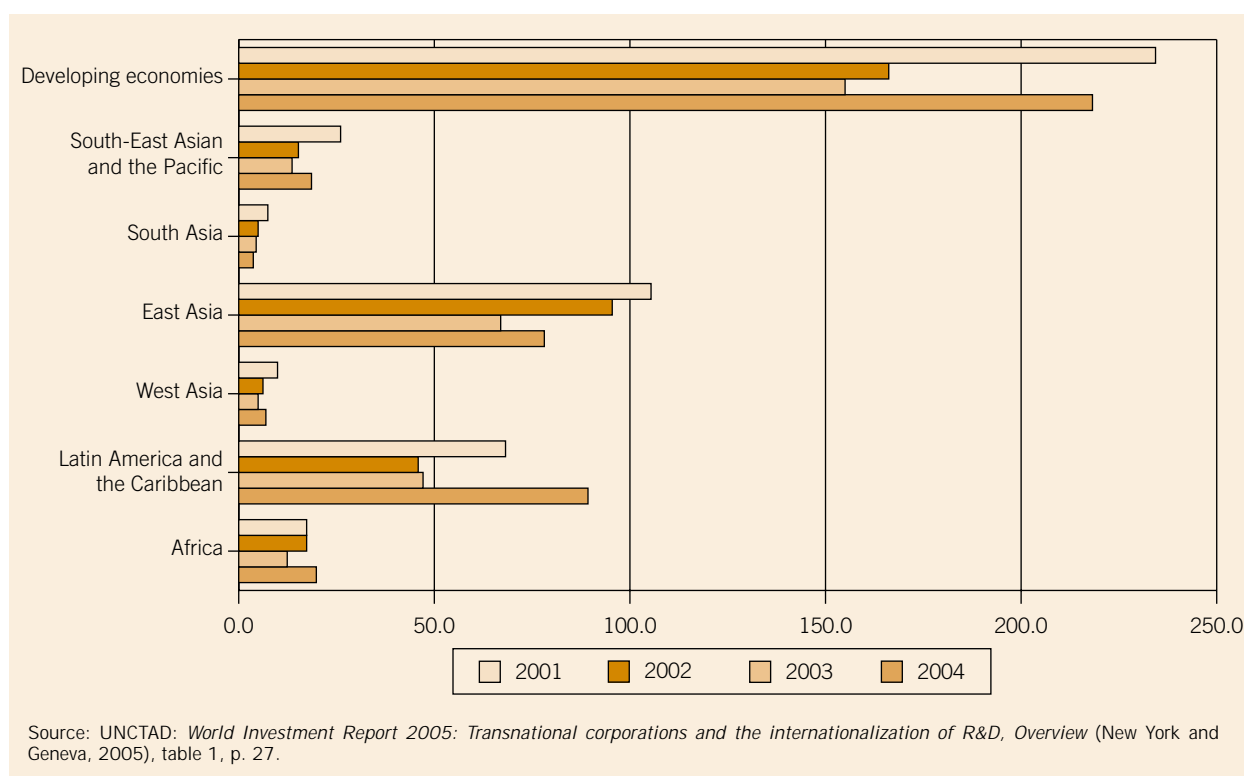
Trade liberalization, supported by sound macroeconomic policies, has spurred much of the region’s growth, but the direct effects on aggregate employment have been muted. The opening up of trade can even have a negative impact on employment in the short term.⁹ Even countries considered to be successful “globalizers” have seen employment losses after opening up to trade for a period of years,¹⁰ principally as a result of the loss of shelter which the hitherto more closed domestic market had provided. Openness of trade exposes the uncompetitive while rewarding the most productive.

Asian FDI flows growing

Among developing countries, Asia largest recipient of FDI

Foreign direct investment (FDI) inflows to developing countries surged by 40 per cent in 2004 as compared to 2003, but developed countries as a group experienced a 14 per cent drop in their FDI. In the developing world, Asia (including the Arab States) and the Pacific has been the biggest destination of FDI, although the inflows have been very uneven (figure 2.2). The share of Asia and the Pacific of total FDI to developing countries in 2004 was 63 per cent, and **China**’s share alone was 26 per cent. FDI inflows to **West Asia** increased by more than 50 per cent, from US\$6.5 billion to US\$9.8 billion in 2003-04.

Figure 2.2. FDI inflows by region in developing economies, 2001-04 (US\$ billion)



⁸ ILO: *Trade, foreign investment and productive employment in developing countries* (Governing Body doc. GB.291/ESP/2, 291st Session, Geneva, November 2004).

⁹ UNESCAP: *Economic and social survey of Asia and the Pacific 2006: Energizing the global economy* (New York, 2006), p. 169.

¹⁰ M. Rama: “Globalization and the labor market” in *The World Bank Research Observer* (Washington, DC, World Bank), Vol. 18, No. 2, autumn 2003, pp. 159-186.

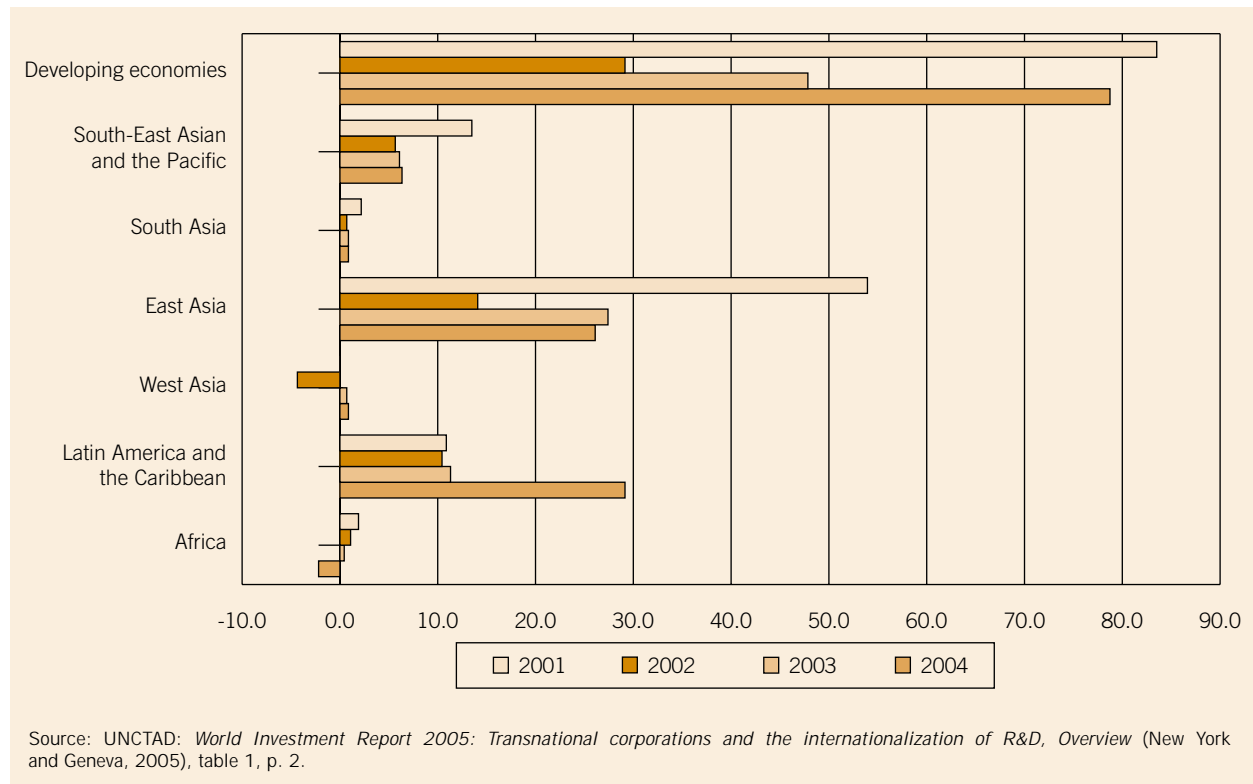
The growth of FDI in developing Asia can be attributed to a number of factors.¹¹ Intense competitive pressures in many industries are motivating firms to explore new ways of improving their competitiveness, including expanding operations in the fast-growing markets of emerging economies to boost sales, and rationalizing production activities with a view to reaping economies of scale and lowering production costs. Higher prices for many commodities have further stimulated FDI in countries that are rich in natural resources such as oil and minerals. Increased inflows have also been linked to cross-border merger and acquisition (M&A) activity and to greenfield FDI in new facilities or the expansion of existing facilities.

FDI inflows linked to search for competitiveness

In 2004, the region's outward FDI flows quadrupled to US\$69 billion or over 83 per cent of total outflows from developing economies (figure 2.3). Among the main investors are **China, Hong Kong (China), India, Republic of Korea, Malaysia, Singapore** and **Taiwan (China)**. Of the top 25 non-financial transnational corporations (TNCs) from developing countries, 18 are Asian. Most of these investments are intraregional, taking place especially among the economies of East and South-East Asia. However, interregional investments are also growing and Asian investment in developed countries is on the rise as well.

Asia also emerging as important source of FDI

Figure 2.3. FDI outflows by region in developing economies, 2001-04 (US\$ billion)



The growth of Asian FDI providers can be traced to the growing capabilities of Asian firms, their strong export orientation and their need to access technology, brand names and strategic assets abroad. For example, a key driver of Chinese outward FDI, including into Latin America and the Arab States, has been the growing demand for natural resources. Chinese firms are also venturing abroad to study international best busi-

Asian firms breaking into global markets

¹¹ UNCTAD: *World Investment Report 2005: Transnational corporations and the internationalization of R&D, Overview* (New York and Geneva, 2005), p. 1.

ness practices and improve governance and management standards. Indian TNCs have invested large amounts in natural resources in African countries and the Russian Federation, while Indian call centres and business process outsourcing (BPO) companies have set up foreign affiliates in the Philippines and Mexico. Singapore and Malaysian companies have also been increasingly involved in M&As within the region.

The growth of both inward and outward FDI flows is being facilitated by various policy changes at the national and regional levels. Countries have been adopting new laws and regulations to make their investment environments more investor-friendly. Regional integration arrangements also influence investment within these countries and accelerate the process of knitting the subregions into more widespread sourcing networks. For example, **ASEAN** and **China** have signed an agreement to establish a free trade area by 2010, and several Asian countries have signed free trade agreements with the United States.

Employment effects depend on type of FDI

The empirical evidence concerning the employment impact of FDI does not permit simple generalization. In the special case of M&As, there may be a decline in employment as companies are restructured and rationalized. In **China**, where FDI went into joint ventures with overstuffed state-owned manufacturing enterprises, there is evidence of negative employment effects as the entry of FDI has facilitated the necessary process of structural adjustment.¹² In the more open and less distorted **Malaysian** and **Thai** economies, the predominant location of TNCs in labour-intensive, export-oriented industries, combined with rapid economic growth, hastened the emergence of labour shortages and rising real wages.

Employment may also fall as a result of strong crowding out effects on small uncompetitive local firms and the introduction of capital-intensive technology by TNCs. Another factor would be whether the FDI goes into manufacturing or services: services FDI generally does not create as much employment per dollar invested as manufacturing FDI. Although employees in service affiliates are, on average, better trained and better paid than those in manufacturing, the direct job-creating potential of these affiliates is lower than in manufacturing.¹³ In producing equivalent amounts of output, a TNC affiliate generates fewer, but higher quality, jobs than does a domestic firm.¹⁴

ICTs creating a “flat world”

ICT – The key enabler of globalization

Information and communication technology (ICT) is the key enabler of globalization, making possible the efficient and cost-effective flow of information, products, people and capital across national and regional boundaries. The impacts and implications are all-pervasive and disruptive.

Firstly, there has been a phenomenal rise in outsourcing, offshoring, supply chaining and insourcing. In manufacturing, a factory’s supply chain can be fully integrated and stretch from Shenzhen, Hanoi and Mumbai to Central Europe, making for lean, efficient companies. We no longer need physical proximity for a joined up company. Much of what we think of as globalization is in fact a growing network of inter-firm relations in global production systems, with a rising share of trade in intermediate goods within and between multinational enterprises and their suppliers.

¹² ADB: *Asian Development Outlook 2004: Foreign direct investment in developing Asia* (New York, Oxford University Press, 2004), p. 225.

¹³ UNCTAD: *World Investment Report 2004: The shift towards services* (New York and Geneva, 2004), p. 137.

¹⁴ ILO: GB. 291/ESP/2, op. cit., paras. 32-34.

ICT has opened up export-oriented FDI in tradable services. Technology in the provision of many services is changing rapidly, and services are playing an increasing role in boosting competitiveness. Manufacturing activities themselves include a steadily growing services component (in marketing, servicing, R&D, design, logistics), many of which are being increasingly outsourced to specialized suppliers. Business process outsourcing (BPO) is occurring more and more – entire corporate business processes are being restructured and relocated away from clients' locations and to a different country.

A tradability revolution in services

The global sourcing of ICT-enabled services may represent the next great wave of globalization. Your X-ray may be read by someone in Bangalore, your travel reservation made by someone in South Africa. In this “flat world”¹⁵ your accountant may sit in London or Mumbai and your customer care centre may be based in Manila or Soweto.

Most offshored services to date are concentrated in a relatively small number of countries. **India** tops the list of attractive destinations in the world. The **Philippines** is also an attractive host country for call centres and shared service centres because of a workforce proficient in English and skilled in accounting, software writing, architectural services, telemarketing and graphic design. In **Malaysia**, third-party call and contact centres have been growing at the rate of 100-200 per cent since 2000, taking advantage of the multilingual labour force. **Singapore** targets leading-edge offshore functions such as remote robotics management, health care and genetic diagnostics, and has become one of the key hubs for regional headquarters. **China** is also fast emerging as a major destination for offshored services, including electronics product development, call centres and financial services.

The problem, however, is that although all countries, even the poorest, are increasing their access to ICT, the rate of increase is much faster among developed than among developing countries – the “digital divide” has been widening. In 2002, the number of Internet users per 1,000 people in the region ranged from 552 in the **Republic of Korea** and 313 in the **United Arab Emirates**, to 62 in **Fiji**, 46 in **China**, and only 2 in **Cambodia** or **Bangladesh**.¹⁶

A widening digital divide

Connectivity through ICT has meant that suddenly billions of people have joined the global workforce. ICT has effectively levelled the economic playing field and brought people from far-flung places into the market-place. Anyone with the necessary ability can now compete directly with the rest of the world – a world in which competition is unyielding. And competition is not based exclusively on wage costs. Increasingly, the availability of workers with the appropriate skills, including language skills, is a key factor. This has clearly “raised the ante” on investments in education, training and lifelong learning and made knowledge a key factor of production.

Connectivity, competition, job gains and losses

The greater ease with which jobs can move from location to location may well boost global output and productivity growth, as well as lowering prices paid by consumers. In the global labour market, there is likely to be a net employment gain in that job losses in sending countries are likely to be matched or exceeded by job gains in receiving countries. The country that loses manufacturing or service jobs may also gain in the longer term through insourcing of services, such as business consultancy and corporate finance from developing countries. However, this offers little consolation

¹⁵ See T. Friedman: *The world is flat: A brief history of the twenty-first century* (New York, Farrar, Straus and Giroux, 2005), for an account of the way in which ICT has obliterated all impediments to competition and made the global marketplace available to everyone.

¹⁶ UNDP: *Human Development Report 2004: Cultural liberty in today's diverse world*, (New York, 2004), pp. 180-183.

to workers who see their jobs moving to a lower-wage country. An unemployed garment worker is not likely to find a new job as a business consultant. Job losses and job gains are unevenly distributed in geographical or occupational terms. Offshoring has provoked strong reactions from developed countries,¹⁷ but a political backlash that leads to protectionism would be harmful to both developed and developing economies alike.

Competitiveness of Asian countries

Growth competitiveness hinges on the macroeconomic environment, the quality of public institutions and technological readiness and innovation

Table 2.1 shows the Growth Competitiveness Index (GCI) and the Business Competitiveness Index (BCI) rankings for Asian countries.¹⁸ The GCI is composed of three pillars considered critical for sustained economic growth: the macroeconomic environment; the quality of public institutions which underpin the development process; and the level of technological readiness and innovation.

Taiwan (China) and **Singapore** ranked fifth and sixth respectively in terms of GCI. They have increased their distance from **Japan**, which ranked 12th in 2005. Compared with the other Asian “tigers”, **Hong Kong (China)** ranked much lower, at 28th place. **Australia** moved up four places from 2004, to tenth place in 2005. The **Republic of Korea**, **Malaysia** and **Pakistan** all jumped up several rankings in 2005 as compared to the previous year. On the other hand, **Indonesia**, **Sri Lanka** and **Viet Nam** saw their rankings drop quite significantly. **China** and **India**, 49th and 50th respectively, are now closer to one another in rank order than in previous years.

Arab States need to raise their levels of competitiveness significantly

In West Asia, the small Gulf States performed quite well, with the **United Arab Emirates** and **Qatar** ranking 18th and 19th respectively. Terms of trade gains have boosted growth rates. There have also been ongoing institutional modernization initiatives and improvements in macroeconomic management. The first ever systematic benchmarking exercise for the Arab region¹⁹ considered why, despite its distinctive natural resource endowments, the region has failed to capture a greater proportion of international trade and capital flows. Noting the implications of rapid population growth in the region, the report stresses the need to shift the orientation of economic policies towards boosting job creation and developing educational systems that better prepare the population for the needs of the global market-place. To remain viable in the global economy in areas other than the energy sector, Arab countries will need to improve macroeconomic management, institute reforms to enhance the efficiency of public sector institutions and, more generally, the quality of governance, and facilitate the absorption of new technologies.

Business competitiveness hinges on workplace innovations, company operations and strategy and the quality of the national business environment

The BCI evaluates the underlying microeconomic factors which determine an economy’s current sustainable levels of productivity and competitiveness. The index is based on the effectiveness of workplace innovations, the sophistication of company operations and strategy, and the quality of the overarching national business environ-

¹⁷ Reactions have been particularly strong from the United States with regard to white-collar job losses. For example, in January 2004, the President signed a bill prohibiting private companies that win government contracts in the federal transport and treasury departments from moving the work offshore. At the state level, more than 100 bills have been introduced in at least 36 states to restrict offshoring of services.

¹⁸ World Economic Forum (WEF): *The Global Competitiveness Reports 2005-06* and *2004-05* (Basingstoke, Palgrave Macmillan Ltd., 2005, 2004). The rankings are compiled by the World Economic Forum based on a combination of hard data publicly available for each of the economies studied and the results of the Executive Opinion Survey which polled nearly 11,000 business leaders in 2005.

¹⁹ WEF: *The Arab World Competitiveness Report 2005*, (Basingstoke, Palgrave Macmillan Ltd., 2005).

ment in which the companies are operating. The United States remains the leader in fundamental competitiveness, followed by Finland. The highest ranking of the Asian countries was **Singapore**, a fact which reflects enhanced local competition and the availability of scientists and engineers. **Pakistan** recorded a large improvement compared to previous years, largely as a result of better worker-employer relations. **China, Hong Kong (China)** and **Indonesia** all dropped significantly in ranking. The other South Asian economies of **Sri Lanka** and **Bangladesh** also fared worse in 2005.

Not surprisingly, the BCI and GCI results are highly correlated. Since both macro-economic and microeconomic factors are critical for driving productivity, the two indices provide complementary perspectives on national competitiveness.

Table 2.1. Growth Competitiveness Index (GCI) and Business Competitiveness Index (BCI) (Asian countries)

| Country | GCI ranking 2005 | GCI ranking 2004 | BCI ranking 2005 | BCI ranking 2004 |
|----------------------|---------------------|---------------------|---------------------|---------------------|
| Taiwan, China | 5 | 4 | 14 | 17 |
| Singapore | 6 | 7 | 5 | 10 |
| Australia | 10 | 14 | 15 | 13 |
| Japan | 12 | 9 | 8 | 8 |
| New Zealand | 16 | 18 | 18 | 18 |
| Republic of Korea | 17 | 29 | 24 | 24 |
| United Arab Emirates | 18 | 16 | 33 | 28 |
| Qatar | 19 | – | 44 | – |
| Malaysia | 24 | 31 | 23 | 23 |
| Hong Kong, China | 28 | 21 | 20 | 11 |
| Kuwait | 33 | – | 47 | – |
| Thailand | 36 | 34 | 37 | 37 |
| Bahrain | 37 | 28 | 54 | – |
| Jordan | 45 | 35 | 43 | 43 |
| China | 49 | 46 | 57 | 47 |
| India | 50 | 55 | 31 | 30 |
| Indonesia | 74 | 69 | 59 | 44 |
| Philippines | 77 | 76 | 69 | 70 |
| Viet Nam | 81 | 77 | 80 | 79 |
| Pakistan | 83 | 91 | 66 | 73 |
| Mongolia | 96 | – | 104 | – |
| Sri Lanka | 98 | 73 | 72 | 68 |
| Timor Leste | 108 | – | 115 | – |
| Bangladesh | 110 | 102 | 100 | 95 |
| Cambodia | 112 | – | 109 | – |

Source: World Economic Forum: *The Global Competitiveness Reports 2005-06* and *2004-05* (Basingstoke, Palgrave Macmillan Ltd., 2005, 2004).

3. Decent work opportunities and challenges for Asia

In addition to the forces of globalization highlighted in the previous chapter, the opportunities and challenges for realizing decent work in Asia are significantly influenced by demographic dynamics, the persistence of “working poverty”, the labour market and employment situation in the region, and the rising mobility of the workforce within and across national borders.

Demographic dynamics

Demographic dynamics in Asia represent an opportunity but there will be a “demographic gift” only if enough employment can be created for the growing number of workers in the population. There is the challenge of finding enough decent jobs for the huge increase in the number of young people entering the labour market, but at the same time, a number of countries face the growing challenge of very rapid ageing of the population.

Rapid demographic transitions present double-edged challenges

When looking at the prospects for decent work, we have to begin with the supply side – what is happening to the growth of working-age populations in Asia? As a result of the region’s development success, infant and child mortality rates have declined considerably and millions can now look forward to longer and healthier lives. Fertility rates have been falling. With fertility rates and infant and child mortality declining, the working-age population tends to grow more rapidly than the overall population.

An increase in the relative share of the economically active population, together with a decline in the proportion of economic dependants, can yield a “demographic dividend” or “demographic gift”. If countries are able to exploit the window of opportunity offered by a larger labour force, the demographic bonus can be parlayed into higher rates of savings and greater investments, both in physical infrastructure and in the human capital of the young. A rise in investment rates can lead to capital deepening and productivity growth in terms of output per worker. The demographic dividend also offers an opportunity to increase women’s participation in the labour force – this is important, especially where women have previously been kept out of active economic participation by high levels of childbearing and rearing.

However, the demographic dividend is not guaranteed and depends critically, among other things, on whether or not countries can mobilize sufficient capital to employ productively the growing share and number of potential workers. Countries such as the **Republic of Korea, Singapore** and **Thailand** have already been able to benefit in terms of achieving rapid growth in investment, productivity, health, education and employment. Studies estimate that favourable demographic trends accounted for between one-quarter and one-third of the growth of per capita income during the period of rapid labour force growth.¹

Countries that have seized the demographic gift have accelerated economic growth

¹ D.E. Bloom and J.G. Williamson: “Demographic transitions and economic miracles in emerging Asia”, in *World Bank Economic Review*, Vol. 12, No. 3, Sep. 1998, pp. 419-456; A. Mason: “Population and economic growth in East Asia”, in A. Mason (ed.): *Population change and economic development in East Asia: Challenges met, opportunities seized* (Stanford, Stanford University Press, 2001), pp. 1-30.

Growth rates declining but total population still huge and young

Asia's total population is growing, although it will do so at a declining rate in the coming decades. The United Nations medium-variant growth scenario is that the total population of Asia will increase from 3.78 billion in 2005 to 4.57 billion in 2025 and to 5.05 billion in 2050. Although overall HIV/AIDS infection rates are comparatively low, the incidence is focused on certain particular groups and geographical areas, and the implications for the productive population in Asia are serious (box 3.1).

Box 3.1. The impact of HIV/AIDS on population and labour force in Asia

Asia-Pacific is home to 60 per cent of the world's population and 19 per cent of the men, women and children living with HIV/AIDS in 2004. HIV/AIDS prevalence rates are 0.6 per cent in South and South-East Asia, 0.1 in East Asia and 0.2 in Oceania, compared to an estimated global rate of 1.1 per cent and an overall rate for sub-Saharan Africa of 7.5 per cent. But because the populations of many Asian nations are so huge, low HIV/AIDS prevalence rates translate into large numbers. An estimated 5.2 million men, 2 million women and 168,000 children are living with HIV/AIDS in the region. Around half a million are estimated to have died as a result of AIDS in 2003 and 1.1 million have become HIV-positive.

About 97 per cent of persons living with HIV/AIDS are in the productive working age group of 15-49 years – so that the major impact of HIV/AIDS is on the productive labour force and can be serious (see table below). The epidemic is progressing more quickly among women than men, and a girl aged 15-16 years may have up to six times more risk of becoming HIV-positive than a boy of her age. While Asian countries have recorded more widespread HIV prevention successes than any other continent in the developing world, there is evidence of fast-growing epidemics in Asia's two most populous countries, China and India. In China, projections suggest that as many as 10 million people may become infected by 2010. India may already have the largest number of people living with HIV outside Africa.

The table shows the scale of the losses to the labour force in Asia as well as projected losses to 2015 and the resulting economic and social burdens. The impact of the epidemic was limited initially, but labour force losses as a proportion of the labour force are expected to double every five years. The economic burden for the working population is expected to rise sharply over the next ten years, and the social burden to increase even more sharply. By 2015, the increase in the social and economic burden is expected to approach 1 per cent, which may have a noticeable negative impact on the economies of the region.

Estimated and projected cumulative labour force losses, single year death tolls of working-age women and men, and increases in economic and social burden for persons of working age due to HIV/AIDS, selected countries of Asia (Cambodia, China, India, Myanmar, Thailand), 1995-2015

| | 1995 | 2000 | 2005 | 2010 | 2015 |
|---|---------|-----------|-----------|-----------|------------|
| Lost female labour force | 276 000 | 592 000 | 1 224 000 | 2 432 000 | 4 547 000 |
| Lost male labour force | 715 000 | 1 886 000 | 3 869 000 | 7 607 000 | 14 061 000 |
| Lost female and male labour force (% of total labour force) | 0.1 | 0.2 | 0.4 | 0.7 | 1.2 |

| | 1995 | 2000 | 2005 | 2010 | 2015 |
|---|--------|------|---------|------|-----------|
| Single year death toll of women due to HIV/AIDS | 45 000 | | 183 000 | | 656 000 |
| Single year death toll of men due to HIV/AIDS | 96 000 | | 382 000 | | 1 316 000 |
| Single year increase in the burden of care for persons of working age due to AIDS (%) | 0.1 | | 0.2 | | 0.8 |
| Single year increase in the economic burden of persons of working-age due to AIDS (%) | 0.0 | | 0.1 | | 0.8 |

Source: ILO: *HIV/AIDS and work: Global estimates, impact and response 2004* (Geneva, 2004); Monitoring the AIDS Pandemic (MAP) Network: *AIDS in Asia: Face the facts*, available at http://www.mapnetwork.org/docs/MAP_AIDSinAsia2004.pdf; UNAIDS: *2004 Report on the Global AIDS Epidemic* (Geneva, 2004).

Fertility has fallen more slowly in **South Asia** and in the **Arab States** than in most other parts of Asia. The South Asian population is expected to grow by nearly 70 per cent between 2000 and 2050, while the population of the Arab States is forecast to grow by an astounding 148 per cent. The very high rate of population growth in the Arab States means that West Asia will experience the largest labour force expansion in the world over the next 15 years.

Very rapid population growth in the Arab States

In terms of numbers, the bulk of the increase will be in South Asia, which expects an additional 572 million people in **India**, 162 million in **Pakistan**, 114 million in **Bangladesh** and 74 million in **Afghanistan**, by the year 2050. Some of the **Pacific island States** will also grow rapidly, but since they are among Asia's poorest countries, they are least prepared to deal with the challenges of feeding additional millions, providing jobs for potential workers and coping with increased rural density and urban congestion.²

Bulk of population increase will be in South Asia

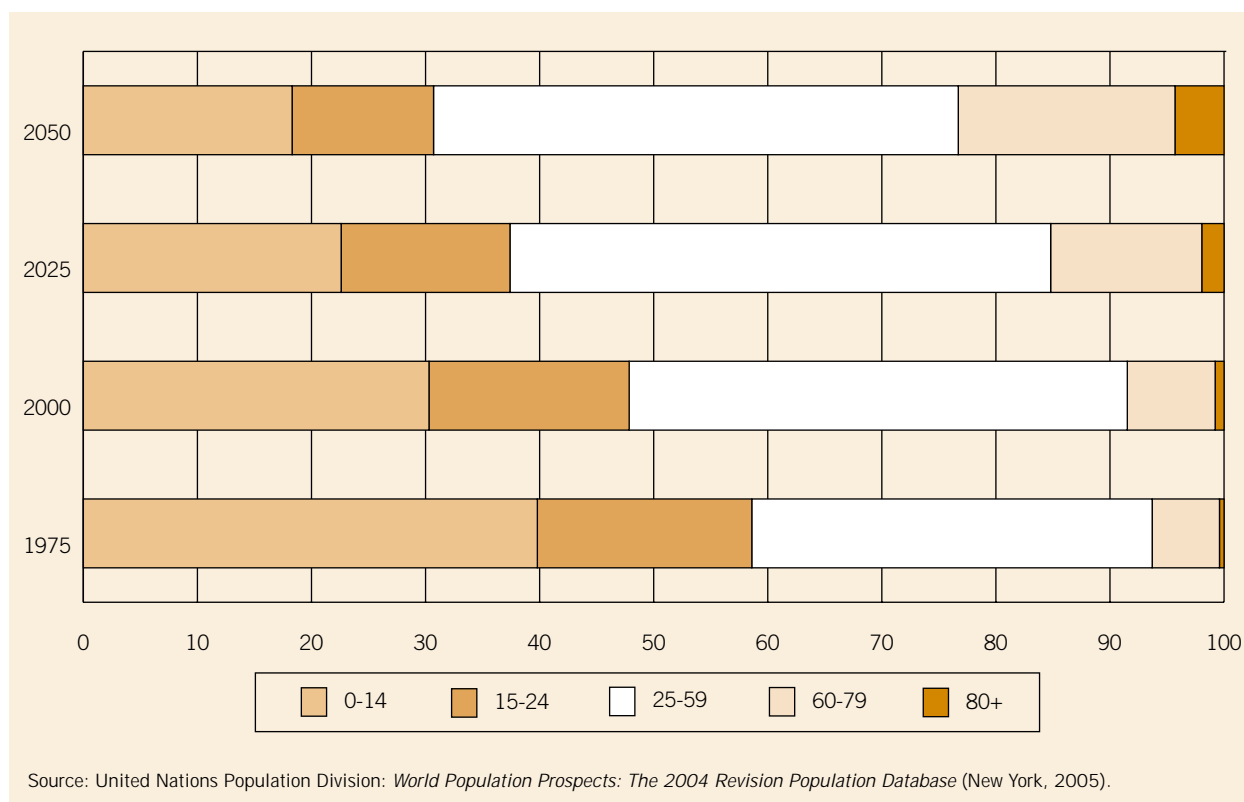
Most of the population increase in Asia will be in urban areas. In addition to natural increase, rural-urban migration is expected to escalate. More than 60 per cent of the increase in the world's urban population over the next three decades will occur in Asia, particularly in **China** and **India**, but also in **Bangladesh**, **Pakistan**, the **Philippines** and **Viet Nam**. The problems associated with urbanization will be exacerbated.

Of the Millennium generation – the young people who will be entering the labour force for the first time this century – 60 per cent live in Asia. In the year 2000, about 30 per cent of the Asian population was aged 14 years and below, and another 17.7 per cent were young people aged 15-24 years (figure 3.1). Although the 0-14 years age group is projected to fall to 22.5 per cent and the share of the youth population is expected to be 14.8 per cent by 2025, the actual numbers involved are still very large. In 2025, there will still be over 1 billion children and 676 million young people in the region.

The youth challenge: Asia has 60 per cent of the world's Millennium generation

² Asian Development Bank (ADB), *Key Indicators 2002: Population and human resource trends and challenges* (Manila, 2002), p. 34.

Figure 3.1. Distribution of population by age group in Asia (percentages)



It therefore comes as no surprise that the provision of education for children to achieve MDG2 (universal primary education by 2015) and the creation of sufficient decent jobs for young people (MDG8) are top concerns of public policy. Most countries, as they experience a decline in their school-age population over the next few decades, will have the opportunity to improve the quality of their educational systems, provide additional years of schooling and ensure that girls and boys have equal opportunities. However, the youth employment challenge will remain enormous. This will be discussed further on in this report.

Increasing intensity of ageing

The demographic gift becomes a burden as the population ages

Although demographic and labour market conditions will be highly favourable to economic growth in many Asian countries in the near future, this unique window of opportunity will not remain open indefinitely. The demographic gift is time-bound – and the time left is growing short. As the “bulge population” ages, the relative number of old people increases. The ADB has stated that, broadly speaking, developing Asian countries “are ageing faster than they are developing. In other words, the time left to establish effective and sustainable programmes suited to an ageing society is growing short”³

Ageing will intensify over the next 50 years, with the proportion of the Asian population aged over 60 more than doubling from 9 per cent in 2000 to an estimated 24 per cent by 2050 (figure 3.1). The region’s share of the world’s older people (defined as those aged 60 years and over) was already 52 per cent in 2000 and is expected to increase to about 61 per cent by 2050.

³ ADB: *Labor markets in Asia: Promoting full, productive and decent employment* (Manila, 2005), p. 9.

China will be ageing faster than any nation in history. Whereas the first wave of industrialized countries took between 80 and 150 years to double their elderly populations, it will take only 27 years, from 2000 to 2027, for the proportion of the Chinese population aged 60 years and over to double, from 10 to 20 per cent. In **Singapore**, the percentage of older people will triple between 2000 and 2025. The share of the 60 years and above age group in the **Republic of Korea** will rise from 11 per cent of the population in 2000 to 27 per cent in 2025 and 41 per cent in 2050. By 2050, the percentage of the population aged 60 years and over will be as great in **Thailand**, a developing country, as in the United States, and will be 28 and 29 per cent respectively in **Australia** and **New Zealand**. **Japan** will be the oldest society, with a median age of 53 years and with 42 per cent of the population aged 60 years or above. Among the South Asian countries, **Sri Lanka** is the only one that has experienced very rapid demographic transition and is ageing at a corresponding rate.

Dramatic ageing of many Asian societies

However, the rate of ageing is still only moderate in some large economies such as **India** and **Indonesia**. India's population will overtake that of China before 2030. Other countries, such as **Bangladesh**, **Malaysia**, **Pakistan** and the **Philippines**, also still have relatively young populations and are ageing slowly or moderately. The **Arab States** are still in the early stages of their demographic transition; the share of the over-60 age group stood at 4 per cent in 2000 and will rise to around 7 per cent in 2025 and 15 per cent in 2050, as compared to 9, 15 and 24 per cent, respectively for those years, for the entire Asian region.

Women consistently outlive men, so that the share of women in the 60 and over age group is projected to be nearly 13 per cent of the total Asian population by 2050, as compared to just over 11 per cent for men. At age 80 and above, the gender differential is even greater, with women accounting for nearly 3 per cent of the total population and men only about 1.8 per cent.

Ageing as a gender issue

The rapid ageing of Asian societies has very serious implications which, unfortunately, do not seem to have received the attention they warrant, by contrast with already affluent industrialized countries, where the phenomenon of population ageing has been the subject of much policy analysis and concern. An additional worry is that Asian countries will have to cope with ageing populations on income levels far lower than those yet witnessed in any society with comparable degrees of ageing.⁴

From "demographic dividend" to "demographic cliff"

The share of the working-age group (15-59 years) in Asia is expected to drop from 61 per cent in 2000 to 58 per cent by 2050, which implies that labour supply could shrink in many countries within the next 50 years. In **Japan**, the share of the most productive age group in the population may drop from 64 per cent in 2000 to around 55 per cent by 2025, and to around 49 per cent by 2050. **China**, the **Republic of Korea**, **Singapore** and **Sri Lanka** may follow suit, albeit to a lesser extent, during the second quarter of the twenty-first century. On the demand side, there will be a shift towards services and products for older persons, but there may be a shortfall of local workers prepared to go into services catering to the elderly, such as institutional, social and home health-care services.

The social and economic consequences of ageing may be harsh, requiring major policy responses. Shrinking workforces have been described as a "demographic cliff", with vast numbers of skilled workers leaving and taking with them their experience, expertise and knowledge and the pool of young new entrants too small to replace them.

⁴ N. Eberstadt: "Aging in low-income countries: Looking to 2025", in World Economic Forum: *Global Competitiveness Report 2005-2006* (Basingstoke, Palgrave Macmillan Ltd., 2005), pp. 163-178.

The social protection challenge

The need to provide effective social protection to workers, and in particular to extend coverage to a significant proportion of those in the informal economy who presently lack protection, certainly poses major challenges. The changing demographic profile and ageing societies will bring increasing demands for old-age pensions. At the same time, the increasing numbers of elderly people combined with falling numbers of births in many countries will result in changing patterns of demand for health services which may represent not only a challenge but also an opportunity to review and reform social protection. In almost all countries, increasing demands on national budgets mean that funding systems, through social security schemes, must be designed so as to avoid excessive pressures on national treasuries.

Productive ageing

Given that many old people cannot afford to “retire” and may not even wish to do so, the challenge is to extend working life and enhance the employability of older workers – and this is not just a matter of what is good for older workers, it is also about what is good for business.⁵ Increasingly, enlightened companies are adapting workplace policies and conditions to the needs of older workers.⁶ Although these companies are mainly in developed, industrialized countries, Asian countries that are ageing rapidly may have something to learn from them.

The poverty challenge

Significant reductions in poverty but Asia still home to three-quarters of the world's poor

Asia has made remarkable progress towards achieving MDG1 of halving the proportion of people living below the per capita poverty threshold (US\$1 a day). The number of people living on less than US\$1 a day fell by nearly one-quarter of a billion between 1990 and 2001.⁷ **China** and **India** contributed significantly to these reductions. In China between 1990 and 2001, the proportion of people living in poverty fell from 33 to 16 per cent, while in India the reduction was from 42 to 35 per cent between 1993 and 1999.⁸ However, Asia is still home to six in ten of humanity's poorest people, or over 600 million people. If the poverty line is raised to US\$2 a day, Asia has about 1.9 billion poor people, about three-quarters of the world's poor; this means that the absolute number of poor is substantially greater in Asia than in Africa.

The crux of the problem: The “working poor”

Poverty linked to low productivity

In addition to general poverty among the population, attention should be given to the concept of “working poverty”, that is, the situation faced by individuals who, although engaged in paid work, are simply unable to earn enough to lift themselves and their families out of poverty. In Asia, as in other developing regions, few workers can rely on effective social protection through formal schemes of any kind, or through any safety nets beyond very basic reliance on family and community support. The poor are compelled to work – often arduously and for long hours, in workplaces with poor safety and health standards – in order that they and their families can survive. They must continue to work even during periods of ill-health or in advanced old age, even though the work available to them is of low productivity and generally yields very low

⁵ Demographer Naohiro Ogawa at Nihon University in Japan has dramatically described the situation as one in which “old people are Japan's only growing asset”, as quoted by S. Theil in “The new old age”, in *Newsweek*, 30 Jan. 2006, pp. 20-23.

⁶ Two recent reports on what companies are doing to retain workers are S. Theil: “The new old age” in *Newsweek*, 30 Jan. 2006, pp. 20-23; and “Turning boomers into boomerangs”, in *The Economist*, 18 Feb. 2006.

⁷ United Nations: *The Millennium Development Goals Report 2005* (New York, 2005), p. 6.

⁸ UNESCAP, UNDP and ADB: *A future within reach: Reshaping institutions in a region of disparities to meet the Millennium Development Goals in Asia and the Pacific* (Thailand, United Nations, 2005), p. 12.

wages. The problem is not so much the absence of economic activity as the low productivity of that activity, the generally poor working conditions and the low remuneration. Issues of raising productivity, and hence wages, in which social security systems have an important role to play, are therefore of critical importance in efforts to reduce poverty.

Table 3.1 shows numbers of “working poor”, defined as employed persons in households whose members are considered to be living below the poverty line, in various subregions of Asia. It also shows the share of the working poor in total employment. Based on the US\$1 a day poverty line, the number of working poor in Asia fell by some 189 million between 1990 and 2005. The greatest reductions anywhere in the

Table 3.1. Working poverty in Asia (totals and percentages)

| | 1990 | 2000 | 2005 | 2015 |
|---|-----------|-----------|-----------|-----------|
| US\$1 working poor | | | | |
| East Asia | 249 309 | 150 268 | 103 960 | 40 633 |
| South-East Asia and the Pacific | 49 190 | 30 298 | 29 700 | 24 413 |
| South Asia | 226 722 | 224 234 | 202 335 | 145 469 |
| Arab States | 871 | 1 673 | 1 932 | 2 397 |
| World excluding Asia | 126 525 | 175 548 | 182 185 | 202 731 |
| World | 652 618 | 582 020 | 520 111 | 415 643 |
| US\$2 working poor | | | | |
| East Asia | 553 181 | 422 629 | 361 427 | 226 095 |
| South-East Asia and the Pacific | 140 775 | 147 801 | 149 945 | 148 925 |
| South Asia | 388 596 | 453 367 | 496 376 | 550 539 |
| Arab States | 6 749 | 10 306 | 12 095 | 15 561 |
| World excluding Asia | 250 785 | 362 068 | 354 785 | 389 302 |
| World | 1 340 085 | 1 396 171 | 1 374 628 | 1 330 422 |
| US\$1 working poor share in employment (%) | | | | |
| East Asia | 37.3 | 20.2 | 13.4 | 5.0 |
| South-East Asia and the Pacific | 26.3 | 12.7 | 11.4 | 8.0 |
| South Asia | 52.3 | 42.5 | 34.2 | 20.9 |
| Arab States | 4.7 | 6.0 | 5.6 | 5.1 |
| World excluding Asia | 14.3 | 17.2 | 16.6 | 16.2 |
| World | 28.9 | 22.1 | 18.3 | 13.0 |
| US\$2 working poor share in employment (%) | | | | |
| East Asia | 82.7 | 56.9 | 46.5 | 27.8 |
| South-East Asia and the Pacific | 75.3 | 62.1 | 57.6 | 49.0 |
| South Asia | 89.6 | 86.0 | 83.9 | 79.0 |
| Arab States | 36.5 | 36.7 | 35.3 | 33.2 |
| World excluding Asia | 28.4 | 35.5 | 32.3 | 31.1 |
| World | 59.3 | 53.1 | 48.4 | 41.7 |

Source: ILO: Working Poverty Model 2005; Global Employment Trends Model 2005.

world were in East Asia, mainly in **China**. East Asia and also **South-East Asia and the Pacific** had achieved MDG1 by 2005 in terms of more than halving the proportion of the working poor living on less than US\$1 a day. The **Arab States**, however, experienced both an absolute and relative increase in the number of working poor between 1990 and 2005, and will continue to experience an increase until 2015, contrary to the trend in the other parts of Asia. **South Asia** has the largest number and the highest proportion of working poor.

In 2005, there were still more than 1 billion workers in Asia, or three-quarters of the world's working poor, subsisting on less than US\$2 a day. In fact, the number of US\$2 a day working poor increased in South Asia by almost 108 million between 1990 and 2005, **India** contributing the largest numbers. The proportion of working poor at least trebles when the poverty line is raised from US\$1 to US\$2 a day (figure 3.2). The difference is especially great in the Arab States and South-East Asia and the Pacific. On the basis of the US\$2 a day threshold, only East Asia will have halved the proportion of working poor by 2015.

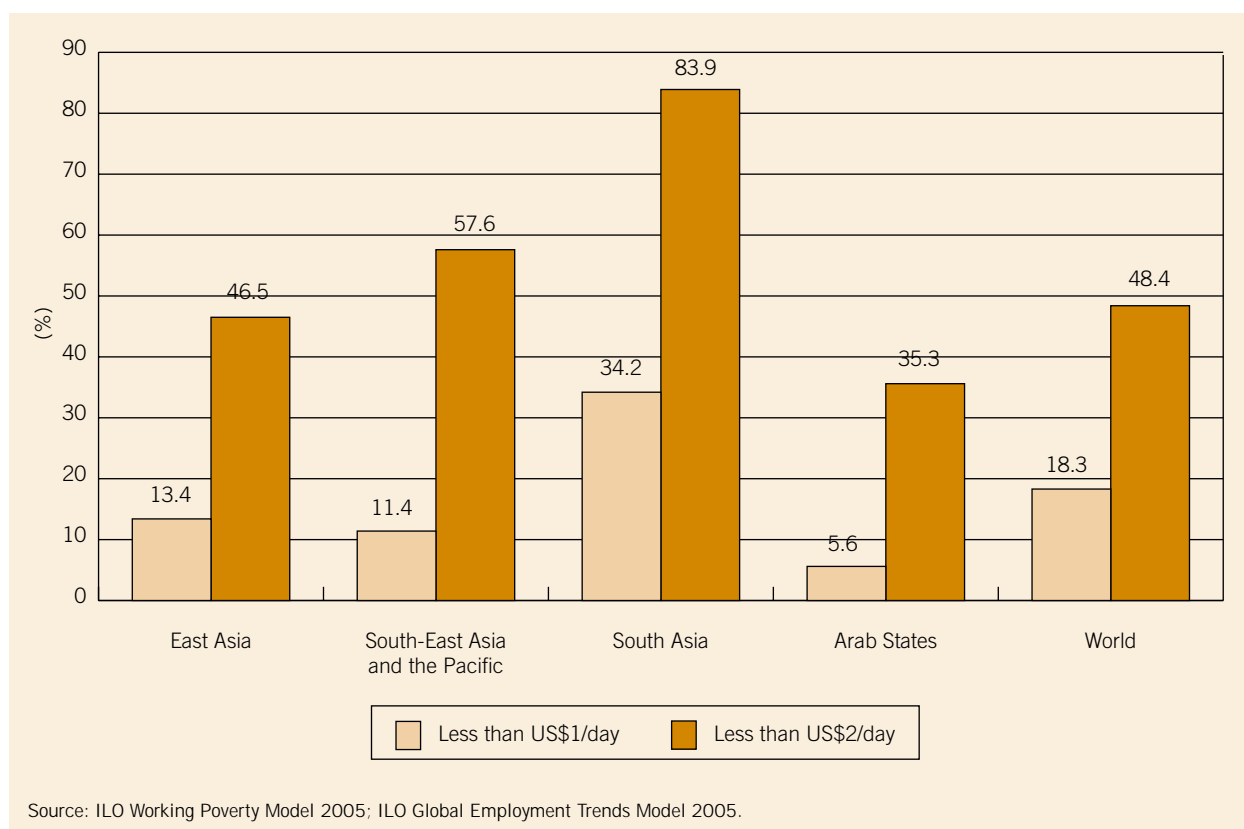
Incidence of poverty higher in rural areas

The incidence of poverty is higher in rural than in urban areas. Asia alone has two-thirds of the world's rural poor, mainly concentrated in South Asia. Even in a small country like Cambodia, the incidence of rural poverty is more than double the urban rate. In large countries such as China and Indonesia, poverty has declined rapidly in urban areas but is still widespread in the countryside.

Poverty has a woman's face

The "feminization of poverty" implies that: (a) women suffer a higher incidence of poverty than men; (b) women's poverty is more severe than that of men; and (c) there is a trend among women towards worsening poverty, particularly associated with the

Figure 3.2. Working poor estimated to be below poverty line, 2005 (percentages)



rising rates of households headed by women. Many women, especially those in rural areas, have been more adversely affected than men by the impact of trade liberalization on their production and consumption, and by financial crises and cuts in social and labour protection. Deep-rooted gender inequalities have been slow to change: women are still mainly responsible for care work and there are persistent and sizeable gender earnings gaps.

“Child labour is a neglected element of the poverty trap – part of the ‘Faustian bargain’ poor people are forced to make in order to achieve a degree of immediate security. It is both a result of poverty and a way of perpetuating it.”⁹ Poor families without other coping mechanisms may see sending children out to work, even at a very young age and under conditions that expose them to extreme risk, as the only way to make ends meet. “Sudden poverty” which occurs when a family that is generally coping is faced with an unexpected event – such as an economic or political crisis, natural disaster, or sudden unemployment or illness of the family breadwinner – may also force families to withdraw children from school to help out. Such a move often puts an end to children’s education, forces them early into child labour and makes them vulnerable to exploitation.

Child labour an important aspect of poverty

At the same time, it is important to emphasize that poverty is not the only factor behind child labour. Other factors may include neglect or denial of children’s rights, and the perceived benefits of sending a child out to work where available schooling does not appear to promise longer-term gains. This may be because education involves costs that cannot easily be met or is of poor quality, or simply because parents or children do not believe in its usefulness.¹⁰

Of the world total of 190.7 million economically active children between the ages of 5 and 14 years in 2004, 122.3 million were in Asia and the Pacific. The actual number of child workers would be even higher if one included those between 15 and 17 years of age in the “unconditional worst forms” of child labour.¹¹

Most calamities tend to hit the poor the hardest. They are the ones who are located in the most disaster-prone areas, live in the most flimsy shelters, are prone to low crop prices and unemployment in times of crisis, and have few “safety nets” to fall back on, other than traditional systems of family and community support. Furthermore, since they are already at the margins of subsistence, even a small external shock is sufficient to threaten their very survival.

Poverty is closely linked to vulnerability

The earthquake and tsunami disaster of December 26, 2004 underscored the continuing challenge of poverty and highlighted the importance of addressing the problem of vulnerability to achieve a sustainable reduction in poverty. The ILO estimated that up to 600,000 people in Indonesia’s Nanggroe Aceh Darussalam province and on the island of Nias lost their primary source of livelihood in the immediate aftermath of the disaster. Overall, close to 1.5 million people joined the ranks of the “new poor” in the tsunami catastrophe, in addition to the loss of livelihoods of people already on the brink of poverty.¹²

⁹ ILO: *The end of child labour: Within reach*, Global Report under the follow-up to the ILO Declaration on Fundamental Principles and Rights at Work (Geneva, 2006), pp. 1-2.

¹⁰ ILO: *Combating child labour in Asia and the Pacific: Progress and challenges* (Bangkok, 2005), p. 4.

¹¹ ILO: *The end of child labour: Within reach*, op. cit., pp. 8-9.

¹² ADB: *Asian Development Outlook 2005: Promoting competition for long-term development* (Hong Kong, China, 2005), pp. 20-21.

Poverty cannot be effectively reduced unless rising income inequalities are addressed

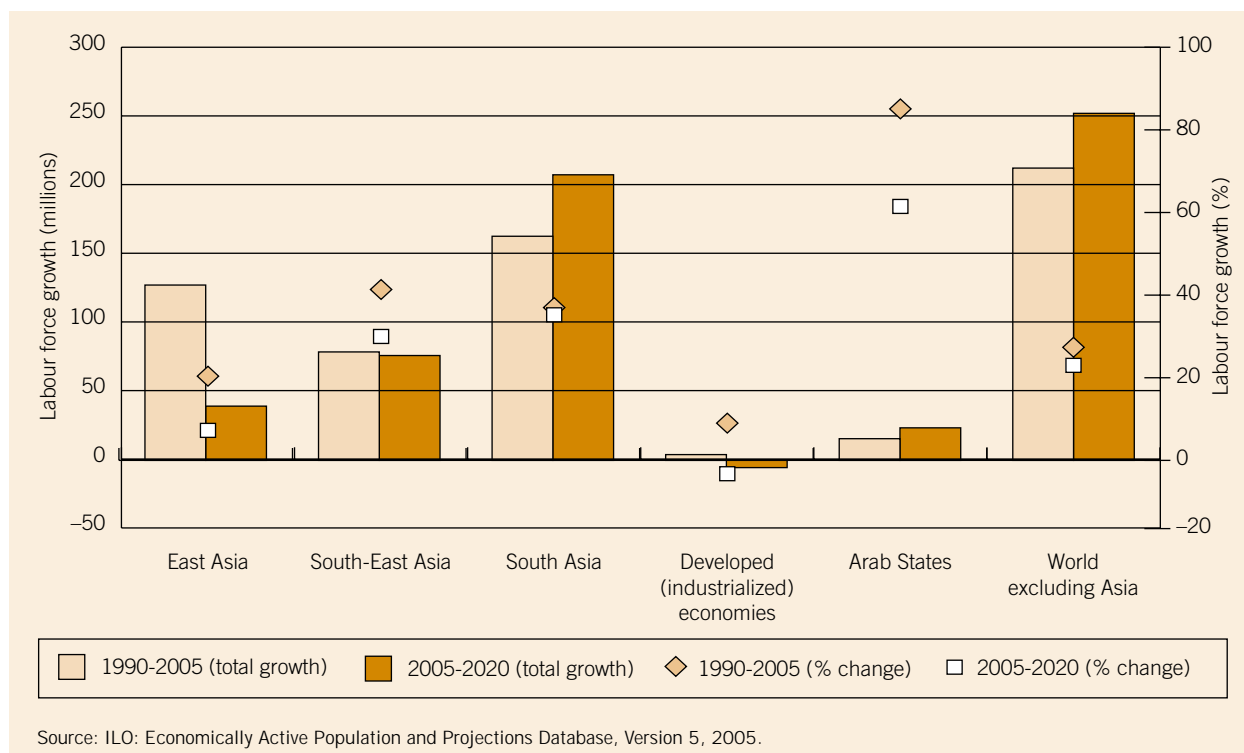
The challenge of poverty reduction cannot be dissociated from that of equity. High levels of inequality constrain economic growth and place obstacles in the way of poverty reduction. Available data indicate that income inequality has been increasing in many Asian countries.¹³ **West Asia** displays the greatest income inequality between social entities or groups that are linked to external markets through oil and those that have become marginalized.

Labour markets and employment

Asia's already enormous labour force is growing

Another aspect of the demographic transitions described above is the fact that Asia's already enormous labour force is growing (figure 3.3). The highest rate of labour force expansion in the world will be in **West Asia**, which will see its labour force grow by about 39 per cent, or 15 million, between 2005 and 2015. The South Asian labour force is projected to grow by 2.1 per cent a year between 2005 and 2015, compared to the annual average rate of 2.3 per cent in the past decade. Nevertheless, the **South Asian** labour force will add over 14 million new entrants every year for the next ten years. Labour force growth in **South-East Asia and the Pacific** is expected to slow down from 2.2 per cent annually over the past decade to 1.8 per cent annually over the next ten years, taking some pressure off the labour markets, but this still translates into some 5.6 million new labour market entrants each year. **East Asia** has the lowest labour force growth rate in developing Asia, at 1.0 per cent annually between 2000 and 2005 and 0.6 per cent per annum projected between 2005 and 2015. In absolute numbers, there will still be 4.7 million new labour force entrants each year for the next ten years.

Figure 3.3. Labour force projections, 1990-2020



¹³ Of 13 economies for which more or less comparable data were available, only in four were slight improvements recorded in income inequality, whereas in the other nine income equality had deteriorated over the last two decades. See UNESCAP: *Sustainable social development in a period of rapid globalization: Challenges, opportunities and policy options*, Theme Study 2002 (New York, 2002), p. 30.

Given the large number of new labour force entrants, a high incidence of working poverty, and labour markets increasingly affected by rapid shifts in the global production of goods and services, Asia's greatest challenge is to create enough decent and productive jobs, especially for young people and women. The challenge is to enhance not only the quantity but, very importantly, the quality of employment. The high proportion of working poor among the total number of employed people in Asia makes it absolutely critical that productivity be increased if there is to be sustained poverty reduction.

Pressure for more and better jobs

Asia's record of employment creation has failed to match its record of openness and growth. Table 3.2 shows employment elasticities for the total economy and by major economic sector (agriculture, industry and services) for selected Asian countries and for the world as a whole corresponding to the period from 1992 to 2004. An explanation of how these employment elasticities should be interpreted in terms of their implications for GDP growth, employment growth and productivity growth is provided in the Annex to this chapter.

Employment elasticities have been low

Table 3.2. Employment elasticities, 1992-2004

| Country | Employment elasticities | | | | Average annual growth rates (%) | | | |
|--|-------------------------|-------------|----------|----------|---------------------------------|--------------------|--------------------|-------------------|
| | Total | Agriculture | Industry | Services | Total GDP | Agric. value added | Indus. value added | Serv. value added |
| East Asia | 0.12 | 0.11 | 0.05 | 0.45 | 8.7 | 2.7 | 10.4 | 7.5 |
| China | 0.12 | 0.11 | 0.06 | 0.43 | 9.4 | 3.1 | 11.8 | 8.6 |
| Hong Kong, China | 0.40 | – | – | – | 3.9 | – | – | – |
| Korea, Rep. of | 0.24 | -0.80 | -0.22 | 0.66 | 5.3 | -0.3 | 6.1 | 5.5 |
| Macau, China | 0.77 | – | – | – | 2.8 | – | – | – |
| Mongolia | 0.26 | -0.52 | 0.27 | 0.49 | 0.8 | -1.9 | 3.1 | 1.5 |
| South-East Asia and the Pacific | 0.45 | -0.33 | 1.14 | 1.04 | 4.6 | 2.3 | 5.2 | 4.9 |
| Cambodia | 0.49 | 0.42 | 0.72 | 1.59 | 6.6 | 3.4 | 14.1 | 5.1 |
| East Timor | 0.12 | – | – | – | -5.1 | – | – | – |
| Fiji | 0.71 | -0.01 | 1.32 | 0.99 | 2.8 | 0.2 | 3.0 | 3.4 |
| Indonesia | 0.51 | -0.59 | 1.60 | 0.85 | 3.7 | 2.5 | 3.5 | 4.5 |
| Lao, PDR | 0.46 | 0.35 | 0.91 | 1.24 | 6.2 | 4.4 | 10.4 | 6.9 |
| Malaysia | 0.55 | -0.75 | 0.47 | 0.79 | 5.8 | 0.9 | 7.0 | 5.9 |
| Myanmar | 0.25 | – | – | – | 8.6 | – | – | – |
| Papua New Guinea | 0.88 | 0.49 | 0.68 | 0.91 | 2.3 | 2.5 | 1.2 | 1.1 |
| Philippines | 0.68 | 0.24 | 0.59 | 1.01 | 4.0 | 2.7 | 3.7 | 4.8 |
| Singapore | 0.39 | -0.38 | -0.06 | 0.58 | 6.1 | -1.9 | 6.2 | 6.3 |
| Solomon Islands | -0.52 | – | – | – | 0.0 | – | – | – |
| Thailand | 0.32 | -0.68 | 0.80 | 1.47 | 4.0 | 1.1 | 5.5 | 3.4 |
| Viet Nam | 0.33 | -0.14 | 1.18 | 1.43 | 7.5 | 4.0 | 11.2 | 6.8 |

Continued on page 30

Table 3.2. (Cont.)

| Country | Employment elasticities | | | | Average annual growth rates (%) | | | |
|---|-------------------------|-------------|----------|----------|---------------------------------|--------------------|--------------------|-------------------|
| | Total | Agriculture | Industry | Services | Total GDP | Agric. value added | Indus. value added | Serv. value added |
| South Asia | 0.41 | 0.65 | 0.36 | 0.44 | 5.6 | 2.7 | 5.3 | 7.2 |
| Afghanistan | 0.54 | – | – | – | 6.5 | – | – | – |
| Bangladesh | 0.44 | 0.46 | 0.57 | 0.64 | 5.0 | 3.0 | 7.2 | 4.9 |
| Bhutan | 0.42 | 0.66 | 0.28 | 0.41 | 6.7 | 4.0 | 10.0 | 6.4 |
| India | 0.31 | 0.68 | 0.19 | 0.30 | 6.1 | 2.6 | 6.5 | 8.2 |
| Iran, Islamic Rep. of | 1.11 | -0.11 | 0.35 | 0.39 | 3.9 | 3.5 | 1.1 | 6.8 |
| Maldives | 0.63 | – | – | – | 7.3 | – | – | – |
| Nepal | 0.64 | 0.88 | 0.59 | 0.48 | 4.2 | 3.0 | 4.7 | 4.9 |
| Pakistan | 0.87 | 0.19 | 1.31 | 1.18 | 3.6 | 2.8 | 4.3 | 4.3 |
| Sri Lanka | 0.45 | 3.42 | 0.08 | -0.62 | 4.8 | 1.5 | 5.5 | 5.5 |
| Developed (industrialized) countries | 0.00 | 0.81 | -0.07 | 0.51 | 1.7 | -1.9 | 0.0 | 2.0 |
| Australia | 0.52 | 0.26 | 0.20 | 0.58 | 3.8 | 0.2 | 3.2 | 4.2 |
| Japan | -0.08 | 0.91 | -0.11 | 0.49 | 1.3 | -2.6 | -0.3 | 1.8 |
| New Zealand | 0.60 | -0.04 | 0.80 | 0.66 | 3.7 | 3.8 | 2.8 | 3.9 |
| Arab States | 1.13 | 0.54 | 0.71 | 1.30 | 3.4 | 2.2 | 2.0 | 2.7 |
| Bahrain | 0.65 | – | – | – | 5.0 | – | – | – |
| Jordan | 1.24 | 1.46 | 1.19 | 1.52 | 4.4 | -3.4 | 4.9 | 4.5 |
| Kuwait | 0.87 | – | – | – | 5.2 | – | – | – |
| Lebanon | 0.70 | – | – | – | 4.1 | – | – | – |
| Oman | 0.76 | – | – | – | 3.9 | – | – | – |
| Saudi Arabia | 1.22 | -1.82 | -0.56 | 1.55 | 2.2 | 1.3 | 1.5 | 2.5 |
| Syrian Arab Rep. | 1.41 | 0.82 | 1.94 | 1.08 | 3.6 | 3.4 | 6.7 | 2.5 |
| United Arab Emirates | 1.39 | – | – | – | 5.2 | – | – | – |
| Yemen, Rep. of | 0.83 | 0.76 | 1.40 | 0.90 | 5.0 | 5.1 | 6.1 | 4.3 |
| Asia | 0.27 | 0.27 | 0.24 | 0.58 | 5.4 | 1.8 | 3.2 | 3.2 |
| Developing Asia | 0.29 | 0.26 | 0.27 | 0.59 | 6.8 | 2.6 | 7.8 | 6.6 |
| World | 0.35 | 0.22 | 0.35 | 0.72 | 3.6 | 1.7 | 2.4 | 2.8 |
| World excluding Asia | 0.46 | 0.07 | 0.53 | 0.86 | 2.7 | 1.6 | 1.6 | 2.6 |

Source: ILO: KILM, 4th edition (updated figures); World Bank: *World Development Indicators 2005*.

The **Arab States** registered the highest subregional employment elasticity in Asia, at 1.13. However, elasticity greater than 1 indicates that labour productivity in the subregion actually declined over the period in question. The sector employment elasticities in the Arab States indicate that the productivity losses occurred in the service sector,

whereas growth in agriculture and industry corresponded to gains in both employment and productivity.

The **East Asian** subregion, on the other hand, had the lowest employment elasticity, at just 0.12. However, the subregion's rapid GDP growth means that a relatively low elasticity can still be indicative of substantial employment growth, together with very high productivity growth. While the subregion has experienced tremendous growth in productivity, leading to rising living standards and reduced poverty, rising unemployment rates coupled with declining labour force participation suggest that employment growth in East Asia has been inadequate. The services sector has been the most employment-intensive, although it has also benefited from robust productivity gains. Both the agriculture and industry sectors have very low employment elasticities, although growth in the latter sector has been much higher. It is important to note that **China** carries considerable weight in this subregion's employment elasticity figures, but less so in its GDP and value-added figures.

Employment elasticity of 0.45 and robust GDP growth indicate that **South-East Asia and the Pacific** has experienced balanced growth benefiting both the number of jobs and workers' productivity. However, the subregion's unemployment rate has been on the rise in the years following the Asian financial crisis, implying that the historical employment intensity of growth is not sufficient. Negative employment elasticity and positive value-added growth in the agriculture sector indicate job losses resulting from labour-substituting productivity gains. Conversely, the industrial sector has taken on more workers, but labour productivity in the sector has declined. The services sector has also witnessed a marginal decline in labour productivity, together with rapid gains in employment.

The **South Asian** subregion has experienced very balanced growth, both overall and in all the three sectors. The services sector has been the most dynamic, growing at an annual average rate of 7.2 per cent over the 12-year period, although the industry and agriculture sectors have also shown robust growth. The relatively high elasticity in agriculture indicates that this sector is still an important source of jobs and that structural change away from agriculture and into industry and services is not occurring to as great an extent in South Asia as in the other developing subregions of Asia.

Employment growth in the **developed (industrialized) subregion** stagnated between 1992 and 2004. The effect of the long-term economic problems faced by **Japan**, the subregion's largest economy in terms of both workers and output, is the main driving force behind these subregional figures. The agriculture sector in the developed economies of Asia exhibited negative growth. This, together with the positive employment elasticity in agriculture, indicates that employment in this sector fell over the 12-year period. Employment in industry also fell somewhat, while output in the sector remained flat. The services sector grew, as did both employment and productivity in the sector.

Output in Asia grew at roughly twice the rate of the rest of the world between 1992 and 2004, while the region's employment elasticity was slightly more than half that of the rest of the world's. Growth in Asia's agriculture sector was far more employment-intensive than in the rest of the world, a result driven mainly by South Asia's high employment elasticity in agriculture. Both the services and industrial sectors in Asia demonstrated rapid growth (developing Asia accounted for essentially all the growth in the latter sector), as well as gains in employment and, particularly, in labour productivity.

The subregional unemployment rate in **East Asia** edged up by 0.3 percentage points between 1992 and 2004, which corresponded to an increase of roughly 5.6 million additional unemployed. Despite this increase, East Asia's unemployment rate, at 3.7 per cent in 2004, remains the lowest among the subregions. Over the same period, the unemployment rate in **South-East Asia and the Pacific** soared by 2.8 percentage

Rising trend in unemployment

points, to 6.1 per cent. The subregion ended 2004 with nearly 10 million more unemployed than in 1992. **South Asia** also saw its unemployment rate rise from 4.6 per cent to 5.0 per cent, corresponding to an additional 8.6 million people without work. The number of unemployed in the **developed (industrialized) subregion** rose by 2.5 million over the 12-year period, although the subregion's unemployment rate, at 4.8 per cent in 2004, remained relatively low in comparison with many of the world's developed economies. Even in the **Arab States**, which experienced a very high employment elasticity of 1.13, unemployment rose by nearly 2 million, and the subregion's unemployment rate crept up to 12.8 per cent.

Taken together, every subregion in Asia experienced an increase in both the rate of unemployment and in the total number of unemployed. The large and growing number of jobseekers throughout Asia indicates not only that the region requires sustained rapid growth to continue improving its living standards and reducing poverty, but also that the millions of unemployed would benefit from efforts to increase the employment intensity of growth throughout the region.

Changing composition of employment

As already partly reflected in table 3.2, the employment patterns in developing Asia show marked sectoral shifts (figure 3.4).¹⁴ There have been sizeable declines in the share of agricultural employment in **China, Indonesia, Malaysia, Pakistan, the Philippines, the Republic of Korea and Thailand**. Despite the falling share of agricultural employment, the bulk of the labour force in several of these countries, and in particular in the low-income Asian countries, remains dependent on agriculture – which means that agricultural productivity must be enhanced if there is to be a sustainable reduction in poverty.

At the same time, some Asian countries – the **Republic of Korea, Mongolia, Singapore and Japan** – experienced a decrease in the share of industrial employment. On the other hand, employment in the services sector has increased in **China, the Republic of Korea, Malaysia, the Philippines, Singapore, Thailand and Japan**.

Output growth in manufacturing, employment growth in services

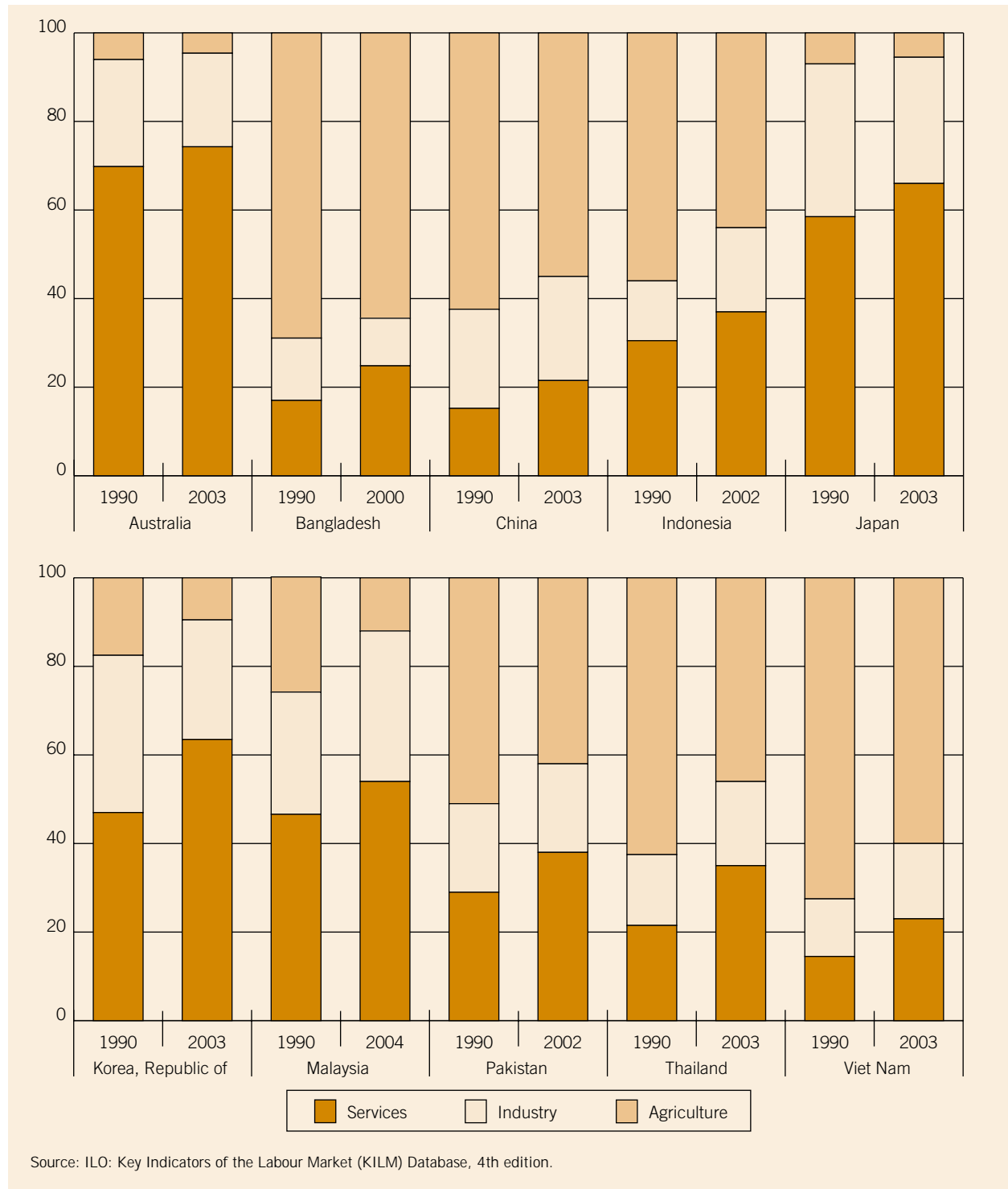
The process of development in these countries has thus been characterized not by industrialization as such (greater numbers of workers employed in industry) but rather by shifts in the relative shares of employment from agriculture to services. Output growth has occurred in industry, but employment growth has been in services. **China** and **Malaysia** provide striking examples of this. In both these countries, output has become increasingly industrialized, whereas employment has become increasingly service-oriented. In the **Arab States**, too, the agricultural sector has been shedding workers and no longer absorbing surplus labour, employment in manufacturing has remained stagnant, and it has been the services sector that has played the leading role in labour absorption.¹⁵

However, service employment spans the entire spectrum of wages and working conditions. The services sector can encompass the hawker or street vendor, the domestic helper in the informal economy, and the most sophisticated financial services provider. At its lower end, the services sector largely corresponds to the low-productivity informal economy; at the top end are the well-remunerated service jobs, including some of the ICT-enabled services described in the previous chapter.

¹⁴ The agricultural sector comprises agriculture, hunting, forestry and fishing. The industry sector covers mining and quarrying, manufacturing, construction and public utilities. The services sector consists of wholesale and retail trade, restaurants and hotels, transport, storage and communications, finance, insurance, real estate and business services, and community, social and personal services.

¹⁵ World Bank: *Unlocking the employment potential in the Middle East and North Africa: Toward a new social contract* (Washington, DC, 2004), p. 104.

Figure 3.4. Percentage change in employment by major economic sector in selected countries between 1990 and most recent year



Restructuring in the Asian economies has involved growth of the informal economy. Global competition and technological advances have increasingly led multinational enterprises (MNEs) to subcontract or outsource the production of components and inputs to first-, second- and third-tier suppliers. Many of those at the lower end of global production systems are in microenterprises or are home-based in the informal economy. They are either self-employed in small or unregistered informal enterprises, or hired for wages in informal jobs. Decent work deficits characterize the informal

Employment concentrated in the informal economy

economy in terms of poor quality, unproductive and unremunerative jobs that are not recognized or protected by law and offer little or no social protection, the absence of rights at work and the lack of representation and voice.¹⁶ Although the links are not always simple, there is no denying that it is poverty that forces most people to take up unattractive jobs in the informal economy and that the low incomes that such jobs provide create a vicious cycle of poverty.

Problems of definition and lack of comprehensive reliable data complicate measurement of the informal economy.¹⁷ However, available data indicate that informal employment accounts for some 65 per cent of non-agricultural employment in Asia (compared to 48 per cent in North Africa, 51 per cent in Latin America and 72 per cent in sub-Saharan Africa). In the Asian countries for which data are available, informal employment as a share of non-agricultural employment ranges from 83 per cent in India, 78 per cent in **Indonesia**, and 72 per cent in the **Philippines**, to 51 per cent in **Thailand**, and 42 per cent in the **Syrian Arab Republic**.

Formal sector employment increasingly insecure

At the same time, the nature of formal sector employment is changing. Previously, formal sector employment was synonymous with “regular” contracts, which offered, among other things, considerable job security, but this is increasingly not the case.¹⁸ For example, data from **India**’s formal sector manufacturing enterprises reveal growing use of contract labour; from about 7 per cent of total person-days worked in 1984 to 21 per cent in 1998; while in the **Philippines**, the proportion of non-regular workers in total employment increased from about 20 per cent in 1991 to about 28 per cent in 1997.

Employers, in their search for ways to increase the flexibility of working arrangements so as to keep up with their most innovative competitors, prefer to employ workers on a subcontracting, part-time, temporary or casual basis, rather than under regular, full-time employment contracts. Such flexible employment arrangements lack both job security and proper social security provisions. Related to such employment is the growing phenomenon of individual contracts in place of collective agreements.

The youth employment challenge

Rising unemployment in Asia, as in other parts of the world, has hit young people hard. The subregions with the largest share of young people within the working-age population (**South-East Asia and the Pacific**, **South Asia** and the **Arab States**) fare worst in terms of youth unemployment (figure 3.5). Although young people are increasingly likely to stay longer in the education system and their labour force participation rates have been declining, the pressure on job creation has intensified.

Asia has almost half of the world's unemployed youth

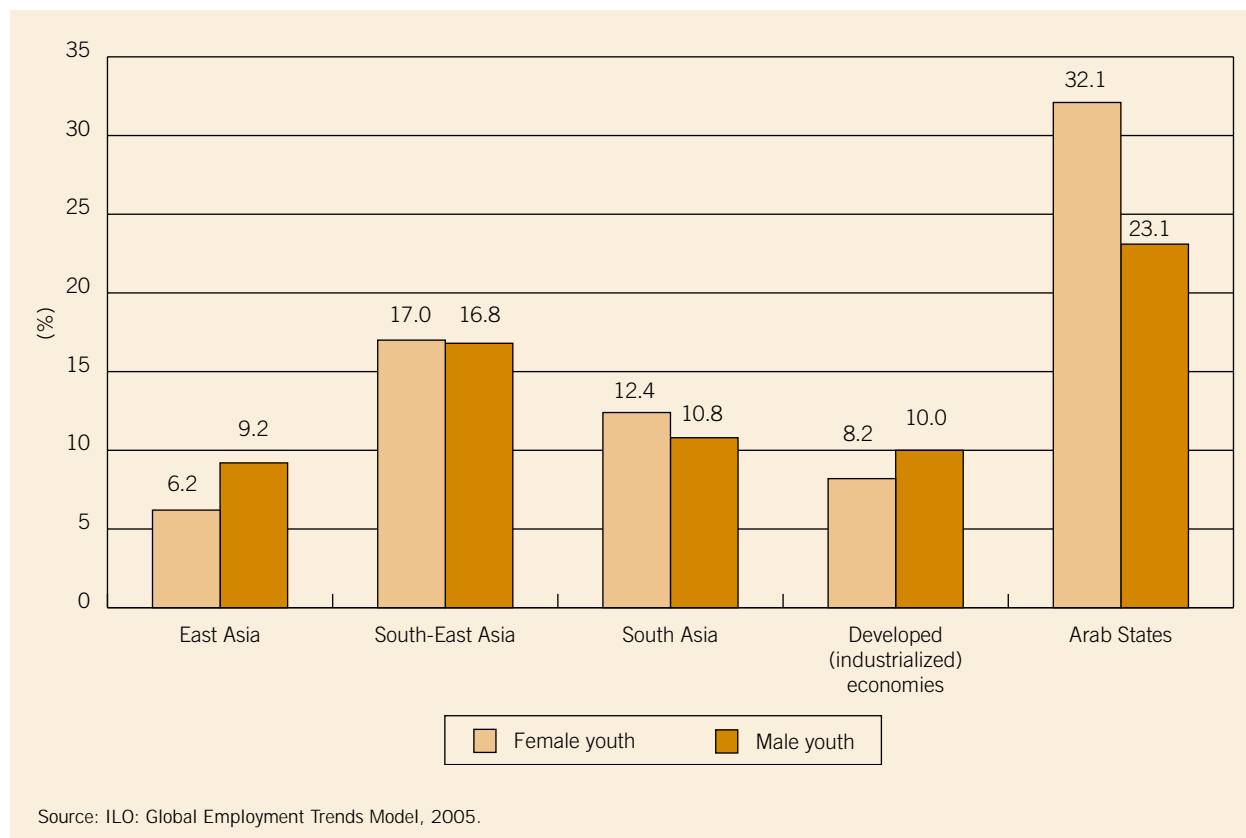
In addition to the serious problem of child labour, Asia also has over 48 per cent of the world’s young people without work. In 2005, 41.6 million young people in Asia were unemployed. At 25.4 per cent in 2005, the youth unemployment rate in the **Arab States** was the highest. The Arab States are also experiencing the fastest labour force growth of any region in the world, making the challenge of creating decent and productive employment opportunities for young people absolutely critical. A key related problem is the high level of unemployment among intermediate and higher education graduates in the Arab States.

¹⁶ ILO: *Decent work and the informal economy*, Report VI, International Labour Conference, 90th Session, Geneva, 2002, p. 4.

¹⁷ See, for instance, ILO: *Key Indicators of the Labour Market, Third Edition* (Geneva, ILO, 2003), pp. 260-265; and ILO: *Women and men in the informal economy: A statistical picture*, ILO Employment Sector (Geneva, 2002).

¹⁸ ADB: *Labor Markets in Asia*, op. cit., p. 19.

Figure 3.5. Youth unemployment rates (%) by subregion and gender, 2005



Over the period 1995-2005, the youth unemployment rate rose from 7.2 to 7.8 per cent in **East Asia**, from 9.4 to 11.3 per cent in **South Asia** and from 7.8 to 9.1 per cent in the **developed (industrialized) countries**. In **South-East Asia and the Pacific**, the youth unemployment rate soared from 9.7 to 16.9 per cent. This rise started with the Asian financial crisis, but despite the region's recovery, young people have found it increasingly difficult to secure decent and productive employment opportunities in South-East Asia. In some of the **Pacific island States**, there are up to seven times more young people seeking work each year than there are new jobs available. In the **Arab States**, youth unemployment rates have declined slightly – from a very high 26.9 per cent in 1995 to 25.4 per cent in 2005.

The ratios of youth-to-adult unemployment rates are a good quantifier of the different outcomes between young and adult workers. In **East Asia**, a young person's risk of being unemployed was 2.7 times higher than that of adults in 2005. In **South-East Asia**, that ratio increased from 4.9 to 5.6 in the decade 1995-2005 and this subregion now has the highest ratio of youth to adult unemployment rates in the world. In **South Asia**, young people are 3.7 times more likely than adults to be unemployed, compared to 3.5 times more likely a decade earlier. In the **developed (industrialized) economies**, young people are around 2.4 times more likely than adults to be without work, while in the **Arab States**, youth unemployment rates are on average three times higher than adult unemployment rates.

Young people at least three times more likely to be unemployed than adults

In **East Asia**, young women have lower unemployment rates than young men (6.2 per cent compared to 9.2 per cent in 2005). The same is true in the **developed (industrialized) economies** in Asia and the Pacific. However, in **South-East Asia and South Asia**, as shown in figure 3.5, young women are somewhat more likely than young men

Gender differentials in youth unemployment

to be unemployed. In the **Arab States**, young women (with unemployment rates of over 30 per cent) face considerable disadvantages in securing decent employment.

Underemployment, discouragement, the “brain drain” and “trading down” among young people

Open unemployment is, however, only one dimension of the youth employment challenge. Discouragement has been increasing; difficult labour market conditions are leading some young people, especially young women, to give up the search for a job and stay out of the labour market, even though they are able and willing to work if offered the opportunity. In **Japan**, for example, “NEETs” – those not in education, employment or training – are attracting attention as a growing potential problem.

The larger reality is that without social security and without families able to support them, or with families they have to support, most young people cannot afford the luxury of being openly unemployed or discouraged workers. They have no choice but to find whatever work or source of livelihood they can. Such work tends to be in low-productivity, low-paying services in hotels and tourism, the fast-food industry, retail sales, call centres and teleworking, agriculture, or in other forms of precarious informal employment. Many young people have been forced to “trade down” and accept inferior forms of employment relative to their level of education; this mismatch between education and employment represents a waste of human resource investments.

Young people make up the bulk of migrants streaming into towns and cities from the rural areas in search of jobs. Growing numbers of young Asian women are also going abroad to work, mainly in domestic service, labour-intensive manufacturing and the entertainment industry. Their exposure to exploitation and abuse, including trafficking, is a concern that is increasingly high on national and international agendas. At the other end of the scale, young people also account for much of the “brain drain” of educated and skilled labour migrants to the developed nations. The south-to-north migration of the youth labour force is depriving sending countries of their investment in human capital.

Women’s employment

Feminization of employment has slowed down or been reversed

In the early years, women were seen as major beneficiaries of globalization in Asia because of the trend towards the feminization of employment, especially in export production. The period 1985-97 saw an increase in the labour force participation of adult women, especially in **East and South-East Asian countries** that were experiencing rapid industrialization and globalization. As a consequence, the gender gap narrowed, at least in terms of quantitative involvement in the labour market.

However, the feminization of work appears to have peaked in the early 1990s. Since then, the process has been not only less marked but may also have actually begun to fade even before the effects of the 1997 financial crisis began to be felt. When the financial crisis struck, women workers, commonly hired under more casual and flexible terms and less likely to be unionized than men, were even more vulnerable than male workers to losing their jobs.

The “official” indicator for measuring progress towards the achievement of MDG3 on gender equality and empowerment of women is the female share of non-agricultural wage employment. In Asia and the Pacific, women’s share ranges from slightly more than half in **Cambodia** and **Viet Nam**, nearly half in countries such as **Australia**, **Mongolia**, **Singapore** and **Thailand**, around 40 per cent in **China**, **Indonesia**, **Japan**, **Malaysia**, the **Philippines**, the **Republic of Korea** and **Sri Lanka**, about one-third in the **Pacific island States**, down to lows of less than one-fifth or even one-tenth in **South Asia and West Asia**.¹⁹

¹⁹ UNESCAP, UNDP and ADB: *A future within reach*, op. cit., p. 39.

However, this “official” indicator is inadequate for reflecting the actual situation of women’s employment. For one thing, informal employment constitutes a high proportion of non-agricultural employment, and women’s informal employment is mainly self-employment rather than wage work. The proportion of women in non-agricultural employment who are self-employed has been increasing faster than the proportion for men; whether this reflects the greater difficulties women face in finding other types of employment, so that they have to “create” their own work to survive, cannot be discerned from the data.

A number of additional indicators show that Asian countries have made better progress towards achieving the education component than the employment component of MDG3. In education, many Asian countries, except in **South Asia**, have achieved gender equality in secondary school education and have more girls enrolled than boys. Women’s literacy rates are still much lower than those of men in South Asia.²⁰ The **Arab States** have invested impressively in women’s education in recent years. However, obstacles to women’s increased participation in the labour force – which remains the lowest in the world – strongly suggest that the subregion is not benefiting from the potential returns on this investment.

Looking at the gender dimensions of working conditions, the challenge is still a major one. Where women are hired rather than men, it is still often because they are seen to be “more tractable and subservient to managerial authority, less prone to organize into unions, more willing to accept lower wages because of their own lower reservation and aspiration wages, and easier to dismiss using life-cycle criteria such as marriage and childbirth”.²¹

The gender gap in wages has not narrowed. Women account for two-thirds of the working poor in Asia; they are much more vulnerable than men to loss of jobs and livelihoods in a crisis situation. Unemployment and discouragement tend to be higher among women than men. Unemployment rates in the **Arab States** are, on average, nearly 50 per cent higher for women than for men. Self-employed women lack organization and voice and face greater difficulties compared to men in gaining access to productive resources and new technologies. Deep-rooted gender inequalities have been slow to change; women are still mainly responsible for unpaid care work.

Workers on the move

Demographic trends and patterns of uneven development in Asia suggest that labour migration will not only continue but will grow, posing immense challenges as well as opportunities for all countries. Over the past two decades, gross labour emigration rose at an annual rate of 6 per cent for the Asian region as a whole.²² This would make the growth of labour migration over two times faster on average than the growth of the labour force of the origin countries.

Table 3.3 shows that the **Philippines** is the largest supplier of labour; its annual outflow of migrants to all destinations represent about 1 per cent of the labour force. The **Islamic Republic of Iran** is also emerging as a proactive labour exporter, registering an annual outflow of about 285,000 mainly to Europe and the Middle East. There are currently 3 million Iranians working abroad temporarily, mostly skilled and

Better progress in education than in employment for MDG3 on gender equality and women’s empowerment

Large labour outflows from some Asian countries

²⁰ United Nations Development Fund for Women (UNIFEM): *Progress of the world’s women 2002: Gender equality and the Millennium Development Goals, Vol. 2* (New York, 2002), pp. 14-29.

²¹ UNESCAP: *Sustainable social development in a period of rapid globalization*, op. cit., p. 94.

²² M. Abella: “Driving forces of labour migration in Asia”, in International Organization for Migration (IOM): *World Migration 2003: Managing migration – Challenges and responses for people on the move* (Geneva, 2003), Chapter 11.

Table 3.3. Estimated annual labour emigration from selected Asian countries, available years

| Country | Data available | Recorded average annual labour emigration ¹ (000s) | Adjustment ⁵ required for excluded or undocumented flows (000s) | Main receiving countries/regions |
|--|----------------|---|--|--|
| Bangladesh | 1999-2002 | 224 | +53 | Gulf States, South-East Asia, India |
| India ² | 1999-2002 | 316 | +200 | Gulf States, United States, East Asia |
| Indonesia | 2002 | 480 | +50 | Gulf States, Malaysia |
| Pakistan | 1999-2003 | 135 | +25 | Gulf States, United States, Western Europe |
| Philippines | 2002-03 | 265 ³ | +25 | South-East Asia, Gulf States, United States, Europe |
| Sri Lanka | 1999-2003 | 192 | +16 | Gulf States, Singapore |
| Thailand | 2001-02 | 160 | | Taiwan (China), Japan, Israel |
| Viet Nam | 2003 | 75 | | Malaysia, Japan, Republic of Korea |
| Others (Myanmar, Malaysia, Lao PDR, China) | 2003 | 32 530 ⁴ | +120 +100 | Thailand, Singapore, Australia, Europe Japan, Republic of Korea, South-East Asia, United States |

Sources:

1. Official government statistics on workers registering employment contracts before departure. Figures do not include those emigrating for permanent settlement in foreign countries, students who work, undocumented workers leaving under the guise of tourism, business or other non-work purposes.

2. Indian data includes only those registered by Protector of Emigrants; graduates of tertiary education and holders of certificates from state training centres are not required to register, nor are those with previous experience working abroad.

3. Philippine law requires all departing migrant workers to register with the authorities, including those who have previously registered and are renewing contracts. The figure shown is based on "new hires" only, to avoid counting again re-hired workers.

4. In 2003, Chinese contracting companies posted 520,000 employees abroad. To this is added the reported annual placement of 10,000 workers by authorized employment service agents.

5. Adjustments based on several sources including receiving country data on foreign nationals admitted on temporary work visas, the numbers overstaying their visas, registration of undocumented workers (such as in Thailand and Malaysia) and estimates of undocumented foreign workers in other regions.

semi-skilled, and mostly young and male.²³ Some countries in Asia are both a source and destination for migrants. **Thailand**, for example, receives migrants from Myanmar, Cambodia and the Lao People's Democratic Republic but also sends its own workers to other countries including Israel, Japan and Taiwan (China).

Labour migration increasingly intraregional

Asia itself absorbed an increasing proportion of the 2.6 million Asian workers who left their homes each year between 1995 and 2000 to work abroad. Figure 3.6 shows the size of the Asian migrant workforce in selected Asian countries around the year 2000. Labour migration to the Gulf States has slowed down relative to labour flows to other parts of Asia. Some 1.4 million migrant workers headed for **Japan, Taiwan (China), the Republic of Korea, Hong Kong (China), Singapore and Malaysia**. Because of proximity and earlier migration ties, workers from the Indian subcontinent still tended to go to **Saudi Arabia, Kuwait** and the other **Gulf Cooperation Council (GCC) States**, but there has been a notable rise in the number of Bangladeshi plantation workers in Malaysia, Sri Lankan domestic helpers in Singapore, and Nepalese construction workers in the Republic of Korea. At the same time, **Thailand's** long land

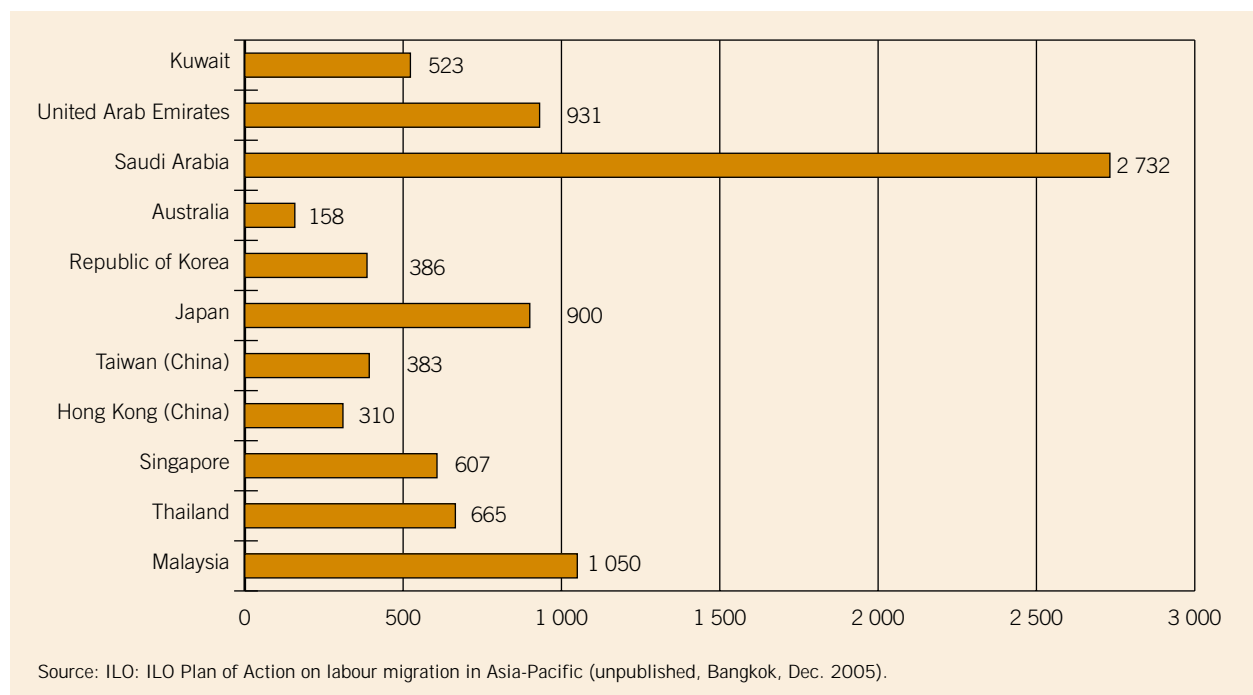
²³ IOM: *World Migration 2005: Costs and benefits of international migration* (Geneva, 2005), p. 106.

frontiers with **Myanmar** and the **Lao People's Democratic Republic** became an active migration front as the country's per capita income jumped far ahead of those of its immediate neighbours.

Asian migrant workers represented anywhere from 40 to 70 per cent of the labour force of the GCC member States. However, in the major receiving countries in **East Asia**, they represented just over 4.2 per cent of the latter's combined labour force. In March 2004, the Ministry of Health, Labour and Welfare of **Japan** estimated the number of foreign workers in the country to be at least 800,000, accounting for just over 1 per cent of the Japanese workforce. The **Republic of Korea** had an estimated 389,000 foreign workers at the end of 2003.²⁴ The exceptions are **Singapore**, where migrants now account for 28 per cent of the labour force, and **Malaysia**, where they probably account for 12 per cent of the labour force. These percentages all translate into huge numbers. What is also striking is the rather high growth rate of the migrant worker population in each country, even during a period marked by an unprecedented financial crisis.

There are also large labour migration flows to countries outside Asia, either through labour agreements or private contracts, or under skilled visa categories. These range from Filipino caregivers bound for Canada to Indian information technology workers heading for the United States.

Figure 3.6. Asian migrant workers in selected Asian countries and areas, around 2000 (000s)



The majority of Asian migrant workers are at the bottom of the employment ladder, doing the dirty, dangerous and difficult – “3 D” – jobs that are shunned by locals and, once they become “migrant jobs”, tend to remain so. These include jobs in commercial agriculture, construction, labour-intensive manufacturing, domestic service and cleaning and catering services.

Migrant workers concentrated at the bottom and top of the employment ladder

At the other end of the scale, Asian migrants include professionals and highly skilled technicians – Filipino nurses and teachers moving to West Asia and the industrialized

²⁴ *ibid.*, pp. 106-108.

countries, Bangladeshi doctors moving to Malaysia, Indian software engineers and designers moving to the United States – making up a “brain drain” from their countries of origin. The other part of the brain drain comprises young Asians who went overseas to study and then stayed on in the country of study. Between 1990 and 1999, the stay-on rates of foreign science and engineering PhD graduates in the United States were 87 per cent for China, 82 per cent for India and 39 per cent for the Republic of Korea.²⁵

With Asian companies increasingly engaged in outward investments and becoming multinational, Asians also make up a growing proportion of the business professionals and “intra-company transferees” in the more dynamic regions of Asia and other parts of the world. Asian skilled, professional and managerial workers are increasingly engaged in the mobility within the internal labour markets of MNEs in the course of expanding trade and FDI.

The feminization of Asian labour migration

A global trend towards the feminization of labour migration is most evident in Asia. In 2001, women accounted for some 47 per cent of all migrants in Asia.²⁶ Female migrants from the **Philippines, Indonesia** and **Sri Lanka** make up between 60 and 80 per cent of all migrants. Large numbers of female migrants also originate in **Thailand** and **Myanmar**, and many have irregular status in the host countries. Some 70 per cent of the 4 million Indonesians working abroad are women. South Asian women are increasingly moving independently to work, mostly in the Middle East but also in **Malaysia** and the **Maldives**.²⁷

Asian female labour migration is strongly characterized by concentration in a very limited number of female-dominated occupations associated with traditional gender roles, which means mainly domestic work and the “entertainment” industry.²⁸ While these jobs do not necessarily have to be exploitative, the circumstances of the job itself often lead to a high degree of vulnerability to abuse and exploitation. The significance of women migrants in domestic work can be judged from the fact that in **Hong Kong (China)**, they numbered more than 202,900 in 2000, while in **Malaysia** there were 155,000 documented and many more undocumented migrant domestic workers in 2002.

Issues raised by the growing mobility of labour in Asia

The growing mobility of labour across national borders raises a number of serious policy issues. These are described below.

Human resource complementation for the region as a whole through migration

- The autonomous and voluntary movements of workers from lower- to higher-wage countries suggest that the region’s resources are being shifted from less productive to more productive employment. These movements no doubt enhance the position of Asian economies in global production systems. While

²⁵ Organisation for Economic Co-operation and Development (OECD): *International mobility of the highly skilled*, Policy Brief (Paris, 2002).

²⁶ H. Zlotnik: “The global dimensions of female migration”, in *Migration Information Source* (Washington, DC, 1 Mar. 2003).

²⁷ In response to highly publicized cases of abuse, the Governments of Bangladesh, Nepal, Pakistan and the Islamic Republic of Iran banned certain categories of female workers from going abroad. However, as many women continued to migrate illegally, the barriers have again been relaxed and applications from skilled, semi-skilled and unskilled migrant women are considered on a case-by-case basis. Only Sri Lanka has an active policy to encourage female migration in South Asia. See IOM: *World Migration 2005*, op. cit., p. 110.

²⁸ ILO: *An Information Guide: Preventing Discrimination: Exploitation and Abuse of Women Migrant Workers*, Booklet 1, in particular “Introduction: Why the focus on women international migrant workers?” (Geneva, 2003).

relative wages alone may not accurately reflect relative productivities of labour use, the size of the wage differentials is often such that it is difficult to deny the benefits of some integration of labour markets. Even taking into account the fact that some highly educated Asians accept low-skill jobs abroad because of pay, the migration of large numbers of low-skilled workers (who are often seriously underutilized in petty trade and agriculture in their home countries) must constitute a significant gain in welfare for all.

- Migration has seldom been credited with contributing to skills development because of the occupations in which most migrants are employed, such as construction, domestic service and plantation agriculture. Sending country governments are increasingly concerned with how to place more of their better educated workers in jobs abroad. They have seen shifts in occupational choices and public and private educational investments, for example towards health professionals and electronics engineers, to supply global labour markets. However, sending countries need to take into account the possible future mismatches in their own local labour markets and to consider how to improve the returns on expensive human resource investments made in workers who go abroad and benefit destination countries.
- A related concern of both sending and receiving countries is the mutual recognition of skills qualifications and competency standards in order to facilitate human resource complementation in a regional labour market and the movement of skilled workers. There are already existing arrangements among MNEs which regularly move personnel within their internal labour markets, but to facilitate both greater and smoother mobility, the importance of mutual recognition systems is increasingly being emphasized.
- For the sending countries, the impact of migration on poverty reduction has been clearly positive. Remittances have enabled migrants' families to have higher standards of living, improved housing and better education and health care for children. For some countries, workers' remittances represent the single most important source of foreign exchange income. Remittances have been a stable source of development finance and are much larger than flows of development assistance. In 2003, Asian sending countries probably received a combined remittance income of over US\$40 billion. Some of the world's largest recipients of migrants' remittances are in Asia.²⁹
- However, there is a critical need to strengthen the financial infrastructure supporting remittances. Exorbitant fees charged by money transfer agents – 13 per cent on average and frequently as high as 20 per cent – are a drain on hard-earned remittances. The remittance cost typically involves three components: the true cost of sending money, the profit component and the foreign exchange commission. There is a strong role for governments to set the right policy and competitive framework to ensure that private and financial sectors can facilitate remittance flows and influence their use away from conspicuous consumption to productive investment. Improving access of migrants and their

Implications for skills development and the mutual recognition of skills qualifications and competency standards

Remittances and poverty reduction

²⁹ India received some US\$23 billion and the Philippines US\$8 billion in 2004. Lebanon is among the top recipients in terms of remittances per capita. Remittances from overseas nationals represented 48 per cent of GDP in Tonga, 21 per cent in Samoa and 13 per cent in Vanuatu in 2002. The share of migrant remittances in GNP in 2002-03 was 6 per cent in Bangladesh, 3.1 per cent in India, 7 per cent in Pakistan, 6.5 per cent in Sri Lanka, 8.6 per cent in the Philippines, 4.7 per cent in Indonesia and 1.8 per cent in Thailand. See IOM: *World Migration 2005*, op. cit., p. 269; ADB: *Responding to the priorities of the poor: A Pacific strategy for the Asian Development Bank 2005-2009*, p. 48; and World Bank: *Global Development Finance 2005: Mobilizing finance and managing vulnerability* (Washington, DC, 2005), pp. 28-29.

families to postal savings banks, commercial banks or microfinance institutions in rural areas would be important.

Growing numbers of irregular migrants reflect problems of managing migration and of protection

- With increasing legal restrictions on the entry, residence and employment of foreigners, more and more migrants are in irregular or undocumented situations, having entered the destination country by fraudulent or unofficial channels or having not received formal residence or employment status.³⁰ For the region as a whole there may be as many as one out of every four migrant workers in an irregular status. These numbers signal the immense problem of managing migration and the gravity of the problem of protection, since migrants in an irregular status are very vulnerable to exploitation and abuse.

Smuggling and trafficking also on the rise

- If they have to travel long distances, irregular migrants often pay for the services of smugglers, who may conceal them in trucks or ships, supply false documents or bribe immigration officials. The “smuggling of migrants” means the procurement of the illegal entry of persons into a State of which they are not nationals or permanent residents, in order to obtain, directly or indirectly, a financial or other material benefit.³¹ Trafficking, on the other hand, involves the use of violence, coercion or deception to exploit workers, essentially treating people as commodities, and does not necessarily involve crossing an international border, although the same people or gangs are often involved in both smuggling and trafficking. Trafficked migrants are victims and should not be liable to criminal prosecution.³² The nature of the phenomenon means that there are no hard statistics. But one important reason for concern is that women and girls are much more likely than men and boys to be the victims of trafficking, in particular into prostitution and sexual exploitation, but also into labour exploitation and contemporary forms of slavery.

Keeping temporary migration temporary is a major concern of governments, often leading to measures that violate ILO principles

- The regional migration system is largely built on temporary foreign worker policies. With the exception of Australia and New Zealand, no country in the region considers itself open to permanent immigration except to the highly qualified or to family members of citizens. Where official policy allows it, the employment of unskilled foreign workers is usually based on one-year, but renewable, work permits. These policies have naturally run up against the interest of migrant workers to remain longer in better paying jobs and the interest of employers to keep their trained workers. The exclusion of temporary worker migrants from social security schemes, tying them to specific employers, restricting their mobility to certain locations, and not allowing family reunification, are only a few of the measures usually taken to discourage longer stays by temporary workers.

Migration remains a risky and costly undertaking for workers

- Asian labour migration has been largely organized by private intermediaries rather than state-run recruitment agencies. The high degree of commercialization of migration processes in Asia not found in other regions explains the rapid expansion and relative efficiency of the system. But there have been serious

³⁰ Pakistan and India each have irregular migrants in excess of 1 million, and the numbers in Saudi Arabia, Thailand and Malaysia are not far behind.

³¹ Protocol against the Smuggling of Migrants by Land, Sea and Air, supplementing the United Nations Convention against Transnational Organized Crime, adopted by the General Assembly on 15 November 2000.

³² Protocol to Prevent, Suppress and Punish Trafficking in Persons, Especially Women and Children, supplementing the United Nations Convention against Transnational Organized Crime, adopted by the General Assembly on 15 November 2000.

problems with fraud and abuse, making migration a costly and risky undertaking for many migrant workers. Government-to-government labour agreements covering the supply of migrant labour and providing for their protection have been the exception rather than the rule. The effectiveness of attempts by sending States to impose control over migration processes has been greatly limited by the reluctance or unwillingness of receiving States to enter into agreements. Countries of origin that have taken steps, for example, to unilaterally set minimum wage standards for their nationals, have found their nationals priced out of the market.

- The right to organize and to bargain collectively is frequently denied to migrant workers through the contracts of employment they sign or by virtue of agreements entered into by their governments. Migrant workers are often denied the possibility to seek better employment because there are restrictions on changing employers. In some countries they find themselves in a situation of virtual slavery because the employers' practice of confiscating passports and travel documents upon the worker's arrival is widely tolerated despite policies to the contrary. In some cases, regulations make continued stay and employment of a woman migrant conditional on her not becoming pregnant. *Protecting migrant workers' basic rights*

- Legal or regular migrant status is by no means always a guarantee of protection against discrimination, exploitation, and safety and health hazards. Migrant workers in many countries, as shown by various studies, tend to earn much less than home-country workers (often less than half), and are often denied other entitlements such as minimum wage protection and holiday leave. Moreover, such workers are often excluded from the entitlements and benefits available under social security schemes in their home countries and in their countries of employment. Being often concentrated in the less regulated sectors of the economy, women migrant workers tend to suffer especially from excessive hours of work without overtime pay, from denial of weekly rest days, and not infrequently from physical and even sexual abuse. Governments are not unresponsive to these problems but few have systems in place (such as for labour inspection) to monitor them and to bring solutions. *Conditions of employment*

- Migrant workers are also disadvantaged in terms of social security. They may be excluded from long-term benefits even if they have the required number of years for qualification – because most host countries seek to enforce temporariness of stay. Even when they have been paying into social schemes while they are working in the host country, there are often still problems regarding the portability of benefits upon return to their own countries. There may also be barriers to workers being able to continue to contribute to schemes in their own countries while they are working abroad. *Social security issues*

Annex: Interpreting employment elasticities

In looking at table 3.2, it is important to note that the total employment elasticities are not directly comparable with the sector employment elasticities. The total elasticities were calculated using data on total employment and total GDP (in constant local currency units), whereas the sector elasticities were calculated using data on employment by sector and sector value-added (in constant local currency units). Sector value added figures differ from total GDP in that they exclude the value of intermediate inputs. All subregional and regional aggregates correspond to the weighted average of the countries in the respective region. To this end, country employment elasticities

were weighted by employment (either total employment or employment within the relevant sector), country value-added growth rates were weighted by value-added (in constant 2000 dollars) in the respective sector, and country GDP growth rates were weighted by the purchasing power parity (PPP)-shares in global output.

The table below explains how employment elasticities could be interpreted. The table corresponds to interpretations that can be made when output exactly corresponds with employment (for example, total output and total employment, or agriculture value-added and employment in agriculture).

| Employment elasticity | GDP growth | |
|-----------------------------|--|--|
| | Positive GDP growth | Negative GDP growth |
| $\varepsilon < 0$ | (-) employment growth (+) productivity growth | (+) employment growth (-) productivity growth |
| $0 \leq \varepsilon \leq 1$ | (+) employment growth (-) productivity growth | (-) employment growth (+) productivity growth |
| $\varepsilon > 1$ | (+) employment growth (-) productivity growth | (-) employment growth (+) productivity growth |

Source: S. Kapsos: "The employment intensity of growth: Trends and macroeconomic determinants", Employment Strategy Paper 2005/12 (Geneva, ILO, 2005).

The cells of the table can be interpreted as follows:

- The upper left-hand box shows that in countries with positive GDP growth, negative employment elasticities correspond to negative employment growth and positive productivity growth. For instance, in an economy growing at 2 per cent per annum with an employment elasticity of -0.2, the average rate of employment growth is approximately -0.4 per cent, while the average rate of productivity growth is 2.4 per cent.
- The middle left-hand box shows that in economies with positive GDP growth, employment elasticities between 0 and 1 correspond to positive employment and productivity growth and higher elasticities within this range correspond to more employment-intensive (lower productivity) growth. Hence, an economy growing at 2 per cent per annum with an employment elasticity of 0.6 is experiencing average annual employment growth of about 1.2 per cent and average annual productivity growth of 0.8 per cent. This box typically represents the ideal, whereby job growth is occurring hand-in-hand with productivity gains.
- The lower left-hand box shows that in economies with positive GDP growth, elasticities greater than 1 correspond to positive employment growth and negative productivity growth.
- The three boxes in the right-hand column indicate that the interpretation of employment elasticities vis-à-vis employment growth and productivity growth is exactly the opposite in cases in which the corresponding GDP growth rate is negative.

4. Realizing decent work in Asia

By seizing the opportunities and addressing the challenges described in the previous chapters, we could make decent work a reality in Asia. How ILO constituents could do so on their own and through regional cooperation and strategic partnerships is the focus of this chapter. It highlights the policy and programme considerations at national, (sub)regional and global levels relating to five key aspects that are crucial to realizing decent work in Asia: promoting both productivity growth and the growth of decent employment; promoting decent jobs for young people; managing labour migration; adapting and modernizing labour market governance; and extending social protection coverage, particularly to the informal economy. These aspects have been identified by the ILO constituents as the areas on which they wish to focus discussion at the Fourteenth Asian Regional Meeting.

Competitiveness, productivity and decent jobs in a globalizing context

Chapter 2 showed the ranking of Asian countries in the Growth Competitiveness Index (GCI) and Business Competitiveness Index (BCI). Chapter 3 highlighted the links between GDP growth, employment growth and growth in labour productivity. Box 4.1 explains labour productivity.

Table 4.1 shows the impressive growth of labour productivity in Asia between 1995 and 2005. Labour productivity increased by some 40 per cent in Asia as compared to 14 per cent in the rest of the world. The fastest increase was recorded in **East Asia**, followed by **South Asia**. Only the **Arab States** recorded a decline in labour productivity over the period.

Impressive growth in labour productivity but uneven benefits for workers

However, what is critical is how the productivity gains have been distributed between profits to owners of capital and improved working conditions and wages to workers. Thus far, the benefits have been biased against workers.

Admittedly, in those countries that are major exporters, there have been sizeable increases in real manufacturing wages. For example, real manufacturing wages have more than doubled since 1990 in **China** (where productivity has increased by some 6.3 per cent per year), while in some other export-oriented **East and South-East Asian countries** they have increased upwards of 30 to 40 per cent.¹ However, what is worth noting is that “having wages grow, but grow with a lag, or grow at less than the rate of productivity growth, has in fact been a hallmark of the export-oriented East Asian miracle economies. Limiting wage growth was a means of ensuring the external competitiveness of export industries ...”.² Real manufacturing wages have been flat in **South Asia** and in some of the **Pacific island States**.

Also, and importantly, productivity gains have not been translated into shorter working hours or improved working conditions. Occupational safety and health hazards are still serious and even increasing, particularly in small and medium-sized enterprises.

¹ ILO: *Labour and social trends in Asia and the Pacific 2006: Progress towards decent work* (forthcoming).

² ILO: *World Employment Report 2004-05: Employment, productivity and poverty reduction* (Geneva, 2005), p. 98.

Box 4.1 What is labour productivity?

Productivity, in general, measures how efficiently resources are used. The basic definition of labour productivity is output, or value added, divided by the amount of labour used to generate the output. The present chapter refers to annual output per person employed.

Despite its name, labour productivity increases when value added rises through the better use, coordination, etc., of all factors of production. Value added may increase when labour is working smarter, harder, faster or with better skills, but it also increases with the use of more or better machinery, reduced waste of input materials, or the introduction of technological innovations. Indeed, any non-labour factor that raises value added will raise labour productivity. Take, for example, an improvement in product quality that allows an article to be sold for a higher price, even if there is no change in the number of goods produced. The term "labour productivity" is therefore correct in that any non-labour change that increases value added makes workers more productive, but it is slightly misleading in that it denotes productivity in general, not that which specifically involves workers. For example, a farmer's access to training can improve his or her productivity. But a farmer's access to a newly built road that facilitates travel to the market could do the same.

There is wide variation in labour productivity among different countries in the world owing to a host of factors, most of which are directly and positively related to the level of economic development of the country concerned. It is important to underscore the fact that differences in labour productivity levels have essentially nothing to do with differences in how hard workers work – on the contrary, they often indicate differences in working conditions. A poor worker in a developing economy can work long hours, strenuously, under bad physical conditions, but yet have low labour productivity and therefore receive a low income because he or she lacks access to technology, education or other factors needed to raise productivity. Similarly, a worker in a highly developed economy may have higher productivity despite working relatively fewer hours.

Source: ILO: *World Employment Report 2004-05: Employment, productivity and poverty reduction* (Geneva, 2005), p. 28.

Table 4.1. Labour productivity, 1995-2005

| Regions | Total growth | Average annual growth |
|--------------------------------------|--------------|-----------------------|
| East Asia | 87.8 | 6.5 |
| South-East Asia and the Pacific | 16.8 | 1.6 |
| South Asia | 38.9 | 3.3 |
| Developed (industrialized) economies | 15.4 | 1.4 |
| Arab States | -0.9 | -0.1 |
| Asia total | 39.9 | 3.4 |
| World | 22.9 | 2.1 |
| World excluding Asia | 14.3 | 1.3 |

Source: ILO: *Global Employment Trends Model 2005*; World Bank: *World Development Indicators 2005*; IMF: *World Economic Outlook Database 2005*.

Workers in developing Asia still work longer hours than most of their counterparts in the world. Among the countries for which data are available, more than 35 per cent of the employed work 50 hours or more per week in **Cambodia, Republic of Korea, Mongolia, Pakistan, Singapore and Thailand**. In **Bangladesh, Japan, the Philippines, Sri Lanka and Viet Nam**, between 20 and 30 per cent of the workforce put in more than 50 hours on the job per week.³

The importance of productivity gains

As highlighted in Chapter 3 (table 3.2), employment growth has not matched economic growth and productivity gains in Asia. Concern over the trade-off between productivity growth and the creation of decent jobs is understandable. Productivity increases and jobs can be, and often are, inversely related. Jobs can be lost as a result of improvements in productivity. Historically, we have seen many examples of labour-saving technological changes allowing firms to produce the same or greater output with less labour input. However, these concerns should not lead to the conclusion that developing countries should neglect productivity enhancement. The importance of productivity gains cannot be overemphasized, for the following reasons:⁴

- Firstly, productivity growth is the ultimate source of growth in living standards. Part of the productivity gains can be distributed to workers in the form of higher wages/earnings or shorter working time and improved working conditions, or both. Moreover, as the rate of economic growth increases, the “lion’s share” of this higher rate of growth is typically accounted for by productivity improvement.
- Secondly, and very importantly, productivity growth is the sustainable route out of working poverty. As the previous chapter emphasized, it is not the absence of economic activity that is the source of working poverty, but the less productive nature of that activity. The poor are poor not because they have no work but because of the low productivity and low remuneration of their work.
- Thirdly, no enterprise that operates in global markets, regardless of where it is located, can afford to forego productivity increases. Especially with exposure to global competition, a firm’s autonomy to pick and choose its production technologies declines. For the same outputs produced, the capital intensity of techniques is often not very different in industrial and developing countries. Productivity gains that result from capital intensity allow enterprises in competitive markets to lower their prices and are thus a chief means by which enterprises shore up their competitiveness. Furthermore, productivity gains result in lower unit costs of production and thus higher profits that can be reinvested and also distributed to workers in the form of higher wages or more jobs, as well as to shareholders in the form of dividends.
- Fourthly, the employment-displacing effects of productivity growth cannot be avoided in some instances. However, in a longer-term, aggregate sense, there is no necessary trade-off between productivity growth and employment growth. Productivity gains can work their way through the macroeconomy so that job losses at one location may be balanced by job creation in another area and job losses in one sector may be compensated by job gains in another. Productivity increases in one sector may shift the composition of consumer demand economy-wide. One consequence is aggregate employment growth, although not necessarily in the sector in which the productivity gain has occurred.

Employment-displacing effects of productivity gains cannot be avoided in some cases but, for the economy as a whole, there need not be job losses

³ ILO: *Labour and social trends in Asia and the Pacific 2005* (Bangkok, 2005), p. 23.

⁴ ILO: *World Employment Report 2004-05*, op. cit., pp. 96-99.

Promoting both productivity growth and employment growth

A key challenge for developing countries is therefore how to promote productivity growth and competitiveness without sacrificing decent jobs, and vice versa. A strategy to increase both productivity and employment over the longer term “should have dual components of investing in the dynamic growing sectors of the economy, while building capacity in sectors where the majority of labour is employed. Establishing linkages in the supply chain between the two is one mechanism.”⁵

Investing in dynamic growing sectors: Services and non-traditional activities in agriculture

Dynamic sectors would include the services sector which, as shown in the previous chapter, is the fastest growing sector in the Asian region. However, employment in the services sector lies at both ends of the decent work spectrum. Increasing services sector employment can either indicate a successful transition of the economy towards higher productivity levels or reflect large numbers of underemployed in low-productivity services, such as petty trade and personal services.

Services such as travel and tourism, housing and real estate development, retailing and distribution, and education and health, are all sectors where relatively large numbers of productive jobs could be created. Chapter 2 also emphasized the potential of ICT-enabled services. To tap into these new markets, some essential requirements include investments in education and training to enhance information and communication technology (ICT) proficiency and related skills, quality infrastructure and promotional policies to attract FDI in such services. Very importantly, any strategy for effective ICT implementation must involve accommodating institutional, industrial and work organization structures and sound industrial relations in order to have a positive impact on competitiveness, growth and decent employment.

Forward and backward linkages in a supply chain can improve productivity and employment

There should be forward and backward linkages in the supply chain between fast-growing sectors and those in which labour is dominant. The growing ICT sector in **India** is a case in point. Currently, India’s ICT sector employs about 800,000 people, a figure that is expected to increase to 2 million by 2008 – but this is still only 0.5 per cent of the 400 million-strong labour force.⁶ In the **Philippines**, the development of call centre activities has registered very high growth rates but is not expected to provide a solution to the country’s employment problems; only about 4 per cent of applicants are selected and many are university graduates with good English for whom a call centre job is a form of underemployment.⁷ The challenge, then, is to broaden the ICT sector, while deepening the linkages with other sectors in the economy – sectors where the majority of workers are employed.

Food processing is another labour-intensive industry which has been identified by market analysts as having significant potential to expand both domestically and internationally. It could also be an important value-added chain from rural agriculture to urban and international markets. In **India**, however, less than 2 per cent of fruit and vegetable production is processed, compared to 30 per cent in **Thailand** and 80 per cent in **Malaysia**.⁸ The factors that have constrained the expansion of the food processing industry in India include: the cultivation of traditional varieties of agricultural products unsuitable for processing; lack of infrastructure for post-harvest

⁵ *ibid.*, p. 13.

⁶ *ibid.*, p. 109.

⁷ ADB: *Labor markets in Asia: Promoting full, productive and decent employment* (Manila, 2005), p. 76.

⁸ K. Sundaram and S.D. Tendulkar: *The working poor in India: Employment-poverty linkages and employment policy options*, Issues in employment and poverty Discussion Paper No. 4, ILO Recovery and Reconstruction Department (Geneva, ILO, 2002).

preservation and quality control and testing; lack of storage facilities and modern processing and packaging facilities; and lack of air-conditioned transport.

A strategy of investing only in dynamic sectors in attempts to “leapfrog” may not be enough to reduce poverty, mainly because the fastest growing sectors may often not be where the majority of people are employed. The importance of not neglecting domestic sectors is underscored by the uncertain employment impact of FDI, as discussed in Chapter 2. Developing countries should not make the mistake of seeking to attract FDI to the extent of neglecting domestic sectors (not to mention sacrificing proper working conditions and protection of women workers).

Focusing on sectors where the majority of workers are employed is one way of balancing employment and productivity in both the interim and long term. For Asian developing countries this entails investing in strategic growth sectors by acquiring and internationalizing the knowledge developed elsewhere if they are to catch up, while at the same time improving worker productivity in traditionally low-productivity sectors, such as agriculture and the urban informal economy.

It also unquestionably means improving working conditions and OSH and promoting the ILO code of practice on HIV/AIDS and the world of work. Poor safety and health standards represent a serious threat to productivity in many workplaces.

In **South Asia** and parts of **South-East Asia**, agriculture remains the main source of income for a very large section of the population, and poverty is predominantly a rural phenomenon. Therefore, improving productivity in agriculture is not only important for the development of the economy as a whole but also for poverty reduction. It provides employment opportunities and a chance for the poor to work their way out of poverty. Some recent private sector efforts to tap into the potentials of the agricultural sector are described in box 4.2.

Increased public investments in rural infrastructure including irrigation, rural transport and rural electrification, and the provision of new technologies through agricultural extension services, have a critical role to play in improving farm productivity and incomes. Such public expenditures to raise farm productivity need to be combined with private assets, especially land (or land rights). The experience of countries such as the **Republic of Korea** has shown that land reforms have a beneficial impact on the incomes of marginal farmers. However, success in agriculture depends not only on national efforts but also on the world community. Only within a framework of a more equitable globalization process, in which developing Asia has a chance to participate in the fair trade of agricultural products, can this sector contribute to employment creation and poverty reduction.

Improved farm productivity should also have a beneficial impact on the non-farm economy in rural areas by raising demand for its output. Direct efforts should also focus on enhancing productivity of the rural non-farm sector. The benefits that can arise from a dynamic rural non-farm sector are evident from the case of township and village enterprises (TVEs) in **China**. From 1978 to 1996, the number of TVEs rose from 1.5 million to 23.4 million, while the number of workers employed by them rose from 9.5 per cent to 29.8 per cent of the total rural labour force.⁹

Collective organizations of workers and small farmers, such as cooperatives, have a critical role to play in rural areas. Cooperatives can provide key services such as health insurance and microcredit, bulk purchasing of seeds, fertilizers and tools, and

Not ignoring the sectors where most people are employed and giving attention to working conditions and occupational safety and health (OSH) concerns

Improving agricultural productivity and enabling the rural poor to work their way out of poverty

Promoting the rural non-farm sector

Cooperatives have a vital role in rural development and poverty eradication

⁹ ADB: *Labor markets in Asia*, op. cit., p. 70.

Box 4.2. Tapping the agricultural sector

Large corporations in **India** are using computers to provide farmers with district-specific weather reports, information on market prices of crops and advice on modern growing methods. By following the advice and using hybrid seeds, wider spacing between plants and better application of fertilizers, individual farmers have been able to achieve dramatic increases in yields.

Indian corporations are reaching out from the boardrooms of Mumbai and Kolkata to the agricultural plots with the aim of increasing farmers' yields so as to bolster their own food processing and export operations, and along the way to sell tractors and consumer products to prospering farmers. One telecommunications company plans to market fruits and vegetables to the Middle East and Europe. Another Indian multinational is growing mustard seeds and grapes for export, while a car and tractor maker is farming corn and grapes under contract for export to Europe. They are all looking to capitalize on what is now seen by many as India's biggest untapped resource – its agricultural sector. Some 660 million Indians live off the land; the sector accounts for about 21 per cent of India's GDP.

Companies are betting that improved technology and a more selective choice of crops can vastly bolster the country's agricultural exports. Until now, the sector has been weighed down by poverty, poor infrastructure and small, unproductive farms. The Government has now enacted policies, including tax holidays for agricultural exporters, to modernize the agricultural sector.

The challenge is also to alter the mindset of farmers who, until now, made decisions largely on the basis of grain subsidies, even through the share of grains in India's exports has been falling. To reverse the decline, India needs to move into producing more edible oils, fruits, vegetables and flowers. Diversification and increased productivity is what the private sector companies are promoting; they are helping farmers to increase their yields, raise their income and boost their confidence to try their hand at more lucrative crops. Indian companies are tempting farmers to move up the value-added production chain with profits. They are demonstrating that, by growing more valuable crops, farmers can make US\$600 rather than US\$125 an acre on rice and wheat. More relaxed rules on food retailing have foreign chains like Wal-Mart, Tesco and Carrefour eyeing India's rural markets.

Source: R. Moreau and S. Mazumdar: "Green profits", in *Newsweek*, 14 Mar. 2005, pp. 42-43.

improved marketing. They can also provide a voice for the poorest in policy-making for rural development.

Policies for public-private coordination, diversification and restructuring

Private initiative is the potent driver of productivity growth and employment growth, and "it is increasingly recognized that developing societies need to embed private initiative in a framework of public action that encourages restructuring, diversification, and technological dynamism beyond what market forces on their own would generate".¹⁰ The ADB emphasizes that the industrial policies of governments should play "a strategic and coordinating role" in economic restructuring and the development of non-traditional activities (in agriculture or services and not restricted to manufacturing) that would contribute to productive employment.¹¹

¹⁰ D. Rodrik: *Industrial policy for the twenty-first century*, Paper prepared for UNIDO (Cambridge, Harvard University, 2004) available at <http://ksghome.harvard.edu/~drodrik/UNIDOSep.pdf>.

¹¹ ADB: *Labor markets in Asia*, op. cit., pp. 74-75.

Such government policies, rather than focusing on production and employment decisions, should instead concentrate on reviewing and removing the constraints to private initiatives and investment – such as inordinately high start-up costs, cumbersome and time-consuming procedures for starting and registering businesses, and barriers to entry into particular lines of business. Eliminating such bureaucratic and legal constraints will be good both for business and for employment creation.

The enabling environment for enterprise development

In addition, efforts should be made to develop markets and institutions that will spur private investment. More research is needed to improve our understanding of the nature and processes that can promote effective partnership between the State and the market. For example, it would be very useful to identify new private sector activities which the public sector can support and encourage with incentives that have the potential to “crowd in other, complementary investments or generate informational or technological spillovers”.¹²

Given the existence of the huge informal economy in many Asian countries and the problems of matching demand with supply of labour in the formal economy, a realistic option is to focus on transforming this large pool of human potential into a more productive one. Increasing the productivity of informal economy workers and improving working conditions will go a long way towards reducing working poverty.

Creating better jobs in the informal economy and reducing working poverty

Some key elements set out in the resolution concerning decent work and the informal economy, which was adopted by the 90th Session of the International Labour Conference in 2002, are worth quoting:

- To promote decent work, it is necessary to eliminate the negative aspects of informality, while at the same time ensuring that opportunities for livelihood and entrepreneurship are not destroyed, and promoting the protection and incorporation of workers and economic units in the informal economy into the mainstream economy. Continued progress towards recognized, protected decent work will only be possible by identifying and addressing the underlying causes of informality and the barriers to entry into the economic and social mainstream.
- Informality is principally a governance issue. The growth of the informal economy can often be traced to inappropriate, ineffective, misguided or badly implemented macroeconomic and social policies, often developed without tripartite consultation; the lack of conducive legal and institutional frameworks; and the lack of good governance for proper and effective implementation of policies and laws.
- A conducive policy and legal environment lowers the costs of establishing and operating a business, including simplified registration and licensing procedures, appropriate rules and regulations, reasonable and fair taxation.¹³ It also increases the benefits of legal registration, facilitating access to commercial buyers, more favourable credit terms, legal protection, contract enforcement, access to technology, subsidies, foreign exchange and local and international markets. Such policies discourage businesses in the formal economy from shifting into the informal economy. This helps new businesses to start and smaller businesses to enter the formal economy and to create new jobs, without lowering labour standards. It also increases state revenues.
- Another high priority is a coherent legal, judicial and financial framework for securing property rights to enable assets to be turned into productive capital

¹² D. Rodrik: *Industrial policy for the twenty-first century*, op. cit., p. 23.

¹³ For example, it takes firms in Indonesia some 11 procedures requiring 128 work days to set up a business, in China 12 procedures and 92 work days, Republic of Korea 13 procedures and 27 work days, Philippines 14 procedures and 46 work days and Viet Nam 16 procedures and 112 work days. ADB: *Asian Development Outlook 2003* (Manila, 2003).

through sale, lease or use as collateral. Reform of legislation should give special attention to gender inequalities in rights to own and control property.

- Legislation is an important instrument for addressing the all-important issue of recognition and protection for workers and employers in the informal economy. Obstacles to the exercise of fundamental rights and the recognition of legitimate, democratic, accessible, transparent and accountable membership-based organizations of workers and employers in the informal economy must be removed, so that they are able to participate in social dialogue structures and processes.

Improving the skills and employability of the labour force

Competitive advantage based on abundant and cheap labour does not last

Abundant and low-cost labour is a production factor which gives many Asian developing countries a comparative advantage. Focusing on the abundance of labour can be an employment-rich as well as a productivity-enhancing strategy, but policy-makers should recognize the limits and transitory nature of such a strategy. First, low-cost labour may have only a limited bearing on the comparative advantage needed to attract foreign capital. There are other more influential factors that attract FDI inflows to a country, including the openness of trade and investment policies, the quality of the labour force, and the potential of the domestic market.¹⁴ Second, the example of the Asian “miracle economies” shows that comparative advantage based on the intensive use of cheap and relatively unskilled labour is transitory in nature. Their competitiveness has eroded as countries such as **Bangladesh, India, China** and **Viet Nam** can now make products more cheaply. They have therefore put greater emphasis on modern technology, human resources development and higher value-added production and moved up the value chain. This strategy has helped not only to maintain their competitiveness but also to capture a larger share of the benefits of globalization. Countries that try to exploit their comparative advantages based on low labour costs by restricting wages may end up in a vicious cycle of low productivity, deficient training and a lack of skilled jobs – and thus unable to compete effectively in the markets for skills-intensive products.

It is the quality of the labour force that matters

Measures to enhance the quality of the supply of human capital are essential. A primary source of productivity growth is technological readiness and innovation, which in turn requires a well-educated and skilled workforce. The World Economic Forum has pointed out that among the factors determining productivity and competitiveness, education, the acquisition of relevant skills and the level of training of the labour force have become increasingly important in recent years.¹⁵ More and more countries are emphasizing the “knowledge economy” and “high performance work systems” which underscore the relevance of human capital and its organization as a source of productivity growth and competitive advantage. Good employer-worker relations and social dialogue mechanisms help stimulate workplace innovation.

Enhancing trainability and employability of workers

“Today’s world demands organizations designed on skill-based systems, which adapt quickly to the new circumstances and which react to the fact that, with globalization, the nature and content of jobs and the skills required are changing at a tremendously fast pace.”¹⁶ For workers to find decent jobs, they need to be equipped with a broad

¹⁴ I. Yussof and R. Ismail: “Human resource competitiveness and inflow of foreign direct investment to the ASEAN region” in *Asia-Pacific Development Journal*, Vol. 9, No. 1, June 2002, pp. 89-107.

¹⁵ World Economic Forum: *The Global Competitiveness Report 2005-06* (Basingstoke, Palgrave Macmillan Ltd., 2005), p. xiv.

¹⁶ ADB: *Labor markets in Asia*, op. cit., p. 77.

spectrum of skills that enables them to move around the range of emerging opportunities in the labour market. Under these circumstances, trainability or individual absorptive capacity may well be more important than a worker's initial entry qualifications or professional skills.

This underlines the importance of the type of educational policies a country adopts. Strong primary and secondary education has often been cited as part of the economic success of East and South-East Asian economies. These economies have also introduced a number of policies and programmes to strengthen vocational training. The **Republic of Korea** and **Singapore** have used training levies to help finance government-sponsored vocational training schools and programmes. In **Malaysia**, the Penang Skills Development Centre puts together training courses contributed by multinational corporations to upgrade their suppliers' skills. **Thailand** grants a 150 per cent tax deduction for training expenses.

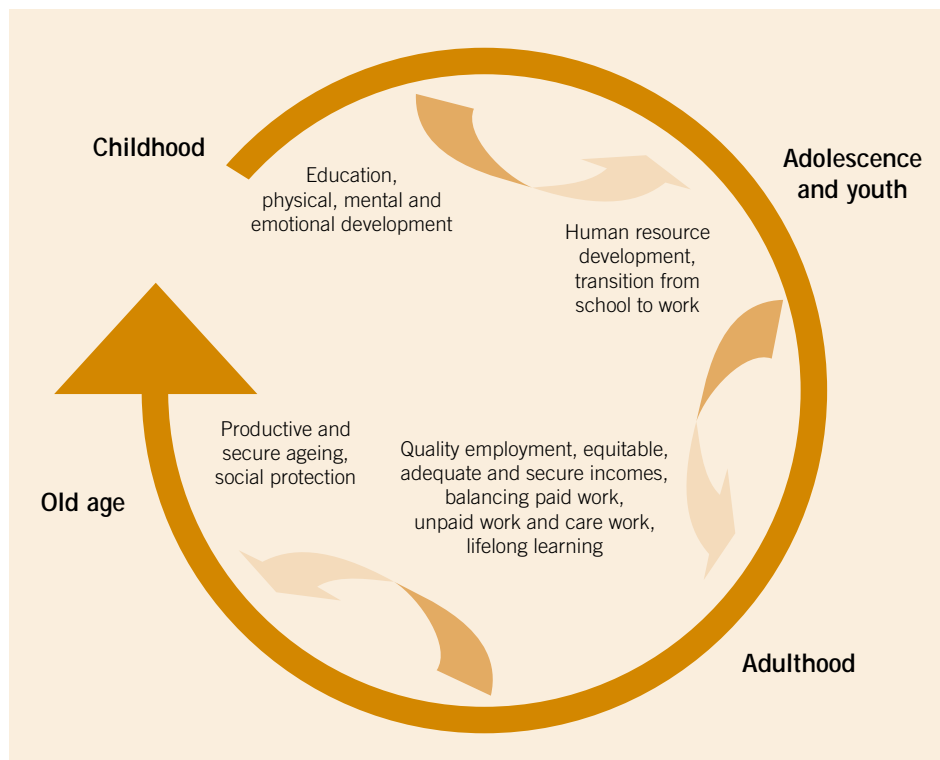
The "Millennium generation": Decent jobs for young people

Adopting a life-cycle perspective to decent work

A life-cycle perspective is important for achieving decent work. Identifying the key stages of life when people are vulnerable to falling into poverty is the starting point for understanding the dynamics of life and work of poor communities (figure 4.1). It is during the formative stages of childhood and youth that enduring aspects of personal development take place and largely determine "success" or "failure" in later life. The transition from childhood to adult life, from school to work, can greatly determine a person's chances of escaping poverty. Child workers, especially those in hazardous work, often become young adults with poor employment prospects who are unable to lift their own families out of a poverty trap, give their children a better life, or contribute effectively to national development.

The formative stages of childhood and youth determine success or failure in later life

Figure 4.1. Decent work over the life cycle



Work and family life The life-cycle approach also emphasizes that economic and social reproduction cannot be separated, and the concepts of decent work and job quality must recognize workers as women and men with family and civic responsibilities and provide for better harmonization of paid and unpaid work. It also takes into account the fact that more and more women and men change jobs and work status and move in and out of the labour force at various times of their lives. Their need for lifelong learning and social protection to deal with such changes is thus greater than ever.

Security with change A life-cycle perspective recognizes the need for security with change. From one end of the life course to the other, people are exposed to various risks and insecurities for which they need social protection. With rapid ageing of the population, decent work at later stages in the life cycle is equally important. The significant accumulation of human capital in older workers must not be lost: opportunities and incentives that promote their full and productive employment can provide flexible pathways from work to “retirement” and will become increasingly important. Such measures could mitigate not only the welfare challenge but also the impact of a shrinking labour force on productivity and economic growth.

The gender dimension A life-cycle perspective has a clear gender dimension. If girls by comparison with boys face negative cultural attitudes and practices and discrimination from birth (still very evident from unbalanced sex ratios in some countries), they will grow up to be women with greater constraints and few choices and opportunities. Even if girls perform better than boys at school, they still find it harder to enter and succeed in the labour market. In turn, they become mothers who are much more vulnerable to poverty and far less able to influence the lives of their daughters and sons in a positive way. Girls and women must be empowered to generate choices and make smooth transitions from one stage of life to another, and older workers who are most likely to be female must have access to social protection when they need it most.

Why focus on youth employment? The potential of the “Millennium generation”

From a life-cycle perspective, of course, all ages are important, although the sheer numbers of young people cited in Chapter 3 easily explain why youth should take centre stage. Quite apart from their demographic importance is the fact that young people have enormous inherent potential. They are the “Millennium generation”, the generation of young Asians who will be entering the labour force for the first time during the twenty-first century. What they do – as workers, entrepreneurs, innovators, agents of change, citizens, leaders and mothers and fathers – will shape economic, social, political and technological developments. They are Asia’s greatest asset, but their potential is not being realized because they lack access to productive and decent jobs. “The challenge is to bring young people into employment without displacing other workers. Policy-makers have to consider intergenerational issues and recognize, in this context, a life-cycle approach.”¹⁷

The ILO has estimated that halving youth unemployment would increase GDP by between 1.5 and 2.5 per cent in East Asia, between 4.6 and 7.4 per cent in South-East Asia, between 4.2 and 6.7 per cent in South Asia, and between 7.1 and 11.4 per cent in West Asia.¹⁸

¹⁷ ILO: Report of the Committee on Youth Employment, International Labour Conference, 93rd Session, Geneva, 2005, Conclusions, para. 3.

¹⁸ ILO: *Global Employment Trends for Youth* (Geneva, Aug. 2004), table 7, p. 21.

Starting with the links between child labour and youth employment

Child labour raises serious issues in terms of basic rights at work. ILO Conventions Nos. 138 (on the minimum age) and 182 (on the worst forms of child labour) set out the kinds of child labour which are not to be tolerated. ILO standards also outline the conditions in which certain forms of non-hazardous work could be envisaged for children beyond a minimum age.

Child labour exacerbates the problem of youth employment

The linkages between child labour and youth employment are critical. Child labour tends to exacerbate the problem of youth employment in so far as it prevents children from acquiring the education and skills needed to compete in the labour market as young adults. But it is not enough to eliminate child labour without ensuring alternative opportunities for education and skills acquisition that improve the employability of young people. The lack of opportunities for education and training is indeed one reason why child labour is sometimes seen as a way of acquiring the experience and skills needed to improve labour market prospects. Efforts to alleviate the problems of child labour and youth unemployment and underemployment are less likely to be successful if these problems are tackled separately.

Children and young people fall into partially overlapping age brackets. Those between the ages of 15 and 18 years can, according to ILO Conventions, work and be employed as long as they are not engaged in the so-called “unconditional worst forms” of child labour or in hazardous forms of work. The detrimental health effects of premature employment and hazardous work tend to impair employability during the most vigorous and productive years of youth and sometimes even for a lifetime. Action to remove hazards from the working environment where this is possible, or to facilitate the necessary transition of adolescents from prohibited forms of work to non-hazardous occupations, would contribute to converting today’s child labourers into young people employed in decent work.

There is a cruel irony in the coexistence of child labour and youth unemployment and underemployment. While demand for certain types of labour is met by children who should not be working, there is also a supply of labour from young people that is unused or underused. Measures that promote better functioning labour markets would help to reorient the demand for labour away from children towards young people who may be legitimately employed. But there must, of course, be the necessary safeguards to ensure that young people, too, are protected from exploitation in the forms of work available to them and able to enjoy the other fundamental rights of organizing, collective bargaining and freedom from forced labour and discrimination.

Young people face age-specific difficulties in the labour market

On the one hand, the youth employment challenge is closely related to more general issues not related to age, concerning the quantity and quality of employment in a country. Unless productive employment is at the heart of macroeconomic and social policies and the aggregate demand for labour is expanding, it is not possible to have successful programmes to integrate disadvantaged young people into the labour market. On the other hand, the youth labour market has its own particular and problematic dimensions. It is not just that young workers share the adverse effects felt by all workers when the labour market is tight; their share of these effects is disproportionately large.

Some young people are able to find decent jobs easily upon completing their education. But many others face certain age-specific difficulties in making the transition from the education and training system to the labour market. These include:

- lack of employment experience – since employers prefer experienced workers, young people often find themselves at the back of the queue for jobs;
- “insider-outsider” effects (adults already in the labour market have an advantage over young people trying to enter) related in particular to employment protection regulations and minimum wages;
- wage and job reservations that young people have for entering the labour market (the level of remuneration and type of job they are prepared to accept) – there is often a mismatch between youth aspirations and labour market realities;
- constraints on self-employment and entrepreneurship development; and
- lack of organization and voice – because young people are often not represented in trade unions or employers’ organizations and have few channels through which they can make their concerns and needs heard.

National policies and programmes to promote youth employment

Integrating youth issues in national employment policy

The principles of the Employment Policy Convention, 1964 (No. 122), whereby “each Member shall declare and pursue, as a major goal, an active policy designed to promote full, productive and freely chosen employment”, are fundamental to any employment policy directed at young people.¹⁹ The most effective means of promoting youth employment is to ensure an economic policy environment that stimulates growth with intensive employment creation. Much could be achieved by making employment central in economic and social policies and by using social dialogue to design sound labour market policies.

In addition, there are proactive policies and programmes that countries can adopt to create more and better jobs for young people.

Education and training for young people

Education is the first step towards decent work and productive and responsible lives for young people. Most Asian countries have made significant progress towards achieving the Millennium Development Goal (MDG) of education for all (EFA) by 2015, but investments are needed to further boost basic education for young people, especially young women and other disadvantaged groups such as ethnic minorities and people with disabilities. This should include non-formal and informal learning and distance learning for those who have missed out on formal schooling and, importantly, measures to reduce drop-out rates and increase completion rates. In countries such as **Cambodia, Lao People’s Democratic Republic** and **Nepal**, completion rates are only about 50 to 60 per cent.

It is not just the level but the quality and relevance of education and training that is important. Where the quality of education is poor and formal schooling is not considered useful, especially in relation to the associated costs, young women and men from poor families may drop out of school and enter the labour market earlier than they otherwise would. Many face difficulties finding a job because of the mismatch between educational outcomes and labour market requirements. Education and vocational training policy should be broadly based, be linked to employment policy, and should be responsive to the development of core skills used in workplaces. The challenges education and training authorities face include the need to:

- incorporate career guidance and support and knowledge of industry along with essential labour issues into school curricula;

¹⁹ ILO: Report of the Committee on Youth Employment, Conclusions, op. cit., para. 18. A total of 12 countries in Asia and the Pacific and four Arab States have ratified Convention No. 122.

- foster career entry and career development, including the recognition of prior learning to facilitate transfer between educational and training programmes;
- make education more responsive to labour market needs by directly engaging educators with industry partners and encouraging student contact with industry. Programmes that combine learning with work experience can bring students and employers together.

Many developing Asian countries face a major challenge of providing skills training programmes for young people that are flexible, employment-oriented, learner-centred and gender-sensitive. They have been looking to reform their VET systems to bridge the gap between formal education and training and the world of work, to redress skills mismatches and to better prepare young people to participate in rapidly changing labour markets. The ILO's Human Resources Development Recommendation, 2004 (No. 195), has particular relevance in this context. The development of core work skills (such as communication, learning-to-learn, teamwork and problem solving skills) is an important component of reforms – such skills are portable across occupations, enterprises and sectors, and critical to employability and lifelong learning. A dual system combining school-based education with work-based training and apprenticeship can also be important.

Countries such as **Australia** and **New Zealand** have introduced broad, competency-based training programmes that meet the requirements of adaptability and flexibility in rapidly changing labour markets. **Singapore's** Critical Enabling Skills Training (CREST) programme aims to develop generic or core work skills that should apply nationally as a basis for employment, regardless of the specific education or training options pursued.²⁰ The Ministry of Health, Labour and Welfare of **Japan** submitted a draft bill in February 2006 to establish a system for assisting firms which offer vocational training combining classroom lectures and on-the-job training.

Asian countries have developed specific initiatives to help young people bridge the gap between school and the labour market. Labour market information (LMI), job search techniques and career guidance are increasingly crucial. To ensure that LMI is easily accessible to young people, public and private employment services, job fairs, job banks, the Internet, trade union databases, and the like, are increasingly common. If offered as the first stage of labour market programmes, career guidance and counselling can play a key role in identifying and tailoring employment and training opportunities and in helping young people to make realistic choices. In addition, there could be special measures and support services to help young people to migrate for employment, whether within or outside the country. Young people are the most mobile population group but require proper information and support services if they are not to fall into the hands of unscrupulous recruiters, smugglers or traffickers.

Active labour market policies (ALMPs) and programmes have increasingly been applied to improve the labour market integration of young jobseekers and the under-employed. They complement rather than replace macroeconomic policies and, if properly designed and implemented, can target the most disadvantaged young people. The pros and cons of ALMPs are highlighted in box 4.3.

Public works and community services have been used by many Asian governments, especially during economic downturns and in the aftermath of natural disasters. Although such programmes do not offer long-term employment solutions, they can increase the productivity of low-skilled workers, as well as helping young participants

Reform of vocational education and training (VET) systems to reduce skill mismatches and increase employability

School to work transition programmes

Increasing labour demand for young people

²⁰ See www.ymca.org.sg, accessed on 23 May 2006.

gain labour market attachment. The wider benefits are evident not only in terms of the upgrading of physical and social infrastructure but also in terms of potentially improved relations between young people and the local community. **Sri Lanka's** Youth Corps, for example, fits young people into community-defined development projects.

Employment subsidies, being more expensive, are a less common ALMP tool, especially in poorer Asian countries. In any case, where the bulk of the labour force is in the informal economy, government support to employers to hire young people has limited impact on the overall magnitude of youth unemployment and underemployment.

Box 4.3. Promoting youth employment through ALMPs

Several evaluations of ALMPs have shown that to enhance participants' chances of gaining a foothold in the labour market, programmes should avoid:

- *deadweight losses* (the same result would have been reached without the government programme);
- *substitution effects* (subsidized participants may replace non-participants already in the labour market);
- *displacement* (output of subsidized activities may displace that of non-subsidized); and
- *creaming off* (helping those who are already better off).

Some of the main features of ALMPs are:

| Type of ALMP | Opportunities | Challenges |
|---|--|---|
| Temporary public works and community services | <ul style="list-style-type: none"> – help young people gain labour market attachment; – improve physical and social infrastructure; – increase employability if combined with training. | <ul style="list-style-type: none"> – low labour market integration capacity; – young workers can be trapped in spiral of temporary public works programmes; – often gender-biased; – displacement of private sector companies. |
| Employment subsidies | <ul style="list-style-type: none"> – can create employment if targeted to specific needs and groups of disadvantaged youth. | <ul style="list-style-type: none"> – high deadweight losses and substitution effects (if not targeted); – employment may last only as long as the subsidy. |
| Entrepreneurship promotion | <ul style="list-style-type: none"> – can have high employment potential; – may meet youth aspirations; – more effective if combined with financial and other services, including mentoring. | <ul style="list-style-type: none"> – can create displacement effects; – may have high failure rate which limits the capacity to create sustainable employment; – often difficult for young people owing to lack of networks, business experience, know-how and collateral. |

Source: P. Auer, U. Efedioğlu and J. Leschke: *Active labour market policies around the world: Coping with the consequences of globalization* (Geneva, ILO, 2004), cited in ILO: *Starting right: Decent work for young people*, Background paper for the Tripartite Meeting on Youth Employment, Geneva, 13-15 October 2004.

There is greater potential in promoting entrepreneurship for young people – especially for addressing working poverty among the young. The elements necessary for a comprehensive youth entrepreneurship promotion strategy include: support for an entrepreneurial culture; promotion of enabling policies and regulations; and building capacity for the provision of support services.²¹ Young people may have the ideas and the drive for entrepreneurship but are often handicapped by their lack of information and support networks and the fact that they are considered a high-risk group by financial institutions. Efforts to help young people start businesses should therefore include access to credit and support for establishing cooperatives, which would enable them to act collectively.

Promoting entrepreneurship for young people

An issue that is still being debated is the impact of labour market regulations on youth employment. Evaluation studies are not available for Asian countries, but those done in OECD countries have not identified any statistically significant link between the strictness of employment protection legislation and youth employment levels. Other studies on greater flexibility in the use of fixed-term contracts find an increase in both the recruitment and turnover of young workers.

Does labour market regulation help or hurt young jobseekers?

Countries such as **India**, **Malaysia** and **Nepal** have adopted lower minimum wages for young people in some sectors of the economy, for example in agriculture and tea plantations. Youth rates are applied on the assumption that statutory minimum wages would price young workers out of the labour market because of their lower productivity. But again research, albeit outside Asia, does not generally find strong grounds for reducing the minimum wages of young people as a means of cutting youth unemployment or increasing the demand for young jobseekers.

Where employers' and workers' organizations have been closely involved in the design and implementation of labour market policies, in strengthening the links between education and training institutions and labour market requirements, and in conceiving and implementing sectoral policies and public works, the results for youth employment have been more effective.

Employers' and workers' organizations play a critical role in promoting youth employment

The experience of many training institutions in Asia has proved that when employers are closely involved, the training is much more likely to be relevant to labour market demands. Employers are also better acquainted with the quality of those trained and more ready to recruit them. Another aspect is the provision of mentoring and support to young entrepreneurs. The Employers' Confederation of the **Philippines** (ECOP) supported the establishment of the Philippine Youth Business Foundation (PYBF). In **New Zealand**, the WISE network for women who are self-employed or interested in self-employment provides support for young women going into business, by keeping them up to date with legislation and business trends and helping them to meet role models.²²

Trade unions have long been championing protection from child labour and the promotion of youth employment. Global and regional unions give high priority to the recruitment of young people as union members, thus enabling them to have representation and voice, including participating in collective bargaining teams at enterprise and national levels, and promoting their long-term prospects for good quality employment.

²¹ See, for example, ILO: *Promoting decent employment through entrepreneurship*, document GB.289/ESP/1, Governing Body, 289th Session, Geneva, March 2004.

²² See www.wisewomen.org.nz/.

Global and regional cooperation to promote youth employment

At the global level, youth employment is given prominence in the Millennium Declaration, which resolved “to develop and implement strategies that give young people everywhere a real chance to find decent and productive work” (paragraph 20). The United Nations system placed this commitment within the framework of MDG8 (Target 16) on a global partnership for development, to be implemented through partnerships between governments, employers, workers and civil society, the business community and young women and men themselves.

In 2001, the Secretary-General of the United Nations, together with the Director-General of the ILO and the President of the World Bank, launched the Youth Employment Network (YEN). The ILO has taken the lead in organizing the work of the YEN and hosting its secretariat. The ILO’s lead role in the YEN has provided it with the opportunity to build international consensus on decent work for young people and to influence the international agenda with a comprehensive strategy on employment.

In December 2002, the United Nations General Assembly adopted a resolution on promoting youth employment, which calls on member States to prepare national reviews and action plans on youth employment and to involve youth organizations and young people. The YEN lead countries in the region in this effort are **Indonesia, Islamic Republic of Iran and Sri Lanka**. The ILO has been assisting these countries to develop and implement their national plans of action on youth employment. The 93rd Session of the International Labour Conference in 2005 adopted specific conclusions to promote youth employment as pathways to decent work.

At the (sub)regional level, ASEAN has a number of initiatives on youth employment (box 4.4). While the other subregions are not yet as well advanced in collaborating on youth employment, there is clearly scope not only for extending the ASEAN experience but for broader networking of the subregional institutions dealing with education and training and employment creation for young people, strengthening linkages between networks of youth entrepreneurs and workers, developing more comprehensive information bases, and so on.

Box 4.4. Manila Declaration on strengthening participation in sustainable youth employment

Fourth ASEAN Ministerial Meeting on Youth (AMMY IV)

Manila, Philippines, 3-4 September 2003

WE, the Ministers Responsible for Youth, of the ten ASEAN member countries: Brunei Darussalam, Kingdom of Cambodia, Republic of Indonesia, Lao People’s Democratic Republic, Malaysia, Myanmar, Republic of the Philippines, Republic of Singapore, Kingdom of Thailand, and the Socialist Republic of Vietnam;

HAVING gathered in Manila on 3-4 September 2003 for the Fourth ASEAN Ministerial Meeting on Youth (AMMY IV);

DESIROUS TO strengthen the gains brought about by and consistent with the Jakarta Declaration of the First AMMY in 1992, the *Kuala Lumpur Agenda on ASEAN Youth Development* of the Second AMMY in 1997; and the *Yangon 2000 Declaration on Preparing ASEAN Youth for the Challenges of Globalization* of the Third AMMY in 2000;

FURTHER AFFIRMING the UN Millennium Summit Declaration, particularly the resolution to implement strategies to give young people everywhere a real chance to find decent and productive work;

RECALLING the Youth Employment Network initiated by the UN Secretary General, in collaboration with the ILO and the World Bank during the Youth Employment Summit in Alexandria, Egypt;

EMPHASISING the importance of youth as a vital human resource of ASEAN nations and the need to formulate and implement youth development policies and programs to realise the potential of this segment of ASEAN's population;

UNDERSCORING our commitment towards empowering the ASEAN youth so that they are fully confident and capable of meeting the challenges of globalisation;

RECOGNISING that continued support through policies, programs, and technical interventions is necessary to sustain the strength and vitality of the youth sector within ASEAN societies;

MINDFUL of the Hanoi Plan of Action, priorities calling for implementation of the ASEAN Work Programme on Skills Training on Out-of-School Youth, to strengthen their capacity to obtain gainful employment, and to foster small and medium-sized enterprises which constitute the majority of industries in ASEAN and play a significant role in the overall economic development of ASEAN nations;

SEEKING to address unemployment and underemployment as an emerging major area of concern for the youth of ASEAN within the context of globalisation;

DO HEREBY DECLARE to strengthen participation in sustainable youth employment through the following:

1. **Improve** the availability and quality of human resources training and leadership development programs designed specifically for ASEAN youth so that they are better equipped to participate in the growth and development efforts of their respective countries;
2. **Ensure** that all youth sub sectors, particularly the out-of-school youth, youth with special needs, youth-at-risk, are given appropriate access to policy and program development both as beneficiaries and partners in sustainable employment;
3. **Prioritise** entrepreneurship and sustainable employment on ASEAN's development agenda to open new opportunities for the young people that would allow them to create a better future for themselves and their ASEAN community;
4. **Create** a nurturing environment conducive for the development of young entrepreneurs with access to education, skills-training, and capacity-building that is essential for increased productivity and self-employment;
5. **Promote** the spirit and the culture of entrepreneurship among the ASEAN youth and facilitate the establishment of small and medium-sized enterprises that would create jobs and address the unemployment issue of young people so that they would become productive partners for a strong ASEAN region;
6. **Establish** a network of young entrepreneurs at the national and ASEAN level so that they could link up and together build their capacities and skills for better competitiveness in the global market place;
7. **Strengthen** the participation of youth volunteer groups and organisations in the socio-economic development process so that they would be able to augment and complement government and non-government resources and efforts directed at youth development;
8. **Enhance** and strengthen international, regional, and national partnerships with educational institutions so that these can perform an active role in improving the skills, competence, and employability of ASEAN youth, as well as help in developing an integrated and systematic enterprise development and youth employment program for the region;
9. **Encourage** closer linkages between ASEAN and other like-minded organisations addressing youth employment concerns to further pursue innovative approaches in jointly addressing the global challenge of youth employment; and
10. **Implement** the ASEAN Work Programme on Preparing ASEAN Youth for Sustainable Employment and Other Challenges of Globalisation, adopted by the 4th ASEAN Ministerial Meeting on Youth.

Labour migration: Regional strategy towards implementation of the ILO multilateral framework

A common stake in managing migration

Limits to unilateral approaches

Asian countries have sought to make the processes of labour migration more orderly and organized in order to provide certain basic guarantees of labour protection and to achieve beneficial outcomes for both origin and destination societies. However, the experience of recent decades suggests that:

- the management of temporary migrant worker programmes and measures to deter more permanent settlement are increasingly complex and constrained;
- much more remains to be done if the treatment of migrant workers is to be compatible with the relevant ILO Conventions;²³
- structures and procedures for involvement of workers' and employers' organizations in the formulation and implementation of migration policy are still lacking; and
- action by individual sending and receiving countries, and even bilateral arrangements, are increasingly inadequate and there is merit in moving towards a more regional framework for migration.

National approaches to managing labour migration

Labour-receiving countries

While there are important differences between countries, the management of labour migration in Asia has certain common characteristics. In the case of labour-receiving countries these include:

- unilateral management of labour immigration
- admission of workers only under temporary (or “guest workers”) and “trainee” schemes
- exclusion of migrant workers from long-term benefits
- addressing irregular migration through periodic amnesties.

Many receiving States in Asia, so far, have avoided entering into bilateral agreements with sending States for the joint management of labour migration. This has limited the role that sending States play in the processes of recruitment and placement of their workers abroad. Labour migration processes have been left very much in the hands of private intermediaries, and the widespread commercialization has opened up the system to abuse – prompting some receiving States to seek the cooperation of origin countries in finding solutions.

In order to regulate the movements of workers from neighbouring countries, **Thailand** recently signed “memoranda of understanding” (MOUs) with the **Lao People's Democratic Republic, Cambodia** and **Myanmar**, requiring the active participation by the Governments of both sides. The employment of workers requires prior permission from the authorized agencies in the respective countries, the submission by one country of a list of available jobs and by the other of a list of selected applicants for those jobs, and supervision by both sides to ensure that appropriate visas and work permits are issued and that workers comply with requirements for health insurance, contributions to a savings fund, taxes and an employment contract.

²³ The Migration for Employment Convention (Revised), 1949 (No. 97), and the Migrant Workers (Supplementary Provisions) Convention, 1975 (No. 143).

Except for **Australia** and **New Zealand**, immigration is viewed in the region mainly as a counter-cyclical measure to meet temporary shortages in the labour market. As an immigration measure, guest worker schemes work reasonably well in meeting labour shortages during upswings in construction activity and for seasonal agriculture, but run into problems where jobs are not inherently “time-bound” as in regular factory work or in regular services.

Inadequacy of temporary schemes

In the early 1980s, **Singapore** announced plans to reduce the proportion of foreigners in its labour force and introduced a foreign worker levy to discourage employers from hiring non-nationals. Today, the proportion of foreign nationals in the labour force is actually much higher, at nearly 30 per cent. In the **Arab States**, the population of migrant workers has not declined with downturns in the economy, suggesting that some form of “labour hoarding” takes place. In its Sixth Five-Year Plan (1995-2000), Saudi Arabia planned to provide 320,000 more jobs for Saudi youths entering the workforce partly through replacements of foreign workers, but the number of foreign workers actually rose by 58,000 during the period.

The “trainee schemes” associated with both **Japan** and the **Republic of Korea** have raised issues for the management of migration. In the case of the Republic of Korea, the high drop-out rate of “trainees” from the scheme in order to work for wages, rather than for allowances, has been widely blamed for the growth of the irregular migrant worker population. The scheme has since been modified to encourage “trainees” to stay in the programme by guaranteeing at least one year of regular employment after the worker has gone through a prescribed training period. An employment permit system has also been introduced (box 4.5).

Instead of providing incentives for migrant workers to return to their countries of origin, most receiving countries seek to ensure temporariness of stay by excluding them from long-term benefits. For example, temporary employment makes it difficult for most migrant workers to qualify for old-age pension benefits; but even if they have the required number of years for qualification it is not uncommon to find laws that exclude them from such benefits. Exclusion from social security and other entitlements is often considered a necessary component of strategies to encourage rotation among migrants and discourage settlement – even if there is no evidence that such exclusion actually makes any difference to length of stay.

Making temporary worker programmes work

The biggest challenge to policy-makers has been the growth of clandestine migration, trafficking and the consequent large populations of irregular migrants. A common approach to the problem is to declare amnesties with a view to registration and conversion of irregular migrants into temporary regular migrants. But countries are recognizing that irregular migration needs to be tackled on a broad front since it has many dimensions – including concerns over national security, relations with friendly neighbouring states, the human rights of all migrant workers, whether their status is regular or irregular, and the impact on labour costs in labour-intensive industries relying on migrant workers.

Problems of irregular migration cannot be addressed only through migration controls

States like **Thailand** and **Malaysia** have long faced the issue of having hundreds of thousands of foreigners without legal status within their borders. They have experimented with various measures to address the problem through heightened border controls, amnesties and registrations, deportations, temporary admissions under industry quotas, mobility restrictions to certain areas and, recently, joint management with source country governments. It is clear that migration controls alone will not be adequate to deal with these problems. Reform of labour market policies, the development of strong labour institutions, the involvement of employers’ and workers’ organizations, and cooperation with sending countries, are all important elements of an effective approach to the complex issues that arise with migration.

Box 4.5. Employment permit system in the Republic of Korea

In a more comprehensive and managed approach to labour migration, the Republic of Korea introduced a new Act on Foreign Workers' Employment in July 2003 and, since August 2004, the country has had a dual system in place for bringing in low-skilled foreign workers: the pre-existing industrial trainee system and an employment permit system.

Under the employment permit system, migrant workers may enter the Republic of Korea under bilateral MOUs signed with eight select countries of origin – China, Indonesia, Kazakhstan, Mongolia, Philippines, Sri Lanka, Thailand and Viet Nam – and be granted equal labour rights alongside local workers. Quotas apply to those industries permitted to have foreign workers, namely manufacturing, construction, coastal fisheries, agriculture, livestock farming and some parts of the service industry. The contract is initially for one year, but renewable for up to three years.

The scheme is designed to achieve three objectives:

- To protect foreign workers from exploitation. In addition to labour rights, such as the right to join or form a union, the Labour Standard Act will be strictly applied to working conditions alongside the Minimum Wage Act and Industrial Safety and Health Act. Employers failing to uphold the terms of employment stipulated in the recommended standard contract can have their permit to employ migrant workers revoked. Unemployment insurance is optional for foreign workers. In exceptional cases, they may be permitted to change their workplace.
- To ensure that foreign workers do not have to overstay to recuperate the exorbitant costs incurred when emigrating. Public agencies oversee the selection and immigration process both in the Republic of Korea and the countries of origin.
- To ensure there is no burden on Korean employers, and hence, no migrant levy imposed. Employers are expected instead to take out a number of insurance policies in order to avoid making lump sum payments at the end of a contract period. These include departure guarantee insurance and wage guarantee insurance, in addition to the employment insurance, national health insurance and industrial accident insurance that are required of any Korean employer. The workers, in turn, are required to place funds in a return expense trust fund, which they will receive when they return home, and to pay for accident insurance.

The effectiveness of the new permit system depends on how successfully the number of undocumented workers in the country can be reduced. The Government has therefore introduced a series of legalization measures. But it remains to be seen how successfully the employment permit system will work to achieve the goals of protecting migrant workers' rights while providing Korean employers with a viable source of labour.

Source: IOM: *World migration 2005: Costs and benefits of international migration* (Geneva, 2005), pp. 107-108.

Labour-sending countries

Governments of sending countries in Asia have developed approaches to managing migration which commonly include:

- measures to tap employment opportunities
- regulation of recruitment and minimum standards for employment contracts
- insurance of migrant workers against various contingencies
- assistance to workers abroad (especially through labour attaché services).

More and more governments see labour migration (or labour service exports) as a part of their employment strategies and are adopting measures to take advantage of opportunities. In most countries, this has taken the form of licensing private recruitment companies and labour contractors which, in the absence of government-to-government agreements, have been effective in finding foreign markets for migrant workers.

Banking on job markets abroad

In order to assert and defend the rights and obligations of their nationals, sending country governments have emphasized employment contracts as the legal basis of employment and have concentrated on policies and measures to stop and censure violations. Fraud in recruitment, misinformation and contract substitution are viewed as serious offences. However, checking on the bona fide character of foreign employers and the validity and adequacy of employment offers, regulating fees charged to workers, registering contracts, penalizing malpractices, prosecuting unlicensed recruiters, and resolving disputes between workers and intermediaries, all present formidable challenges. In many sending countries, the responsible government agency is not supported by appropriate legal mandates or adequate budgetary resources.

Defending migrant workers' rights

Sending countries have also had to provide for contingencies, such as failure of recruitment and the forced return of their nationals, the legal defence of nationals involved in costly court litigations in countries of employment, medical care for injured workers abandoned by their employers, and conciliating disputes with employers. **Pakistan** and the **Philippines** pioneered the establishment of contributory funds and a specialized agency to use the funds for providing services to migrant workers and their families. Similar institutions have since been established in **Thailand** and **Sri Lanka**.

Providing for contingencies

Towards an Asian multilateral framework

The resolution adopted unanimously by the International Labour Conference in June 2004 concerning a fair deal for migrant workers in a global economy called for a “non-binding, rights-based” multilateral framework that would include principles for managing migration based on best practices. The 295th Session of the Governing Body in March 2006 took note of the multilateral framework and authorized the Director-General to publish it.

“A fair deal for migrant workers in a global economy”: A multilateral framework for Asia

The Fourteenth Asian Regional Meeting presents a unique opportunity for countries of the region to consult with each other, at tripartite levels, on how to apply the elements of the non-binding, rights-based multilateral framework so as to benefit both sending and receiving countries and promote decent work for all migrant workers. It will, of course, be essential to take into account the specific conditions in the region, the policy issues confronting national authorities, different traditions of governance, and the benefits of spreading good practices. The elements for the Asian region could include:

- *Human resource complementation based on a realistic assessment of the labour supply and demand in the region.* This first element of a regional migration framework would assist countries in developing a long-term view of their human resource needs and potentials. Countries could review their labour market conditions over the next ten years, given demographic dynamics, realistic assumptions about the growth of particular sectors of their economies, and so on. The ILO, together with other regional organizations such as the ADB, could initiate a programme of data collection and analysis of human resource implications of demographic and structural changes in the region.
- *Mutual recognition of skills qualifications and competency standards.* Both sending and receiving countries have been increasingly calling for systems that

would promote the mutual recognition of skills qualifications and competency standards, to facilitate the flow of appropriately qualified workers into different labour markets. Mutual recognition could be promoted through cooperation among networks of vocational training institutions in the region.

- *Regional networking for management of labour migration.* The second element aims to enhance the competence of labour ministries, in consultation with the social partners, in managing labour migration. An operational network could serve as the vehicle for organizing information exchange, training personnel, and facilitating consultations between governments of sending and receiving countries. The ILO's work on developing policy guidelines based on migration best practices could provide an important knowledge base. Training could also be provided for the ILO's tripartite partners to assist their efforts to develop know-how in key functions such as determination of quotas and admissions, regulation of recruitment, enforcement of minimum standards and non-discrimination laws, labour inspections, administration of employers' sanctions, amnesties and regularization, provision of labour attaché services, strategies against smuggling and trafficking, and so on.
- *Adoption of standards and practices in the treatment of migrant workers that are more consistent with ILO standards and principles.* The third element of a regional framework would aim to harmonize policies and standards around good practices, particularly for adoption by the private sector, so as to better protect migrants' rights and promote decent work. The practical components could include: promoting ratification of the Migration for Employment Convention (Revised), 1949 (No. 97), and the Migrant Workers (Supplementary Provisions) Convention, 1975 (No. 143),²⁴ through tripartite consultations and action; assessment of the legal obstacles to ratification; promotion of more "inclusive" policies so as to cover migrant workers under national labour laws, including recourse to national dispute settlement mechanisms; promotion of programmes to stop abusive practices in recruitment; comparison of rights and entitlements of migrant workers employed in different Asian countries; documentation of best practices and adoption of a code of practice for the protection of migrant workers. Importantly, workers should have the right to join unions. There are good examples of this in **Hong Kong (China), Japan, Malaysia** and the **Republic of Korea**, where trade unions have extended protection to migrant workers by organizing them and taking up disputes on their behalf. There are also examples of cooperation between sending and receiving country unions to obtain better protection of migrant workers.
- *Code of practice for Asian recruitment agencies.* To minimize fraud, abuses and malpractices, and to encourage efficient recruitment, this fourth element would have a two-prong approach. The first would be to work with governments in improving their policies and measures for regulating and supervising recruitment. The second would be to encourage practices which minimize the cost of obtaining decent jobs abroad and reduce abuses through self-policing action by industry associations. This would require working with the more responsible organizations or associations of private recruitment agencies and partnerships with employers' organizations. In cooperation with some of these organizations, the ILO could survey recruitment agencies to identify and document those practices which make for fair and efficient recruitment. These would be included in a code of practice which could be presented for endorsement by all the private recruiters' associations in the region. The code of practice would also draw upon the ILO's Private Employment Agencies Convention, 1997 (No. 181).

²⁴ Only two countries in Asia have ratified Convention No. 97 and none have ratified Convention No. 143.

- Social protection of migrant workers. The specific vulnerabilities commonly suffered by migrant workers call for greater efforts to provide them with social protection. Such protection is needed throughout the various stages of the migration process, from recruitment and departure to actual employment and eventual return, and is likely to be provided most effectively within the context of bilateral inter-country agreements and/or the relevant international agreements. The development of a regional framework will offer national authorities the opportunity to share experiences with regard to public information campaigns and the combating of recruitment fraud, smuggling and trafficking. Other aspects would include the establishment of effective systems for the enforcement of employment contracts that meet minimum standards, and the incorporation of migrant workers' issues in the national safety and health policies and programmes (including those concerning HIV/AIDS prevention) of countries of employment. The Thirteenth Asian Regional Meeting also called on the ILO to help design a social security treaty for migrant workers, especially for coverage of old-age benefits. Possible ways of harmonizing benefits available to workers of one country when employed in another could be studied, including the requirements and qualifications for membership and for various entitlements.

Labour market governance for realizing decent work in Asia

To make decent work a reality in today's context of global production systems, intensified competition and changing patterns of work and employment relationships, it is crucial to adapt and modernize labour market governance. "Governance" refers to those public and private institutions, structures of authority and means of collaboration that coordinate or control activity at work and in the labour market. The mechanisms of governance cover informal but often powerful social norms, private contracts, laws and regulations, collective agreements and international standards.

Numerous assessments of countries in the region have stressed that a major barrier to further economic and social progress is weak governance in both public and private sector institutions. Corruption is a common challenge. The quality of institutions is country-specific, but what is common across countries is the lack of attention to the role of labour market institutions. The accompanying report for the Fourteenth Asian Regional Meeting, *Decent work in Asia: Reporting on results 2001-05*, stresses that the national efforts and plans of action for decent work are often constrained by weak labour market institutions and enforcement, low technical capacities of the tripartite partners, limited social dialogue, and lack of policy coherence integrating economic and social goals.

Labour market reforms have become a major focus of concern for most Asian countries. But there are at least three main reasons why labour market reforms tend to be controversial, especially when the reforms are portrayed as a choice between across-the-board deregulation and regulation, or as "rigidity versus flexibility".²⁵

- To be successful, labour market reforms need to be coordinated with reforms in other markets and to combine legislative reform with institutional reform.
- There are groups with vested interests who perceive the reforms as a threat to the status quo. Increased uncertainty is resulting in demands, especially from workers and unions, for stronger protection. On the other hand, the effects of intensified global competition are felt, particularly by business, to require a faster pace of adaptation not constrained by laws.

*Labour market reforms
– A thorny issue*

²⁵ ADB, *Labor markets in Asia*, op. cit., pp. 25-29.

- Opinion is still divided between those who call for labour market reform to maintain, if not increase, competitiveness, and those who argue that labour market regulation can play an important and positive role. The former group blames labour market rigidities for poor labour market outcomes and tends to focus on wage restraint and limitation of social expenditures as necessary conditions for “competitiveness”. The latter group argues that properly designed labour market regulation can help to shift the focus from cost-cutting issues to productivity enhancement measures as the basis of competitiveness.

Labour market governance built on the foundations of the ILO international labour standards system

The ILO is certainly not dogmatic about how exactly the above issues should be dealt with or what exactly the institutions for good governance should be. But the ILO, because of its normative basis and its tripartite structure, is well placed to help address the issues. The international labour standards serve as points of reference for other labour market governance mechanisms. They may be either Conventions, which are legally binding international treaties that may be ratified by member States, or Recommendations, which serve as non-binding guidelines. They can be used by governments, in consultation with employers and workers, to:

- draft and implement labour law and social policy in conformity with internationally accepted standards;
- provide guidance for developing national and local policies, such as employment and work and family policies;
- improve various administrative structures such as labour administration, labour inspection, social security administration and employment services;
- serve as a source of good industrial relations applied by labour dispute resolution bodies, and as models for tripartite consultation or for collective agreements;
- serve as reference points for corporate social responsibility (CSR) initiatives; and
- operationalize the commitment to realize decent work through tripartite dialogue, especially where decent work has been incorporated into national plans and policies.

The ILO Declaration on Fundamental Principles and Rights at Work and its Follow-up, adopted in 1998, represents a set of basic principles widely seen as components of a social floor for governance of the world of work. The Declaration refers to the principles concerning the fundamental rights that are the subject of the Conventions on freedom of association and the effective recognition of the right to collective bargaining, the elimination of forced labour, the effective abolition of child labour, and the elimination of discrimination in respect of employment and occupation.

Labour law reform to give effect to fundamental principles and rights at work

The ILO is being increasingly called upon to assist countries in labour law reform for two main reasons. The first has been to help countries to bring labour legislation into line with ratified Conventions. In many countries, there is a positive trend towards giving effect to fundamental principles and rights at work, particularly concerning the fight against discrimination at work, child labour and forced labour. However, there are still serious threats to freedom of association and freedom of expression in some countries and a climate in which people are unable to exercise their basic rights without intimidation and fear.

Labour market reforms to accommodate functional and numerical flexibility

The second main reason is to balance employers’ needs for flexibility with workers’ concerns for security. In order to keep up with their most innovative competitors, employers need to find ways to increase the flexibility of working arrangements both through internal reorganization (functional flexibility) and by easing rules on hiring

and firing (numerical flexibility). Labour law reform is driven by efforts to accommodate the increasing diversity of working arrangements and to review established legal definitions of an employment relationship; to make “atypical contracts” (fixed-term, temporary, part-time or covering a training period) more available to employers; to extend legislation to cover private employment agencies and temporary work; and to ease legislative protection concerning dismissals.

It is generally agreed that in turbulent times, employers need to respond quickly to market pressure and that excessive and inappropriate employment protection may not only raise the costs of hiring and firing but also represent a source of labour market duality in developing countries. However, many employers also realize that having a committed and skilled labour force is essential for productivity and success and that this requires a certain degree of stability in the employment relationship. The capacity of workers to react flexibly is based on trust that the outcome will not be adverse to them – that if the employment relationship has to end, it can be terminated fairly and with a good chance of finding replacement employment quickly.

A key conclusion of a recent ADB report based on case studies in India, Indonesia, the Philippines and Viet Nam is that “labour market rigidities are not to be blamed for poor labour market outcomes”. It rejects calls for across-the-board labour market reforms and instead advocates well-designed country-specific piecemeal reforms that target the particular policies that may inhibit employment creation:

This is not to dismiss the key role of a well-functioning labour market in order to create employment. Quite the opposite, in fact. Without a well-functioning labour market it will not be possible to achieve full, productive and decent employment. A labour market is said to perform well if it achieves the objectives of efficiency and fairness. These objectives imply that the job market will match workers with jobs, and that workers will be paid a wage rate that is related to their productivity. Moreover, a well-functioning labour market will protect workers against the risk of income loss. To this end, countries will have to reform labour markets to develop social protection systems and provide basic rights to workers to achieve the objective of decent employment.²⁶

In other words, the challenge is to find an effective balance between flexibility, stability and security – a balance conditioned by respect for rights and negotiated solutions in dynamic labour markets. This balance cannot be found only through labour law reform; labour market governance structures and institutions are crucial. Asian countries are seeking knowledge and advice on “flexicurity”, in which stronger reliance on collective bargaining and social dialogue, backed up by effective systems of income support during unemployment and active labour market policies, reduces the need for extensive legal provisions on employment protection.

Very importantly, in the Asian context, the balance between flexibility, stability and security to improve labour market governance must directly address the issues of the urban and rural informal economy. This chapter has already emphasized that informality is principally a governance issue and that informality weakens efficiency and security. Breaking out of informality into the economic mainstream is perhaps the single biggest governance challenge for developing countries in Asia.

In addition to labour law reform, the ILO is increasingly called upon to help review and reform labour administrations, which includes helping public institutions to build up labour inspection, labour courts and advisory, conciliation and arbitration services, and modernizing labour inspection services to promote even-handed enforcement of

Labour market rigidities not to be blamed for poor labour market outcomes

An effective balance between flexibility, stability and security

Labour market governance to address informality

Adapting and modernizing labour market institutions

²⁶ *ibid.*, p. 82.

the law and expand their coverage to the most vulnerable workers in the informal economy and agriculture. Unfortunately, in many countries, one of the main means of enforcement of labour law – labour inspection services – has become increasingly weak. Many countries lack the means to employ, train and equip an adequate labour inspectorate.

Strengthening the capacity of employers' and workers' organizations

For freedom of association and collective bargaining to become effective and integrated elements of labour market governance based on social dialogue, they need to be anchored in law. Very importantly, they also need strengthened capacity of employers' and workers' organizations to effectively participate in governance and to provide relevant services to existing and potential members under drastically changing circumstances. But both trade unions and employers' organizations are facing growing challenges. With the changing patterns in the world of work, organizing has become much more difficult and traditional forms of interest representation have become less efficient than they were in the past.

Both trade unions and employers' organizations have been giving attention to the issue of organizing in the informal economy. The important role of cooperatives was highlighted earlier in the chapter. A range of civil society groups, movements and non-governmental organizations have also been giving visibility to and providing advocacy on informal economy issues. But many of these do not represent informal operators as they are often not membership-based organizations or do not have democratic structures. There are increasing examples of cooperation and alliances between some of these organizations and trade unions and employers' organizations.

Regional cooperation for improving governance

Decent work concerns addressed in regional and bilateral frameworks

Regional integration and cooperation have been growing among Asian countries. While the focus has been on trade and economic ties, more recent initiatives also aim to foster social goals. Many of the deeper forms of regional integration incorporate policies and institutions that promote social goals, including education, health, gender equality, protection of vulnerable groups including women and children, and sustainable development.

Asian countries share decent work challenges which can be effectively addressed through deeper regional integration arrangements. Where labour market and employment outcomes are no longer within the sole purview of national policies, regional cooperation makes great sense. Decent work concerns are being increasingly addressed in regional and bilateral frameworks. For example, ASEAN labour ministers have:

... expressed their commitment to address the priorities outlined for the ASEAN Socio-Cultural Community as the social pillar of the Bali Concord II, in particular the development of human resources as a key strategy for employment generation, and to ensure economic growth with equity. The Ministers reiterated their commitment to address the 9th ASEAN Summit's directive to "continue existing efforts to promote regional mobility and mutual recognition of professional credentials, talents and skills development" and to continue in their quest to reduce unemployment in the region, in support of the regional effort to realize a strong, secure and self-reliant community of caring societies by the year 2020.²⁷

Regional integration and cooperation can be an important instrument for building strong governance to realize decent work. However, several issues need to be addressed.

²⁷ Joint Communiqué of the Eighteenth ASEAN Labour Ministers Meeting, 13-14 May 2004, Bandar Seri Begawan, Brunei Darussalam.

Firstly, regional trading agreements (RTAs) and bilateral trading agreements (BTAs) can be building blocks of a rules-based multilateral trading system and can prepare member countries to benefit from more broad-based cooperative arrangements. But the recent proliferation of such agreements is a cause of concern. The dangers are many. Inconsistencies in trading rules can lead to implementation problems for countries that are members of more than one RTA or BTA; countries that are not members of any particular trading agreement may be further marginalized; and accelerated competition to forge deals may result in lower overall welfare gains, if not a “race to the bottom”. It will be critical to ensure that the upsurge of agreements does not represent a stumbling block to the development of a rules-based multilateral system in the world economy. Harmonizing bilateral, subregional and cross-regional trade agreements requires urgent attention.

Proliferation of regional and bilateral trading agreements

Secondly, as a governance mechanism, regional integration will be more effective if attention is given to “going beyond subregions”. The positive externality of cooperation will be enhanced by more effectively linking subregional cooperation activities – so that the integration is truly Asian. Given that the levels of development and participation in the various subregional cooperation activities vary widely among Asian countries, the developmental aspect of regional cooperation should be given priority.

Going beyond subregions and emphasizing development

Thirdly, and importantly, to promote decent work, regional integration arrangements must be based on the principles of participation and democratic accountability. Social dialogue between representative organizations of workers and employers, tripartite discussions among workers’ and employers’ organizations and the government at the national level, and wider dialogue with other important social actors at the international level, would help to identify the issues of real concern to citizens of the participating countries and would meaningfully deepen regional cooperation. The role of social dialogue is especially important in contexts where regional integration involves major upheavals for some social groups. The Tripartite Consultation (International Labour Standards) Convention, 1976 (No. 144) provides a framework which can be readily used and which also provides a link with the ILO standards system.

Tripartism and social dialogue in regional integration

Regional organizations of workers and employers in Asia have been seeking to strengthen their participation in the regional integration platforms, but still have a long way to go on this. One response of trade unions has been to come together under the umbrella of Global Unions. Launched in December 2000, this new structure bridges the gap between the structures of unions organized along national lines and the global production system organized across countries. It comprises the ICFTU, the global union federations (GUFs) which, as umbrella organizations, bring together a number of international industrial and occupational federations, and the Trade Union Advisory Committee to the OECD.

Social dialogue and labour standards in global production systems

Recently, an increasing number of multinational corporations have signed international framework agreements (IFAs) with the global union federations. The IFAs commit the multinational corporations to respecting fundamental labour rights across their worldwide operation, oblige, or at least encourage, suppliers to follow suit, and provide a key role for trade unions in the implementation and monitoring process.²⁸ Importantly, the IFAs establish global union federations as bargaining parties at the international level.

²⁸ N. Hammer: *International framework agreements: Global union federations and value chains*, abstract of a paper for the International CRIMT Colloquial, Montreal, 2004. Available at http://www.crimt.org/2eSite_renouveau/Abstracts/Hammer.html, accessed 23 May 2006.

The rise of corporate social responsibility (CSR) initiatives

Many international companies have also responded to market demand for social responsibility. ILO work on CSR is based mainly on the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (the MNE Declaration). However, it is important to note that CSR, while falling within the scope of governance, covers mainly private initiatives and can complement but cannot replace labour law.

CSR embraces a wide variety of initiatives, including codes of conduct for companies and national or international business federations. Many of the codes are purely declaratory, whereas others include extensive measures for reporting and monitoring, in some cases by external social auditors. There are also socially responsible investment initiatives involving assessments by investment groups, pension funds or unit trusts, based on social responsibility criteria, of the companies in which they invest.

Extending social protection

The role of social protection in realizing decent work

Social protection²⁹ refers to a set of institutions, measures, rights, obligations and transfers whose primary goal is: (a) to ensure access to health and social services; and (b) to ensure income security to help cope with important risks of life (such as loss of income due to invalidity, old age or unemployment) and prevent or alleviate poverty. Social protection refers to both statutory and private social security schemes, formal and informal. But it is the State that has a priority role in the facilitation, promotion and extension of social security coverage, and social protection is an indispensable part of government social policy.

In addition to being a key element of decent work in itself, social protection is also closely linked to the other aspects discussed above. For example, the section on labour market governance emphasized that reform of social protection systems must accompany reform of labour market regulations in order to protect workers against the insecurities associated with flexibility and to make adjustment to labour market changes as painless as possible. The section on labour migration stressed the importance of social protection at all stages of the migration process and pointed out the added challenge for countries to address social protection issues on a bilateral or multilateral basis. The role of social protection as related to youth employment has received less attention. However, it is clear that the lack of social protection forces poor families to send their children to work prematurely and forces young women and men to accept any available job. At the other end of the life cycle, social protection is especially critical for dealing with the issues raised by an ageing population. Social protection can also be a productive factor.³⁰ The evidence is increasingly persuasive that enhanced productivity is correlated with the provision of appropriate and effective social protection. However, the pressures of competition are such that it is all too easy for social security to be viewed as an unwarranted expenditure, rather than as an investment in a country's people, their health, productivity and well-being. The centrality of social protection for realizing decent work is such that countries must guard against the potential danger of it being squeezed in a competitive "race to the bottom".

Social protection – A major decent work deficit in Asia

Delegates to the Thirteenth Asian Regional Meeting emphasized that "social protection must complement national employment policies" and that "limited social protection is one of the greatest decent work deficits in the region. Of particular concern is

²⁹ It is this broad concept of social protection that is now commonly referred to, rather than a narrow traditional concept of social security. See, for example, the resolution and conclusions concerning social security adopted at the 89th Session of the International Labour Conference in 2001.

³⁰ See ILO: *Social protection as a productive factor*, document GB.294/ESP/4, Governing Body, 294th Session, Geneva, November 2005.

the widespread absence of social protection for workers in informal employment – both rural and urban”.³¹

At the 89th Session of the International Labour Conference in June 2001, the tripartite constituents reached a new consensus that the highest priority should be given to “policies and initiatives which can bring social security to those who are not covered by existing systems”. The Conference therefore proposed that “a major campaign should be launched in order to promote the extension of coverage of social security”.³² The discussion at the 90th Session of the Conference in 2002 on decent work and the informal economy also reaffirmed the importance of extending social protection coverage to the informal economy.

There is certainly scope for action by formal social security schemes under the auspices of national governments (and, in some cases, at lower levels) to extend their membership, in some cases by relaxing overly stringent eligibility criteria and excessively rigid management attitudes. However, the burgeoning of the informal economy sets limits to the extent to which such schemes can reach and provide for informal economy workers, whether they are in “atypical” or loose employment relationships or are self-employed. It is well established that formal institutional arrangements for social security tend to be ineffective for workers in the informal economy, partly because of difficulties in reaching and communicating adequately with such workers, and partly because the informal employment arrangements which prevail, even when some kind of contract is written, are unsuited to the usual registration and contribution procedures.

In order to extend social protection and provide income security and access to health care to workers who are not covered, there are three possible complementary and inter-related approaches:

- The first is to extend existing social insurance schemes to the informal economy, wherever possible combined with voluntary community-based microinsurance schemes and other mechanisms. There is considerable scope for the development of “grass-roots” or community-based approaches to social protection, through schemes which are generally smaller in scale and scope and managed much closer to the membership than large national schemes. Where community-based schemes are implemented, the ILO emphasizes the importance of working towards linking them to national or provincial social security frameworks. The ILO has developed guidelines to ensure that community-based schemes are developed and operated within similar frameworks, in order to facilitate the formation of networks, the federation of schemes and their future integration into national frameworks.
- The second approach is to strengthen national capacity to ensure sound financial management, good governance and adequate institutional arrangements. Two aspects, at least, of governance are vital for the effective provision of social protection, namely the proper design and enforcement of social security laws and tripartite supervision of the relevant organizations and institutions – whether at the formal, national level or at the grass-roots community level. Deficiencies in delivery systems must be dealt with. Corruption, inefficient administration and the politicization of social protection schemes all serve to whittle away whatever resources are provided in the first place.
- The third approach is to design and test new approaches and tools to reduce poverty on the basis of comprehensive responses integrating social protection

³¹ ILO: *Report and conclusions of the Thirteenth Asian Regional Meeting*, Bangkok, 28-31 August 2001, Conclusions, para. 13.

³² ILO: *Report of the Committee on Social Security*, International Labour Conference, 89th Session, Geneva, 2001, Conclusions, paras. 5 and 17.

Extending social protection to unprotected workers in the informal economy

with employment promotion, microfinance, small enterprise development and cooperatives and local economic development. The Decent Work Agenda offers a life-cycle approach to security with change, addressing key phases of working life such as job mobility, employment injuries, loss of a breadwinner's income, maternity, health insurance and retirement. The gender implications are important, given that women tend to make up the bulk of the socially excluded and most vulnerable.

The "portability" of benefits

The increasing fluidity of today's labour markets and the likelihood that many workers will undertake different types of work, some more "formal" than others, on a seasonal or year-by-year basis, lends special importance to the need to open access to schemes as widely as possible, to promote easy "portability" of benefit rights from one scheme to another, and to work towards compatibility and integration between schemes. All these desirable outcomes can best be facilitated by a strong working relationship on a tripartite basis between governments, workers and employers.

Sharing of experiences among countries in the region

There is a wealth of experience among the Asian countries. This includes notable efforts to develop formal social security systems in countries such as the Republic of Korea, efforts to enable informal economy workers and independent skilled workers to contribute to the Social Security Fund in Thailand, and the accelerated spread of community-based and similar schemes in, for example, India and Bangladesh. China has adopted a highly distinctive approach to the vast task of completely reforming its social protection system. The scope for the countries of the region to share their experiences and cross-fertilize the future growth of social protection is thus very considerable.

5. Strategic partnerships for realizing decent work in Asia

Expected outcomes from the Fourteenth Asian Regional Meeting

Every four years, the ILO Asian Regional Meeting brings together the political, economic and social actors from some 29 countries in East, South and South-East Asia and the Pacific and 11 Arab States in West Asia. The Fourteenth Asian Regional Meeting will focus on the theme of *Realizing decent work in Asia*, and will call upon governments, employers' and workers' organizations and relevant international and regional organizations to come together in strategic partnerships and collaboration to make decent work a reality in the region. The desired outcomes of the Meeting are that the ILO's tripartite constituents and partners will:

- identify concrete and practical steps to be taken and specific outcomes that must be achieved to make decent work a reality in Asia;
- make specific commitments to achieving these outcomes, notably through tripartism and social dialogue and innovative regional partnership efforts; and
- define, and commit themselves to supporting, the role of the Office in contributing to these outcomes.

This report emphasizes that Asia has been leading the world in the twenty-first century in terms of output growth, trade and foreign direct investment. It also points out that while global competition is intensifying, regional integration and cooperation arrangements are deepening; the trends are increasingly regional and intra-Asian. The regional organizations of member States have gone beyond trade and economic ties to foster social goals. The challenge ahead is for Asia to do as well in terms of creating decent jobs and reducing working poverty. The related challenge is for the ILO's tripartite constituents to come together, not only at the local and national levels but also at the regional level and in close cooperation with other regional stakeholders, to make this a reality.

Given that Asia accounts for about 3.78 billion of the total world population of 6.46 billion and almost 60 per cent of the world's labour force, and given also that it is a leading region in the global economy, realizing decent work in Asia will go a way towards realizing decent work as a global goal – and Asia's significance is not just in terms of numbers. Asia can provide policy leadership and guidance to help show the rest of the world what works and how to make it work to achieve economic growth with decent work for all. Knowledge management, the sharing of information and databases among countries of the region and with other regions, would go a significant way towards making decent work a reality.

Proposed themes for discussion in five key areas

The Fourteenth Asian Regional Meeting will provide a regional platform for the sharing of experiences and the identification of practical steps forward to realize decent work in Asia. The ILO constituents have identified five key areas on which they wish to focus at the Meeting. A number of specific points for discussion in relation to those key areas in parallel sessions at the Fourteenth Asian Regional Meeting are proposed below.

(i) Competitiveness, productivity and decent jobs in a globalizing context

This session will highlight the jobs crisis facing Asia and the rest of the world and the increasing importance placed on the promotion of decent work. It will do so with reference, inter alia, to Paragraph 47 of the World Summit Outcome document, the World Economic Forum 2006 discussion in Davos, the International Labour Conference discussion on the Director-General's Report, *Changing patterns in the world of work*, and the High-level Segment of the United Nations Economic and Social Council (ECOSOC) meeting in July 2006. The discussion could cover:

- concerns regarding competitiveness, productivity and jobs in the region, including the implications of the rising importance of China and India and other important global developments;
- the importance of productivity gains for sustained poverty eradication and competitiveness;
- the following specific questions: how can a virtuous circle of competitiveness, productivity and creation of decent jobs best be achieved? How can countries best keep on the “high road”, including respect for fundamental rights and freedoms at workplaces, to create more decent jobs? What are the particular economic sectors that should be emphasized? How can trainability and employability of the labour force be improved?

(ii) The Millennium generation: Decent jobs for young people

This session will focus on the Millennium generation – the world's young people, 60 per cent of whom are in Asia, who will be entering the labour force for the first time this century. The most worrying aspect of the current jobs deficit is its impact on young people. The session will refer to the Millennium Declaration and the establishment of the Youth Employment Network (YEN), the 2005 International Labour Conference general discussion on the Director-General's Report, *Youth: Pathways to decent work*, and the priority given to youth employment in the ILO Programme and Budget for 2006-07 and in the decent work country programmes of many countries in the region. The discussion could cover the following topics:

- the experiences and lessons learned by the YEN lead countries;
- examples of efforts by trade unions and corporate social responsibility initiatives to promote youth employment: what have been the factors for success and the problems encountered?
- inter-generational issues from a life-cycle perspective – why is it important to link measures for youth employment to measures to reduce child labour and promote education for all? Are there initiatives that could fruitfully bring together the experience and resources of older workers and the energy and innovation of the young?
- what experiences and lessons learned can regional organizations share on youth employment?

(iii) Labour migration: A regional strategy towards implementation of the ILO multilateral framework

This session will consider how the Asian region could give effect to the resolution adopted unanimously by the International Labour Conference in June 2004 calling for a “non-binding, rights-based” multilateral framework that would include principles

for managing labour migration based on best practices. The discussion on the management of labour migration so as to benefit both sending and receiving countries and better protect the rights and equal treatment of migrant workers could address the following questions:

- What experiences and lessons learned can participants share on policies and programmes to protect migrant workers? What can be done to curb irregular migration and to better protect vulnerable migrant workers, especially women and children, from trafficking?
- Are there successful government-to-government agreements on cross-border movements of labour? What are the criteria for judging success?
- What measures are used to encourage efficiency in recruitment and to minimize fraud, abuses and malpractices by recruitment agents? Would it be helpful to develop a code of practice for recruitment agencies?
- What experiences and lessons learned can participants share on measures to promote the safe and efficient flow and effective use of migrant remittances?
- What are some good examples or experiences of workers' and employers' organizations with regard to the protection of migrant workers?

(iv) Labour market governance for realizing decent work in Asia

This session will discuss the need to adapt or modernize labour market governance to make decent work a reality. The ILO's international labour standards serve as points of reference for other labour market governance mechanisms. But there is still uncertainty and controversy surrounding some labour market reform issues. It is therefore important to consider the following questions:

- What are the concerns or anxieties of workers and employers with regard to labour law reform, and how can these concerns be addressed?
- What experiences and lessons learned can participants share on efforts to strike an effective balance between flexibility, stability and security? What are successful examples of "flexicurity"?
- In addition to labour law reform, what are the essential elements for adapting or modernizing labour market governance? From the experience of participants, what is the role and importance of the following in labour market governance: collective bargaining and social dialogue; effective social protection systems; active labour market policies; reform and improvement of labour administration; and corporate social responsibility initiatives?
- What are the most essential needs for strengthening the capacity of employers' and workers' organizations so that they can play a more effective role in labour market governance?
- What experiences and lessons learned can participants share on regional cooperation efforts to adapt or modernize labour market governance, in particular in the context of global production systems?

(v) Extending social protection

Social protection is a key element of decent work. Reform of social protection systems must accompany reform of labour market regulations to protect workers from the insecurities associated with flexibility and make adjustment to labour market changes as painless as possible. There is a wide range of issues underlying the broader discussion of social protection, including the need to provide for "portability" of entitlements as workers become increasingly mobile, moving between successive jobs throughout

their working lives. The session on labour market governance could therefore also discuss the following questions:

- What are the major constraints in efforts to extend social protection to the urban informal economy, small enterprises and the rural sector? What experiences and lessons learned can participants share on efforts whereby:
 - informal economy workers have successfully established their own viable social protection schemes;
 - local and community initiatives have been linked to national schemes;
 - workers have access to social protection even where there is no clear employer-employee relationship;
 - social dialogue has played an important role in the extension of social protection;
 - benefits have been portable across schemes; and
 - social protection is extended to migrant workers?