Visions for Asia's Decent Work Decade: Sustainable Growth and Jobs to 2015

Asian Employment Forum: Growth, Employment and Decent Work
Beijing, People's Republic of China
13-15 August 2007

International Labour Organization

1. Introduction

The Asian Decent Work Decade was launched at the Fourteenth Asian Regional Meeting, with constituents committing to make a concerted and sustained effort to realize decent work throughout the diverse continent by 2015. This commitment follows upon the endorsement of decent work as central to the achievement of the Millennium Development Goals (MDGs) in the Outcome Document of the UN World Summit in September 2005[1] and the Ministerial Declaration by the High Level Segment of the United Nations Economic and Social Council in July 2006.[2]

The Decade provides a framework for setting short- and medium-term priorities for national and regional action in key areas, such as promoting decent employment opportunities; improving national and firm-level productivity and competitiveness; promoting equal access to education and training opportunities to promote skills development and employability; extending the reach and improving the quality of social protection systems; strengthening institutions and labour market governance; building up the capacity of governments, workers and employers to promote decent work and to measure and monitor progress; and strengthening dialogue between the social partners. Many Asian countries have already mainstreamed efforts to achieve decent work during the Decade by adopting Decent Work Country Programmes (DWCPs), which, in accordance with national circumstances and through tripartite engagement and consensus, set clear priorities and establish plans of action for realizing decent work.

A prerequisite for successfully implementing the Decade is to identify key opportunities and challenges to create a sufficient number of decent and productive jobs over the next ten years through the promotion of sustainable development. One thing is already clear: doing business as usual is not sustainable over the long term. Sustainable development will require more than just expanded output and more jobs. It will require the integration of national and regional efforts aimed at increasing employment opportunities and improving the quality of employment into the broader goal of promoting the three pillars of sustainability – economic, social and environmental – as called for in the Plan of Implementation of the 2002 World Summit on Sustainable Development.

Focusing on the future helps to bring into sharper focus the choices currently facing policy-makers. This paper provides projections and scenarios for growth, demographic change, employment, productivity and other factors that will impact on labour markets and the likelihood of achieving decent work during the Decade. The purpose is not to predict the future but rather to highlight how current and emerging drivers of change are likely to generate both opportunities and challenges in the world of work that require policy attention today.

This paper cannot answer all the questions nor can it address all the challenges facing Asia today. Rather, it is intended to aid thinking and the identification of policy priorities. The scenarios presented in the paper include both quantitative projections and more qualitative ones, depending on the subject and the availability of data. Some of the projections, such as demographic trends, are based primarily on trends already evident in recent years and are

---

[1] Plan of Implementation of the World Summit on Sustainable Development, *Report of the World Summit on Sustainable Development, Johannesburg, South Africa, 26 August-4 September 2002* (United Nations publication, Sales No. E.03.II.A.1).

[2] See http://www.ilo.org/public/english/standards/relm/gb/docs/gb297/pdf/sdg-1.pdf.

unlikely to be reversed within the decade. But they also include forces of change that are less certain or difficult to measure, and yet are crucial to consider, such as participation in the world of work, the quality of employment, and the link between governance and employment outcomes.

The future is not pre-ordained. Policies, decisions and actions of a range of actors will shape decent work outcomes of the Decade. Therefore, the focus is on the implications of the key drivers of change for policy choices and responses that could help to ensure decent work and promote sustainable development. In other words, the vision emerging from this report for the Decade is not about numbers and projections; rather it is about policies, strategies and governance that support sustainable growth and fair globalization – the basis for achieving decent work.

Meeting the challenges facing the region will not be easy. It will require far-sighted thinking and careful planning by the region's policy-makers. And it will require governments, employers and workers to engage in open and thoughtful dialogue based on mutual respect and shared determination to realize decent work.

2. The outlook for growth

Asia's recent economic dynamism

Between 2000 and 2006, real GDP growth in the Asia-Pacific region surged at an average annual rate of 6.3 per cent, compared with growth of 3.1 per cent in the rest of the world.[3] This was underpinned by tremendous growth in labour productivity: output per worker in the Asia-Pacific region grew by 30.1 per cent since 2000, as opposed to only 7.8 per cent outside the region.[4] In addition, export growth has made a large contribution to the region's overall economic performance, led by surging exports from China.

Each of the three Asian subregions outpaced growth in the rest of the world.[5] East Asia experienced the fastest growth with 8.6 per cent, followed by South Asia with 6.4 per cent, and South-East Asia with 5.5 per cent.[6] The following key factors are driving Asia's strong growth, productivity and export performance:

- First, favourable demographic and labour force trends have contributed to the region's underlying potential for growth.
- Second, Asia has been, and continues to be, a very cost-competitive region, which makes it a prime destination for production, services and foreign direct investment.[7]
- Third, high investment rates have boosted within-sector factor accumulation and have consequently driven higher productivity and growth.

---

[3] International Monetary Fund (IMF): World Economic Outlook Database (Apr. 2007).
[4] World Bank: World Development Indicators (2007); ILO: Global Employment Trends Model (2007).
[5] See Appendix Table A.1 for a list of countries included in each subregional estimate.
[6] The Pacific Island states represent an important exception to the region's positive growth trends as real GDP grew at a disappointing annual pace of 1.6 per cent between 2000 and 2006.
[7] Unit labour costs in manufacturing were 48.8 per cent lower in the Republic of Korea than in Germany in 2003. In Taiwan (China), they were more than 90 per cent lower. Less developed economies in Asia, which tend to produce less expensive goods and services, often have significantly lower cost structures than both developed countries and developing countries elsewhere in the world. ILO: Key Indicators of the Labour Market, 4th Edition (2005).

- Fourth, Asia has been undergoing an impressive shift in employment, away from lower-productivity agriculture and into higher value-added industry and service sector activities, leading to robust total economy productivity and output growth.
- Fifth, most Asian countries have rapidly become more open to international trade, particularly with regard to increased exports. Asia's fastest growing economies, including China, India, Cambodia and Viet Nam have become more globally-integrated, and rising exports from these countries have contributed to their recent surge in growth.
- Sixth, human capital accumulation has raised the aggregate education and skill levels of the Asian workforce, allowing for higher value-added production and thereby leading to labour productivity gains.[8]

Has economic growth benefited Asia's population and workers?

In terms of employment generation, economic growth in recent years has been generally less "employment-intensive" in many Asian countries as compared to the situation that existed in the 1990s. For instance, in Asia-Pacific as a whole, employment grew at an average annual rate of less than 1.6 per cent between 2001 and 2006, compared with slightly more than 1.7 per cent between 1991 and 1996. This occurred despite more rapid GDP growth in the latter period (6.8 per cent versus 6.4 per cent). Yet, much of this change is due to declining population and labour force growth, together with a shift away from labour-intensive agriculture to services and more export-oriented, capital-intensive manufacturing. Domestic reforms have also played a role: the trend toward privatization of state-owned enterprises has resulted in a significant release of labour through redundancies, particularly in China. Yet, while unemployment rates in the region have risen somewhat over the past decade, they remain low compared to the rest of the world (Appendix, Table A.6).

Another issue is whether the jobs being created in Asia are of sufficient quality and whether decent work is being realized in the region. Some of the relevant questions raised in this context are whether workers' lives and livelihoods are improving in a meaningful way; whether their incomes are sufficient to support themselves and their families; whether they have formal social protections in the event they become ill or lose their job; and whether they are benefiting from safer workplaces, expanded rights and a greater voice at work? On these points, the picture is very sombre. An estimated 61.9 per cent of the region's workforce still works in the informal economy, with little or no social protection, and often in low-productivity jobs which do not guarantee a decent income.[9] While this share has dropped from 67.2 per cent a decade earlier, more than a billion of the region's workers are still engaged in the informal economy (Appendix, Table A.5).

In terms of poverty, approximately 908 million of the region's workers – 51.9 per cent of the region's total workforce – live on less than US$2 per day, with 308 million of these living in extreme poverty on less than US$1 per day. But poverty has declined since 1996, with the number of working poor living on US$2 per day falling by 123 million and US$1 per day shrinking by 148 million (Appendix, Table A.7). Despite this progress, the still large number of working poor indicates that millions of workers have clearly been unable to obtain tangible

---

8 In China, the annual number of tertiary education graduates increased by 275 per cent in the decade to 2004, while secondary education graduates rose by over 90 per cent. The Republic of Korea's tertiary enrolment rate shot up from 52 per cent in 1995 to 89.9 per cent in 2005. See ILO: *Labour and Social Trends in ASEAN* (Bangkok, 2007).

9 In this paper informal employment is estimated on the basis of adding the number of own-account workers and contributing (unpaid) family workers. While some of these workers could be engaged in the formal economy, it is also the case that some wage employment is informal. As a result, the estimates of informal employment presented in this paper should be considered as lower-range estimates.

benefits from the region's favourable economic performance. One reason for this is that in many countries, recent growth has been driven by a few dynamic sectors, such as high value-added services and export industries, rather than by favourable economy-wide patterns. Not surprisingly, growth in consumption – a key metric for assessing improvements in living standards – has lagged GDP growth in most countries.[10] Therefore, much remains to be done to ensure that the benefits of Asia's future economic growth will be more equitably distributed.

Furthermore, there has also in recent years been a clear recognition that achieving the goal of increased economic growth rates and higher per-capita GDP will not ensure sustainable development; equally, future prospects for successful and sustainable development are likely to be compromised if growth is achieved at the expense of environmental degradation, unsustainable energy use, increased inequalities and social instability, and poverty reduction efforts.

Regional outlook

Setting aside, for the moment, the broader issue of social and environmental sustainability, Asia's potential for robust economic growth in the coming decade remains great, as generally favourable demographic trends are expected to persist as some countries of the region move further away from low value-added agriculture toward higher value-added industry and services. The rapid growth of China and India is helping to drive the process. Trade and investment appear set to expand further, as companies in both manufacturing and service-oriented industries are increasingly seeking to establish a presence or expand upon their existing activities in the region. At the same time, domestic demand will also increase as the rapidly emerging middle class fuels increased consumption.

Looking forward, Table 2.1 utilizes historical GDP growth rates to project GDP shares to 2020 for the Asia-Pacific region and selected countries.[11] As a whole, if Asia continues to grow at its historical rate of 4.5 to 4.7 per cent, it is expected to account for a growing share of global GDP, up from 24.7 per cent to around 30 to 31 per cent in 2020.

---

10 IMF: *World Economic and Financial Surveys: Regional Economic Outlook Asia and Pacific* (Washington D.C., Apr. 2007).

11 The "Short-Run" Scenario projects real GDP based on historical growth rates from 2003 to 2008, where data for 2007 and 2008 are projections given in the IMF's World Economic Outlook Database. In this scenario, China's growth rate was lowered to 8.5 per cent (versus a historical average of 10.1 per cent) and India's was lowered to 7.5 per cent (versus 8.5 per cent). The "Long-Run" Scenario projects real GDP based on historical growth rates from 1985 to 2008. China's growth rate was lowered to 8 per cent (versus a long-run historical average of 9.6 per cent).

Table 2.1. Shares of world and Asian output, selected scenarios

	Share of GDP			Assumed Growth (annual %)	
	2005	2020, Short-Run	2020, Long-Run	Short-Run	Long-Run
Share of World GDP					
Asia-Pacific	24.7	29.8	30.9	4.7	4.5
China	5.0	9.7	9.7	8.5	8.0
India	1.8	3.0	2.7	7.5	6.3
Japan	10.2	8.0	8.5	2.2	2.1
Share of Asian GDP					
China	20.4	32.7	31.4	8.5	8.0
India	7.2	10.0	8.7	7.5	6.3
Japan	41.2	27.0	27.5	2.2	2.1
Rest of Asia	31.2	30.4	32.4	4.8	5.0

Source: Authors' calculations using data from World Bank: World Development Indicators (2007).

Within the region, China's rapid growth is working to significantly increase the country's contribution to regional output, which is expected to rise from 20.4 per cent to between 31 and 33 per cent by 2020. Meanwhile India's share of the region's GDP is expected to rise from 7.2 per cent to the range of 8.7 to 10 per cent by 2020. With the growth of these two large countries, Japan's share of regional output will steadily decline. In 2005, Japan accounted for over 41 per cent of the region's GDP but its share is projected to fall to between 27 and 28 per cent by 2020. The share of regional output generated by Asian economies, excluding China, India and Japan, is projected to be in the range of 30 to 33 per cent, versus 31 per cent in 2005.

These projections for Asia clearly present a very favourable economic scenario – one that assumes that recent growth rates and the underlying development trajectory are sustainable. The figures indicate that Asia has the potential to become an increasing force in the global economy. At the same time, there is increasing concern that vulnerabilities arising from environmental pressures, economic insecurity, governance-related issues and unequal income distribution might pose a threat to the region's future development.

3. The demographic and labour force scenarios

In looking at prospects for decent work, we should begin with the supply side. What will happen to the growth of the working-age population, the primary source of labour force growth? These demographic trends are fairly predictable and unlikely to be reversed in the foreseeable future.

Asia's population will continue to grow

Asia's immense population, which reached 3.74 billion in 2006 and accounts for approximately 57 per cent of the world's total,[12] is projected to slow down from an average

[12] The source of population data in this paper is from United Nations Population Division: World Population Prospects: The 2006 Revision Population Database (2007).

annual rate of 1.4 per cent registered between 1990 and 2006 to 1 per cent annually between 2006 and 2015. Yet, this will still result in an increase of 365 million people in the region between 2006 and 2015. Additional population growth will, in turn, increase demand for natural resources, thereby placing additional strains on the region's natural environment.

The most substantial population growth will occur in South Asia, where the population is projected to expand by 229 million, or 14.2 per cent. South-East Asia and the Pacific is projected to add 64 million people, representing a growth rate of 11.2 per cent, while East Asia is expected to add 70 million people, or 5.0 per cent.

Favourable demographics throughout much of the region

Many Asian countries will continue to benefit from favourable demographic trends as the share of the region's population of prime working-age (25-54) will continue to grow. It is expected that this share will have risen in all three developing Asian subregions by 2015, but is likely to fall soon thereafter in East Asia where fertility has declined and population growth has slowed. The share of the prime-age population will continue to decline in the Asian developed economies.

Countries that will see the biggest increase in the share of people of prime working-age and a potential "demographic dividend" in the form of higher potential economic growth rates, include the Islamic Republic of Iran, Bhutan, Cambodia, Lao People's Democratic Republic, Mongolia and Pakistan. However, the "demographic dividend" is not guaranteed. To take advantage, countries must create a large number of productive jobs – a major challenge in many parts of Asia.[13] On the other hand, Singapore, Hong Kong (China), Macau (China), Thailand and the Republic of Korea are all expected to show significant declines in the prime-age population share, which could represent a potential "demographic cliff" of lower output growth.

In every region, there will be a decline in the share of children (ages 0-14) and youth (ages 15-24) in the total population. The largest declines will occur in South-East Asia and South Asia where many countries are currently experiencing favourable demographic trends. This implies that the period of the "demographic dividend" is time-bound and that the time left to realize the benefits of this dividend is shortening.

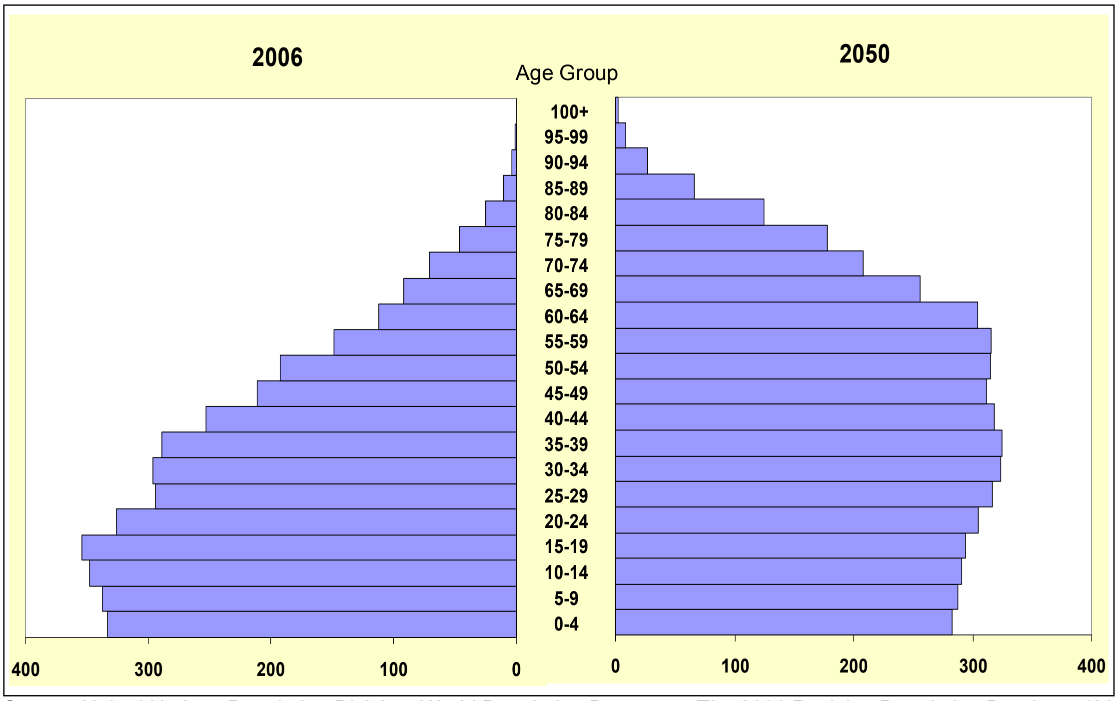
Increasing intensity of ageing

At the end of the decade, there will be a marked increase in the share of the population ages 65 and above in every region, with the largest increases taking place in the developed economies (from 20.4 to 26.4 per cent), and East Asia where more than 1 in 10 people will be over 65 years old in 2015, up from 1 in 12. Trends in East Asia reflect the situation in China where family planning policies have accelerated the process of demographic transition.[14] As a result, China is ageing faster than any other nation in history. As for Asia's developed (industrialized) countries, Japan's labour force began shrinking in 1999 at which point new retirees outnumbered new labour market entrants. Taking a longer-term perspective, the pattern of ageing is abundantly clear: the shape of the region's population pyramid will change substantially in coming decades, and the region will gradually become significantly older (Figure 3.1).

---

[13] R.G. Rajan: "India: The past and its future", in *Asian Development Review*, Vol. 23, No. 2, pp. 36-52.
[14] C. Fang: "Pay-back time for China's one-child policy", in *Far Eastern Economic Review*, Vol. 170, No. 4, May 2007, pp. 58-61.

Figure 3.1. Population by 5-year age groups (millions), 2006 and 2050, Asia-Pacific region



Source: United Nations Population Division: World Population Prospects: The 2006 Revision Population Database (2007).

Asia's labour force growth slowing down

Asia's vast labour force, at 1.8 billion in 2006, represents approximately 59 per cent of the world's total, and it is expected to continue to grow, though at a slower pace, driven by population dynamics and stagnating or declining labour force participation rates.[15] Asia's labour force growth is projected to slow down from the average annual rate of 1.6 per cent experienced between 1996 and 2006 to 1.3 per cent annually between 2006 and 2015. This rate of growth will add an estimated 221 million, or 12.1 per cent, to the region's current labour force between 2006 and 2015. This projection implies that about 55 per cent of the world's labour force growth during this period will come from the Asia-Pacific region (Appendix, Table A.2).

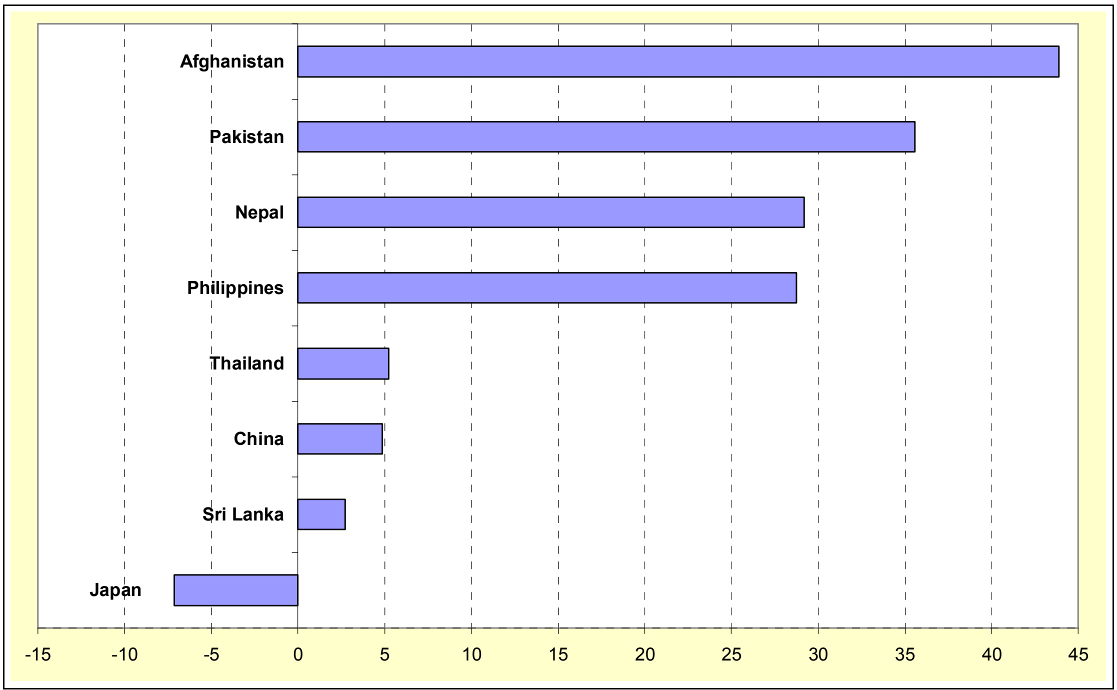
Labour force growth will increase the fastest in South Asia, even though participation rates will still be considerably lower than in East Asia and South-East Asia, and the gap between male and female participation rates will remain wide. The labour force in South Asia is projected to expand by 134 million, or 20.8 per cent, accounting for about 60 per cent of the total labour force growth in the whole region. South-East Asia and the Pacific is expected add about 50 million, or 17.4 per cent, to its current labour force, and East Asia is projected to add 41 million, or 5 per cent. The labour force in Asia's developed (industrialized) economies is projected to contract by 3.6 million, or 4.6 per cent, driven largely by trends in Japan.

[15] The source of labour force participation rates is the ILO: Economically Active Population Estimates and Projections Database, Version 5 (2006) and the source of the population figures is the United Nations Population Division: World Population Prospects: The 2006 Revision Population Database (2007). Labour force data were calculated using these two sources.

Labour supply pressures pose a challenge for job creation and poverty reduction

The most rapid increases in the labour force will be in those countries with the highest numbers of working poor and the largest informal economies, for example Afghanistan, Bhutan, Pakistan, Timor Leste, Lao People's Democratic Republic, the Philippines and some Pacific Island countries. These countries will face enormous labour supply pressure, and their greatest challenge will be to create sufficient numbers of decent and productive jobs. Whether they succeed will critically depend on, among other things, national policies to mobilize sufficient capital and create conditions for productively employing the large number of new labour market entrants, this will require 'employment-rich' growth. Yet the challenge is to not only enhance the quantity but also the quality of employment. The high proportion of working poor among the total number of employed in these countries makes increased productivity growth absolutely critical, as poverty will only decrease if the poor are able to earn more from their labour.

Figure 3.2. Projected labour force growth (%), 2006-2015, selected economies



Source: ILO: Economically Active Population Estimates and Projections Database, Version 5 (2006); United Nations Population Division: World Population Prospects: The 2006 Revision Population Database (2007).

Labour force growth is slowing down in many other parts of developing Asia. China, the Republic of Korea, Sri Lanka and Thailand will experience total growth of about 5 per cent or less, and Japan's labour force is projected to contract by 7 per cent. These countries will face emerging labour shortages and other social and economic consequences of their ageing workforces. A key challenge in these countries is to extend working life and enhance the employability of older workers though lifelong learning in such a way that promotes decent work at later stages in the life cycle, while also providing a mechanism for skills and knowledge transfer to the next generation of workers.[16]

[16] ILO: *Realizing Decent Work in Asia*, Report of the Director-General, Fourteenth Asian Regional Meeting (Busan, Republic of Korea, 2006), p. 54.

Youth labour force on the decline, but pressures remain great in some countries

In 2006, at 378 million, Asia's youth labour force accounted for 20.6 per cent of the region's total labour force and 58.6 per cent of the global youth labour force. Given the size of the Asia's youth labour force and the challenges young women and men often face in making the transition from school to work, the current decade is crucial to meet the commitment of the Millennium Declaration, namely to "develop and implement strategies that give young people everywhere a real chance to find decent and productive work" (paragraph 20).[17]

Between 2006 and 2015, the region's youth labour force is projected to decline by about 8 million or 2.3 per cent, reflecting both demographic trends and the increasing participation of youth in education. In East Asia, the youth labour force is expected to contract by 10.4 per cent between 2006 and 2015. Thailand and Sri Lanka will see a similar contraction, while Japan and the Islamic Republic of Iran are likely to experience a decline of over 15 per cent. While these developments will take some pressure off the youth labour market, some of the future major challenges will be to improve job quality and ensure that young women have the same opportunities as young men.

In South-East Asia and the Pacific, the size of the youth labour force will remain stable, and in South Asia it will increase by 6.6 per cent. In a few countries, however, the youth employment challenge will remain huge.[18] In the coming years these countries will face enormous pressure to provide education and create jobs for millions of young labour market entrants.

One important policy implication of Asia's ongoing demographic transition is the growing need for a life-cycle perspective to decent work. A life-cycle perspective focuses on the key stages of life when people are vulnerable to changes and recognizes the need for security with change. From one end of life cycle to the other, people need supportive policies and social protection as they are exposed to various risks and insecurities.[19]

The increasing importance of migration calls for a regional response

In addition to demographic factors and the changes in labour force participation rates, international labour migration will also affect national labour force trends. For the past two decades, migration in the Asia-Pacific region has, on average, been growing over two times faster than the growth of the labour force of origin countries.[20] In recent years, 2.6 to 2.9 million workers in Asia have left their homes each year to work abroad.[21] International migration has contributed to Asia's economic dynamism and has helped reduce poverty.

Strong economic growth and regional integration, combined with uneven labour supply and persistent income differentials between receiving and sending countries are likely to

[17] United Nations: *Millennium Declaration*, resolution adopted in the General Assembly resolution A/RES/55/2 of 8 Sep. 2000.
[18] Between 2006 and 2015, the youth labour force is expected to expand by more than 8 per cent in Malaysia, by around 17 per cent in Pakistan and the Philippines, by approximately 22 per cent in Nepal and the Lao People's Democratic Republic, by nearly 29 per cent in Papua New Guinea and by an astonishing 44 per cent in Afghanistan.
[19] ILO: *Realizing Decent Work in Asia*, op. cit., p. 54.
[20] ILO: *Labour and Social Trends in Asia and Pacific: Progress towards Decent Work* (Bangkok, 2006), pp. 43-45.
[21] *Ibid.*; Over 50 per cent of the migrants come from South Asia (primarily from India, Bangladesh, Pakistan and Sri Lanka), and the rest mainly originate from Indonesia and the Philippines. Asia absorbs an increasing proportion of these migrant workers – an estimated 40 per cent – a reflection of the increasing economic integration of the region.

generate an increasing flow of migrants in the future. If migration is going to be beneficial to all parties concerned, policies will need to address the treatment of migrants in labour markets, their needs for proper social protection and the effective management of migrant flows, which will increasingly have to be on a multilateral basis involving both sending and receiving countries. The recent ASEAN Declaration on the Promotion of the Right of Migrant Workers indicates that the political will is growing in the Asia-Pacific region to tackle the significant challenges facing this important group of workers.[22]

4. The employment scenario

Continued shift towards industry and service sectors

The rapid transition from predominantly rural and agricultural employment to urban-based manufacturing and service-oriented activities in developing Asian countries will continue, and the trend is expected to even accelerate in some countries. Between 2006 and 2015, total employment in agriculture is projected to contract by nearly 160 million, with employment in industry and services expanding by 172 million and 198 million, respectively (Appendix, Table A.4). Not only will the services sector be the main source of job creation but, by 2015, will also become the largest sector, representing about 40.7 per cent of the region's total employment. The share of industrial employment is expected to increase from 23.1 per cent in 2006 to 29.4 per cent in 2015, while the share of agricultural employment is projected to decline from 42.6 to 29.9 per cent. Yet, given its size and importance for poverty alleviation, agriculture will remain an important sector, even though the main engines of the region's growth will be elsewhere.

The stage and speed of the structural change will vary across the region. East Asia will see sweeping changes as its agricultural employment is expected to decline by about 144 million, or 44.3 per cent, accounting for 91 per cent of the contraction of Asia's total agricultural employment by 2015. On the other hand, the region's developed economies, where the majority of jobs are already in the service sector, will see only modest employment shifts.

Rapid urbanization

Employment shifts are closely associated with rapid urbanization and the development of dynamic regions in which the engines of growth are located.[23] Population trends also point to an escalation of rural-urban migration: Between 2006 and 2015, the region's urban population is projected to grow by 350 million, while the rural population will increase by only 15 million. By 2015, an estimated 44.1 per cent Asia's population will live in urban areas, an increase of 5 percentage points from 2006. In East Asia and South-East Asia, about 51 per cent of the population will live in cities. But in South Asia, two-thirds of the population will still reside in rural areas in 2015.

The fastest increase in the share of urban population will occur in Indonesia, followed by China (which already had an estimated 200 million internal migrants in 2006), Malaysia, the Philippines and Viet Nam. Countries experiencing rapid urban population growth due to the

---

[22] See: http://www.aseansec.org/19264.htm.

[23] Urban areas account for as much as 70 per cent of the GDP growth in East Asia, 80 per cent in the Philippines and 70 per cent in Viet Nam. Mumbai in itself is estimated to generate one-sixth of India's GDP. See: M. Jack: *Urbanization, Sustainable Growth, Ending Poverty*, Paper prepared for the Asia 2015 conference – Promoting Growth, Ending Poverty, London, 6-7 Mar. 2006; and UN Habitat: *State of World's Cities: Trends in Asia and the Pacific* (Nairobi, 2006).

combination of rapid migration and natural population growth will face the immense challenge of creating jobs in their bulging cities and metropolises. And where development lags, most rural migrants will end up working in low-skilled, low-productivity and low paid jobs in the informal economy.

Better service provision is needed for internal migrants

The movement of workers from agriculture to industry and services and from rural to urban areas is not an automatic process. The speed and extent of such movements reflect both the incentives and the ability of labour to move towards higher productivity sectors and growth centres – all of which are strongly influenced by the policy environment. The provision of housing, education, health care and other services for migrant workers are crucial. Training programmes oriented toward jobs available in expanding industries are also important. Better labour market information regarding employment opportunities and labour supply – including the availability of skills – is also needed so that workers, employers and governments can make better informed and more equitable decisions. At the same time, workers left in rural areas must not be forgotten. Investments in infrastructure, factory improvements, as well as measures to boost agricultural productivity and non-farm employment and efficient transfer programmes are essential for a smooth transition to an increasingly urbanized Asia.

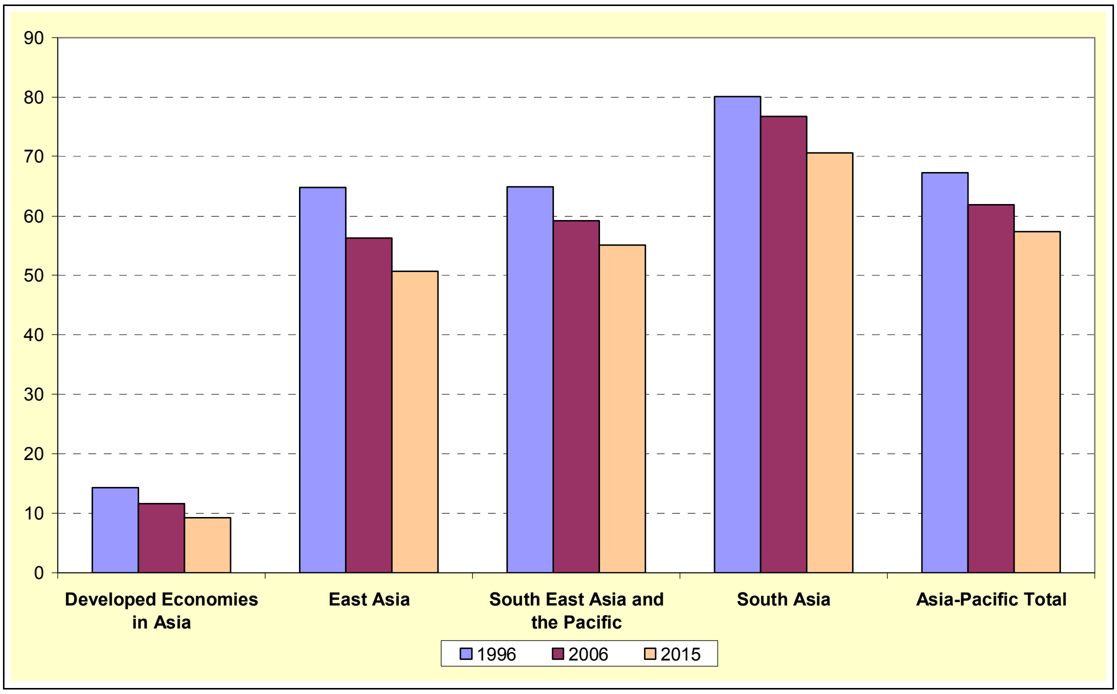
Asia's informal economy will remain massive

How will the projected growth, job creation and changes in employment structure affect the size and nature of the informal economy? If recent trends continue, Asia's informal economy will remain vast. Although the number of contributing family workers is projected to decline by around 86 million – a reflection of declining agricultural employment – the number of own-account workers is expected to increase by 128 million. Based on this, their combined share in total employment would decline moderately from 61.9 per cent in 2006 to 57.3 per cent in 2015. At the same time, wage and salary employment is expected to increase by 176 million, although part of this increase will be in small and micro-enterprises operating in the informal economy. As a result, the informal economy is expected to account for around 60 per cent of the region's total employment in 2015. The largest share of informal economy workers in total employment is expected to be in South Asia (more than 70 per cent), followed by South-East Asia and the Pacific (about 55 per cent) and East Asia (approximately 50 per cent) (Figure 4.1).

Gender inequalities are more prevalent in the informal economy, where women are concentrated at the lower end of the scale, often earning significantly less than men.[24] And while Asia's informal economy will continue to cut across all economic sectors – agriculture, industry and services – the largest growth is likely to occur in the region's urban centres. By 2015, the persistence of the informal economy, the explosive growth of urban populations in many Asian cities and the increase in service-sector employment will combine to significantly expand the informal economy in urban settings. Social and economic challenges are likely to follow, notably in countries where development lags urban population growth.

[24] UNIFEM: *Progress of the world's women: Women, work and poverty* (New York, 2005).

Figure 4.1. Estimated share of informal employment in total (%), 1996, 2006, 2015



Source: ILO: Global Employment Trends Model (2007).

Significant progress in reducing extreme poverty, but millions remain vulnerable

If the bad news is the persistence of the informal economy, the good news is the potential that exists for a continued significant reduction in extreme poverty by 2015. If growth continues at recent historical rates, the estimated proportion of employed persons living in a household whose members subsist below US$1 per day is projected to fall from 17.6 per cent in 2006 to 9.8 per cent in 2015.[25] This implies a decline of more than 116 million working poor. By 2015, the share of US$1 working poor is projected to be as low as 3 per cent in East Asia and 8 per cent in South-East Asia but is still expected to be over 18 per cent in South Asia (Appendix, Table A.7).

Despite these positive trends, it is likely that more than 40 per cent of all workers in developing Asia, or about 800 million, will not earn enough to lift themselves and their families above the US$2 per day poverty line. Although in East Asia the share of the US$2 per day working poverty is projected to be around 19 per cent, the corresponding estimates for South-East Asia and South Asia are much higher, at 39 and 71 per cent, respectively.

The above scenario is not intended to predict or quantify the future. But it does underline the two major challenges that require policy attention: the vulnerability of millions to poverty and the persistence of the informal economy. The significant decline in extreme poverty together with the still very large number of people expected to remain vulnerable to poverty in 2015 suggests that poverty reduction strategies, depending on national circumstances, need to shift gradually from targeting people in extreme poverty towards mitigating vulnerability to poverty. The persistence and the massive size of the informal economy in developing Asia indicate that growth alone cannot address the problems within 10 or even 15 years. Informality is a structural

[25] ILO: Trends Working Poverty Model (2007). Historical country-level growth rates for the period 1991 to 2006 are the basis of the working poverty projections.

feature of the development path and rolling back informality will require a comprehensive approach.

5. Key issues and challenges

This section focuses on key issues and challenges within each of the three pillars of sustainability that are likely to have a major impact in the region during the Asian Decent Work Decade. How each of these issues is addressed will have important implications for overall growth and development during the Decade. The purpose is not to attempt to address all the issues facing the region, but rather to focus on a limited number of priority areas that are key elements of a targeted policy response.

A. Economic sustainability

Promoting productivity that benefits all

Labour productivity growth is a crucial ingredient of a county's economic growth and overall competitiveness. It is also critical in creating quality jobs and reducing poverty as productivity gains can lead to higher wages, better working conditions and investment in human resources. The first challenge the region is facing between now and 2015 is how to accelerate productivity growth; the second relates to the distribution of productivity gains – both are essential for the goal of realizing decent work and sustainable development in the Asia-Pacific region.

Labour productivity has played a leading role in shaping Asia's tremendous growth performance. The increased productivity of Asia's workers between 2000 and 2006 accounted for 83 per cent of the region's total economic growth, with the remainder due to the addition of approximately 150 million workers (representing employment growth of 9.4 per cent) in the Asian workforce.[26]

The importance of productivity growth in Asia and the Pacific will become even greater in the coming 10 to 20 years. The reason for this is simple: As employment growth slows down as a result of demographic and labour force trends, each of the three Asian subregions will require faster labour productivity growth to maintain recent historical GDP growth rates. Although the additional productivity growth needed is modest in South Asia, South-East Asia and the Pacific subregions, the rapid GDP growth seen in East Asia would require acceleration in annual labour productivity growth from 7.6 to 8.1 per cent. In Asia's developed economies, it would require acceleration from 1.5 to 2.1 per cent (Appendix, Table A.10).

Given this scenario, the key question is whether countries in the Asia-Pacific region will be able to improve productivity rates. To get a better indication of this, it is necessary to examine the likely future trends related to the sources of the region's productivity growth. These sources include the accumulation of physical capital, the re-allocation of labour across sectors, investment in human resources and improvements in less tangible factors such as workplace practices.

[26] Authors' calculation based on ILO: Global Employment Trends Model (2007) and World Bank: World Development Indicators (2007).

In recent years high and increasing levels of domestic investment have fuelled capital deepening and within-sector productivity gains in many Asian countries.[27] However, this route of productivity growth faces some limitations in the future as many countries in the region already have very high investment shares when compared with countries in other parts of the world.[28] On the other hand, the scope for continued capital deepening through increased investment remains significant in countries with lower rates of investment, such as Bangladesh, Cambodia, India, Indonesia, Pakistan, the Philippines and many Pacific Island states.

The reallocation of workers from agriculture to industry and services has a large and positive effect on overall labour productivity growth because productivity levels in agriculture tend to be much lower than in industry and services. Indeed, between 2000 and 2006, nearly 30 per cent of developing Asia's productivity growth was due to the ongoing employment shift from agriculture to industry and services (see Appendix, Table A.9).[29] Given the projected changes in employment by sector (discussed in Section 3), the future benefit from the structural shift in employment is likely to be even greater in East and South-East Asia, and possibly in South Asia, where this will largely depend on whether the increase in service sector jobs takes the form of a larger share of lower-productivity, informal jobs, or continued growth in high value added service-related jobs.

Another source of productivity growth is the quality of human capital. Asia as a whole has made tremendous progress in expanding access to education.[30] Tertiary education rates have also risen. As enrolment rates are expected to increase at all levels of education and school life expectancy rates continue to rise, young entrants into Asia's workforce during the Asian Decent Work Decade will have completed more schooling than any previous generation. These trends in education are very encouraging as the increase in human capital should serve to benefit labour productivity in years to come.

But enrolment alone is not a guarantee for success. As higher rates of enrolment are achieved, the focus on the policy dimension of improving the quality of schools, universities and vocational training institutes gains in importance. Public-private dialogue and partnerships have an important role to play in ensuring that graduates leave educational and training institutions with appropriate skills and qualifications which enable them to adapt rapidly to a changing work environment and embrace new technology. Government policies are also critical in providing incentives to the business sector to invest more in the training of their workers.[31]

---

[27] Foreign direct investment (FDI) has been another important source of the increased capital per worker that has helped boost the region's labour productivity.

[28] For instance, China and the Republic of Korea each invest over 30 per cent of GDP. Australia, Japan, New Zealand, Hong Kong (China), Thailand, Singapore, Mongolia, Samoa, the Lao People's Democratic Republic, Bhutan, and the Islamic Republic of Iran all invest more than one-fifth of GDP; countries such as Viet Nam, Malaysia, Nepal and the Maldives are not far behind. Alan Heston, Robert Summers and Bettina Aten: Penn World Table Version 6.2, Center for International Comparisons of Production, Income and Prices at the University of Pennsylvania (Sep. 2006).

[29] South Asia saw the biggest contribution from this shift, followed by South-East Asia, the Pacific and East Asia. Productivity growth in the developed economies of Australia, New Zealand and Japan did not benefit greatly from this kind of shift.

[30] Between 1991 and 2006, Asia's combined primary and lower-secondary school net enrolment rate rose steadily from 68.8 to 78.2, with the biggest gain occurring in South Asia, the region with the lowest net enrolment rates. ILO estimates based on UNESCO enrolment data.

[31] The important topic of "Skills for improved productivity, employment growth and development" will be discussed at the 2008 International Labour Conference. See http://www.ilo.org/public/english/standards/relm/gb/docs/gb295/pdf/gb-2.pdf.

Progressive workplace practices based on good working conditions, innovations in work organization, continuous learning, good labour-management relations and respect for workers' rights, are emerging as an increasingly important way of raising productivity while also promoting decent work. Key to the success and spread of such practices is building the capacity and productivity of employees through appropriate workplace organization and establishing open communications channels, leading to workers' heightened engagement. But these types of innovative workplace practices may require up-front investments, while the benefits are often longer-term in nature. Employers must therefore take a longer-term view on the benefits of improved workplace practices for the overall health and performance of their enterprises. The likelihood of success in terms of realizing the mutual benefits of productivity growth for employers and workers will be maximized if there is open and honest dialogue between them.

One troublesome trend with regard to the distribution of productivity gains is the decreasing wage share in GDP that has been witnessed in much of the region in recent years. In China, the wage share declined from 53 per cent in 1998 to 41.4 per cent in 2005.[32] Longer-term data for Malaysia, the Philippines and Thailand also show a decline in the wage share.[33] These are cases in which average wage growth has not been keeping pace with labour productivity growth. This, in turn, could imply an erosion of workers' bargaining power, use of more capital-intensive technologies, or a combination of these factors.[34]

It is crucial that productivity gains reach workers at the bottom of the income spectrum. Accelerating productivity growth within lower value-added sectors, e.g. agriculture, in which the majority of Asia's working poor are still engaged, can be a key driver of economy-wide productivity growth. At the same time, this can serve as a counteracting force to improve income equality.

The importance of equitable distribution of productivity gains also applies to firms and workers. The poverty-reducing potential of increased productivity is likely to be diminished if the gains from increased efficiency accrue solely to firms' profits and do not directly benefit workers themselves. The most direct link with poverty reduction is through the wage channel, but other channels are equally important. For instance, shorter working hours for equal or greater pay can improve living standards. This is important given that long working hours are the norm in many parts of Asia; the highest proportion of workers working more than 48 hours per week are to be found in the Republic of Korea (49.5 per cent), Thailand (46.7 per cent), and Pakistan (44.4 per cent).[35] It is also essential for firms to benefit from increased productivity, as this allows them to make investments and fuel the innovations needed for future growth. Stronger collective bargaining systems and improved dialogue between workers and employers are instrumental in ensuring that all sides reap the rewards of productivity improvements.

The rise of China and India: Seizing the opportunity and coping with the challenges

With a combined population of nearly 2.5 billion, China and India are home to two-thirds of Asia's inhabitants,[36] and account for about 28 per cent of Asia's aggregate GDP – a

---

[32] World Bank: *Quarterly update* (Beijing, Feb. 2007). Figures derived from the National Bureau of Statistics of China.
[33] Asian Development Bank (ADB): *Key indicators 2005. Labour markets in Asia: Promoting full, productive and decent employment* (Manila, 2005).
[34] Organisation for Economic Co-operation and Development (OECD): *Employment outlook* (Paris, 2007).
[35] ILO: *Working time around the world: Trends in working hours, laws and policies in a global comparative perspective* (Geneva, 2007).
[36] United Nations Population Division: World Population Prospects: The 2006 Revision Population Database (2007).

figure that is expected to rise to more than 35 per cent by 2015.[37] As Asia's two "giants" continue to grow and comprise an even larger share of regional output, other regional countries will see an increase in potential benefits, as well as the emergence of new challenges.

Surging demand for primary and intermediate inputs, energy, technology and investment goods should continue to fuel rising export and output growth in the region.[38] Yet this also increases the danger of rising commodity inflation, which could have a disproportionate adverse impact on the poor. China and India's neighbours could also benefit from the tremendous growth in the regional consumer market. By 2015, China's upper-middle class is projected to grow by 230 per cent, or more than 41 million. The lower-middle class is projected to increase by an astonishing 478 per cent, or more than 115 million.[39] This represents an enormous, new consumer market that can fuel growth in neighbouring countries if the opportunity is seized.

Another likely benefit is increased investment flow. In recent years many multinationals pursued a "China plus one" or "China plus two" strategy by establishing production operations in China, as well as in one or two other neighbouring Asian countries in order to diversify their exposure to increased costs, including labour costs, and obtain greater production flexibility.[40] New market opportunities are also arising in certain industries. As China and India grow and move toward higher value-added production, countries at lower stages of development will have an opportunity to enter into some of the lower cost export markets currently dominated by China.[41]

At the same time, there will be challenges resulting from heightened competition, especially in industries and markets currently dominated by the more developed economies, as China expands into higher value-added industries. While most countries are expected to adjust relatively smoothly over time, some sectors are likely to experience increasing competitive pressures and significant restructuring.

Whether countries will be able to seize these opportunities and successfully address the challenges will depend on their preparedness. This requires a policy environment that is conducive to openness to trade, investment and new ideas. Governments and enterprises must find ways to improve and harness the region's human resources and technologies to create new niches in the regional and global economies. Investments in human capital are essential for ensuring that workers have the skills required in emerging occupations. Investments in infrastructure and improved governance are needed to encourage foreign investment, facilitate export growth and mitigate the social costs of adjustment.

B. Social sustainability

Extending social protection

Extending social protection throughout developing Asia is critical in ensuring the social sustainability of the region's economic dynamism. The rapid growth of the region's elderly

[37] Authors' projection based on World Bank: World Development Indicators (2007). Historical growth rates since 1985 are used for the projection.

[38] At the same time, there is some evidence that the growing domestic content of many goods that China exports has worked to reduce the positive spill-over effects of China's rapid growth to the rest of the region. See IMF: *World Economic and Financial Surveys: Regional Economic Outlook Asia and Pacific* (Washington D.C., Apr. 2007).

[39] D. Farrell et al.: "The value of China's emerging middle class", in *The McKinsey Quarterly: Special Edition 2006*.

[40] *The Economist*: "The problem with made in China", 11 Jan. 2007.

[41] World Bank: *Dancing with giants: China, India and the global economy* (Washington D.C., 2007).

population underlines the need to develop appropriate, well-targeted policies and programmes suited to an ageing society. Asia needs to encourage the access of older workers to decent and productive work as many older persons in the region cannot afford to retire, particularly as traditional family support systems are gradually being eroded.

But it is not only the elderly for whom social protection and safety nets are important. Workers in Asia face constant vulnerabilities, such as personal and family illnesses, lay-offs, political uncertainties, economic instability and the potential loss of livelihoods from natural disasters.[42] Yet, there is clear evidence of under-investment in social protection in many countries.[43] Developing a basic social security package with minimum wages sufficient to build an effective social floor is a key supportive mechanism for protecting workers, promoting increased consumption and helping to reduce poverty among those most vulnerable. But given increasing demands on national budgets, funding systems for social security and adequate safety nets must be designed in such a way to ensure their long-term viability.

Bringing informal workers into the framework of social protection, as well as into the underlying tax base will also be essential for sustainability. The fact that more than 1 billion Asians are still working in the informal economy reflects a persistent and troublesome inability of existing formal mechanisms, protections and systems to penetrate or adequately serve a sufficient number of workers and workplaces. To effectively extend social security into the informal economy, the focus of attention should initially be placed on priority areas, such as access to basic health care, family benefits or allowances that permit children to attend school, targeted cash transfer programmes and basic universal pensions for old age and invalidity. Expanding access to local and global markets through improved linkages with formal businesses, better infrastructure and through investments in training and skills development of informal sector operators are concrete examples of supportive policies. Finally, sharing knowledge and experience across countries will help replicate successful examples and generate broader, more successful action across the region.

Promoting equitable development

For development to be sustainable, the benefits of growth must be shared by all. Rising inequality represents a threat to sustainable development and achieving decent work in the region. The existence of persistent or growing per capita GDP gaps between countries lessens the likelihood of smooth regional economic integration and can adversely affect growth prospects. Within countries, large and widening income inequalities are detrimental to economic growth and poverty reduction. Indeed, in a "higher inequality" scenario with benchmark growth to 2015, Asia is projected to end up with 160 million more US$1 poor than in a "more equal" scenario. With lower growth, the difference between the "higher inequality" and "more equal" scenarios could be nearly 200 million more US$1 poor.[44]

Overall, there are both hopeful and worrying signs related to inequalities in Asia and the Pacific. One positive trend is that growth in many of Asia's less developed economies has significantly outpaced growth in the more developed economies. A continuation of this trend would bode well for regional integration prospects. Yet, the Pacific Island states represent an

---

[42] ILO: *Realizing Decent Work in Asia*, op. cit., p. 54.

[43] The average share of public social security expenditure in GDP in OECD economies was 23.4 per cent in 2003. Among the Asian countries for which data are available, only New Zealand, Australia and Japan invest a comparable share. Among other Asian countries, the shares were: Republic of Korea (6.5 per cent), India (7.9 per cent), Viet Nam (7.6 per cent), Islamic Republic of Iran (2.3 per cent), Sri Lanka (2.2 per cent), Indonesia (1.1 per cent) and Pakistan (0.4 per cent).

[44] Authors' calculation based on ADB: *Key Indicators of Developing Asian and Pacific Countries* (Manila, 2005), Table P1.

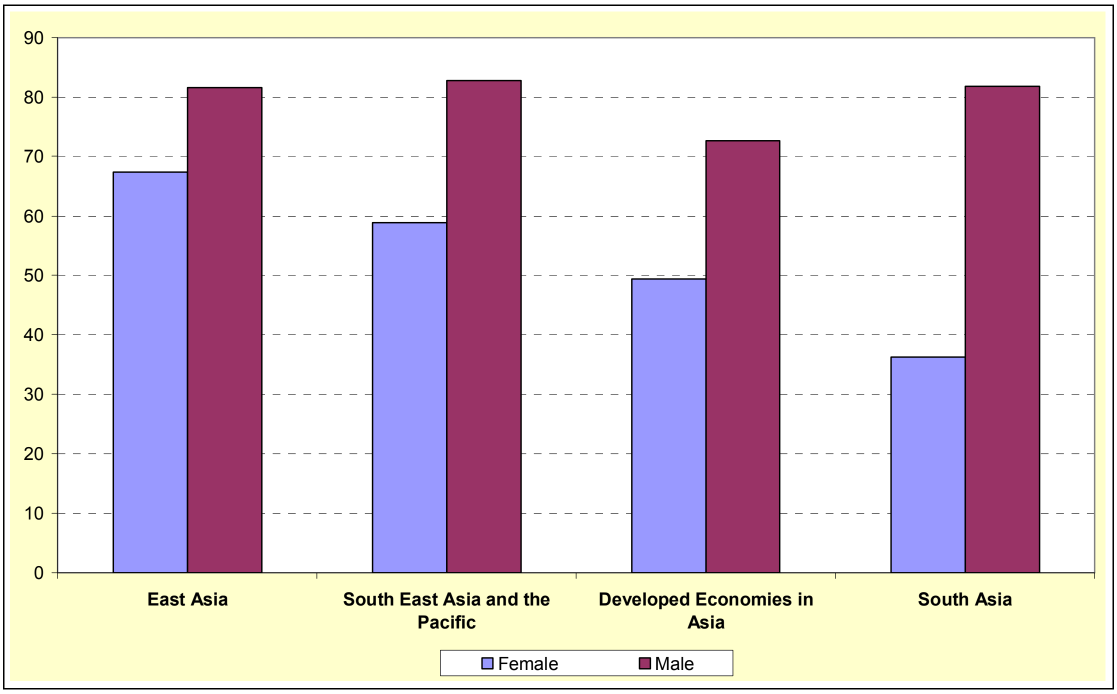
important exception to the trend of convergence. These countries, with low and stagnating levels of per-capita GDP, tend to produce a relatively narrow range of goods and services and have struggled with difficult demographic trends.

Within-country income inequalities have shown a more worrisome trend. Looking at the most recent data available for 12 Asian countries, eight countries have seen rising inequalities, with large increases in three (Indonesia, Nepal and Sri Lanka), while only four countries registered declines. In China, there is evidence of rapidly rising inequality. Between 2000 and 2005, the per-capita income of the bottom 10 per cent of urban households rose by 26 per cent, while the top 10 per cent saw gains of 133 per cent.[45] Faster growth in wages among skilled workers versus unskilled workers is one clear driver of widening income inequalities. In effect, the biggest winners from globalization have thus far been workers with the education and skills needed to take advantage of the emerging employment opportunities, leaving many millions of workers in the region lagging far behind.

Sustainable development and the realization of decent work will require that persistent gender inequalities are effectively addressed. For instance, gender-based inequality in labour force participation can reduce the overall size of the productive workforce and the economy's growth potential. Only 42.4 per cent of prime-age women in South Asia are economically active, compared with 64.4 per cent in Asia's developed economies, 67.3 per cent in South-East Asia and the Pacific and 75.9 per cent in East Asia (Figure 4.1).[46] Owing to low labour force participation rates, a full 90 per cent of South Asia's economically inactive prime-age persons are women. This represents a great waste of economic potential: If South Asia's female participation rate can reach the same level as Asia's developed economies by 2020, it would translate in the introduction of more than 106 million additional women in the workforce.[47]

[45] *Wall Street Journal*: "Globalization's gains come with a price", 3 June 2007.
[46] However, women take on a disproportionate share of unpaid work which is not always reflected in official statistics.
[47] ILO: Economically Active Population Estimates and Projections Database, Version 5 (2006); United Nations Population Division: World Population Prospects: The 2006 Revision Population Database (2007).

Figure 5.1. Labour force participation rates by sex (%), 2006



Source: ILO: Economically Active Population Estimates and Projections Database, Version 5 (2006); United Nations Population Division: World Population Prospects: The 2006 Revision Population Database (2007).

Rapid growth in Asia has been accompanied by uneven development across geographic areas leading to increased inequalities. In many Asian countries, including China and India, economic growth has, in large part, been fuelled by dynamic urban centres, and workers have migrated in droves to booming urban metropolises; in many cases, differences in living standards between urban areas and rural hinterlands have grown sharply. Currently, 75 to 80 per cent of the extreme poor in East and South-East Asia are concentrated in rural areas.[48] As employment-to-population ratios in rural areas tend to be significantly higher than in urban areas, it is clear that these rural poor do not lack work but rather suffer from low-productivity work. Rural development strategies must therefore be made more explicit and include initiatives to increase agricultural productivity and promote non-agricultural employment.

The extent to which Asia's high and widening inequalities are successfully addressed will have a large bearing on the realization of decent work in the coming decade. Economic and social policies must take into account any direct or indirect effects on the distribution of wealth and opportunities. Removing obstacles to equal opportunities is essential. Countries must, in effect, avoid exclusion while, at the same time, maintain incentives to accumulate and to take risks.[49] The best way to achieve this balance is through dialogue between the social partners.

An essential first step is to ensure equal access to basic education and to more advanced training so that new and existing workers will be equipped with the skills and education needed to succeed. Governments, employers and trade unions must work together to help eliminate gender-based discrimination and to encourage female participation in labour markets. A significant increase in investment in rural infrastructure is needed to reduce emerging geographical inequalities because the rural poor often suffer from a lack of access to markets, which, in turn, is often exacerbated by poor infrastructure. There are sensible, win-win policies

[48] World Bank: *East Asia and Pacific update: Ten years after the crisis, sustainable development in East Asia's urban fringe* (Washington D.C., Apr. 2007).
[49] *Ibid.*

for reducing inequalities. The challenge is finding and effectively implementing the most appropriate policies given national needs and circumstances.

Establishing good governance and supportive labour market institutions

Economic and social progress during the Decade will be very much influenced by the political environment and the quality of governance. For example, representative and accountable institutions can deliver better services to the poor, facilitate economic development and strengthen social cohesion. The quality of institutions is country-specific, but across the region insufficient attention has been given to the role of labour market institutions resulting in weak labour market institutions and enforcement and limited social dialogue, which collectively constrain national efforts to promote decent work.

Good labour market governance entails upholding the rule of law building on the foundation of the ILO's international labour standards and improving transparency and accountability. Significantly, it also provides the stability vital to productive activity while, at the same time, ensuring that employers and workers are able to apply the framework of rules flexibly, efficiently and fairly to enable them to better face constantly changing work situations and labour market conditions.

To make decent work a reality in the context of intensified competition and changing patterns of work and employment relationships, it is crucial to strike an effective balance between flexibility, stability and security, and this should be done on the basis on respect of rights and negotiated solutions. To find this balance, labour law reforms, transparent and accountable institutions, democratic political and judicial systems, strong employers' and workers' organizations, economic openness and a viable civil society are all crucial. It is also essential that countries provide an environment conducive to social dialogue and collective bargaining to handle emerging challenges in the world of work without overloading legal or labour inspection systems, while encouraging innovation in new forms of cooperation and conflict resolution.

Developing social and labour institutions that support a dynamic market economy in large countries, such as China and India, is likely to require more time than in smaller economies. Hence, these two countries will have an opportunity to progress faster in institutional development, which could improve their ability to harness the opportunities from globalization, while also addressing the adjustment tensions that inevitably arise from the unprecedented magnitude and speed of change taking place in labour markets throughout Asia.[50]

Freedom of association and collective bargaining and integrated elements of labour market governance will only become effective if they are anchored in law. Very importantly, the capacities of employers' and workers' organizations need to be strengthened so that they can effectively participate in governance and provide relevant services to existing and potential members, including those in the informal economy.

Labour market governance should also address the issues of the informal economy. Informality is essentially a governance issue as it weakens efficiency and security: Breaking out of informality into the economic mainstream is perhaps the biggest challenge for developing countries in the Asia-Pacific region. The starting point for national strategies to reduce informality is the recognition that operating in the informal economy involves high costs to

[50] See World Bank: *Global economic prospects: Managing the next wave of globalization* (Washington D.C., 2007), p. 102.

businesses, workers and their communities. Strategies need to include measures to reduce compliance costs of informal operators and to expand formal economy opportunities through economic growth. Furthermore, associations of informal sector operators, which can offer mutual support and a voice in decision-making, should be promoted.

During the Asian Decent Work Decade, growing economic and social interdependence will make collective actions and multilateral cooperation all the more important. Therefore, it is critical to promote regional cooperation and strengthen the multilateral system for improved governance. Regional organizations such as ASEAN and SAARC have an important role to play in promoting successful models of governance and public sector reforms to positively impact on growth, social dialogue and poverty reduction outcomes.

C. Environmental sustainability

Coming to terms with the impact of current patterns of development on the environment

Growth and sustainable development in Asia and the Pacific could be seriously undermined by environmental degradation, depletion of natural resources and climate change. The region is being confronted with increasing regional and global environmental-related pressures arising from, among others, its consumption of the world's energy and other resources as a result of the growth of Asia's share of global GDP over the past decade. Consumption in over half the region's countries currently surpasses their productive natural resource endowments.[51]

The region's dramatic economic growth has been accompanied by mounting costs in the form of significant land erosion, depletion of fisheries, degradation of forest and coastal ecosystems, and air and water pollution, and both human health and the environment are being adversely affected. Seven of the ten most polluted cities in the world are to be found in Asia. Asia's workers are increasingly confronted by new environmental health risks resulting from exposure to physical, chemical, radiation or psychosocial hazards. Environmental contributors to workers' health need to be considered in parallel with workplace health issues.

What is most alarming is that the Asia-Pacific region is predicted to suffer some of the most severe impacts of greenhouse gas emissions and climate change.[52] High energy intensity coupled with rapid economic growth has led not only to energy demands outstripping available domestic resources in many countries in the region but has also contributed to substantial increases in carbon emissions. China's energy use per unit of GDP is 3.5 times greater than that of the United States, India's is 2.7 times larger, and the gap has been increasing.[53] If greenhouse gas emissions and climate change continue at the same levels as in recent years, there could be considerable effects on global GDP and living standards, with the poorest countries in the region likely to suffer the earliest and the most.

Extreme weather will likely lead to the displacement of large numbers of people from their current location leading to high levels of internal and international migration with an adverse impact on the rural poor, the loss of land and assets, including for indigenous groups, as well as increasing pressures on urban areas for livelihoods. Ensuring social protection in the

---

[51] UN Economic and Social Commission for Asia and the Pacific (UNESCAP): *Economic and Social Survey of Asia and the Pacific 2007* (Bangkok, 2007), p. 34.

[52] *Ibid.*; N. Stern: *The Economics of Climate Change: The Stern Review* (Cambridge University Press, 2007).

[53] World Bank: *Dancing with giants: China, India and the global economy*, op. cit., p. 26. Calculated at market prices and actual exchange rates.

form of safety nets and active labour market policies for the poor will be crucial as they will be the most affected and the least able to adapt to global warming.

The economic sectors most directly affected by environmental degradation and climate change are agriculture, forestry and tourism. The livelihoods of many of Asia's most vulnerable workers are susceptible to environmental-related pressures as over 42 per cent of the region's workers are engaged in the agricultural sector, which accounts for a disproportionately large share of the region's poor.[54] Continued rapid growth will exacerbate water shortages with a major impact forecasted for industry and agriculture, the largest users of water at 20 and 70 per cent, respectively.[55]

Promoting sustainable development and green jobs

Historically, environmental protection has often been perceived as a threat to economic development and jobs. But increasingly such efforts are being viewed as a long-term tool to fight poverty and generate employment. Moving towards sustainability and creating more jobs can be compatible goals. For instance, there are likely to be opportunities for job creation in reforestation and in the development of renewable and emerging energy sources. Overall, it has been estimated that moves to create a more environmentally sustainable economy generated an estimated 14 million jobs worldwide by 2000 with the promise of millions more in coming decades.[56] More research is still needed into how a transition to the use of renewable and sustainable energy sources can be made as smooth as possible for the labour force and particularly for the working poor who will face the greatest challenges to adapt.

Although environmentally friendly measures are not likely to be a significant source of long-term job losses, shifting to sustainable production patterns will still require major adjustments in employment patterns in the short term, particularly in the region's developing countries. Designing environmental policies with fair employment transition measures so that workers have access to education and retraining programmes and decent employment alternatives or compensation will be crucial. Many developing countries will be confronted with the greatest challenges in instituting such transitional measures due to the rapid growth in their population and labour force.

The impact of climate change, environmental degradation and natural resource depletion transcends national boundaries and necessitates increased regional and global cooperation. The increasing concern in the region on environmental sustainability is evident from the growing number of high-level initiatives including the Regional Implementation Plan for Sustainable Development in Asia and the Pacific 2006 – 2010 and the ASEAN Vision 2020 which calls for a "clean and green ASEAN".[57] Asian countries will need to strengthen cooperation to promote more sustainable natural resource use as well as more efficient energy usage through technology and knowledge transfer. For instance, developing countries in the region, where GDP tends to be energy-intensive, could learn much from Japan which has developed energy efficient capabilities.

At the 2007 International Labour Conference, the ILO's Director-General called for a new "Green Jobs Initiative" and urged governments, employers and workers to develop policy

---

[54] China, India and Indonesia are the largest agrarian-based economies in Asia.
[55] UNESCAP: *Economic and Social Survey of Asia and the Pacific 2007*, op. cit., p. 34.
[56] UNEP-WHO-ILO: *Labour and the Environment: A Natural Synergy* (Nairobi, 2007).
[57] Other relevant regional activities include the ADB's Energy Efficiency Initiatives and Carbon Market Initiative, the ASEAN Plan of Action for Energy Cooperation, and the USAID ECO-Asia Clean Development and Climate Program.

tools aimed at achieving an environmentally sustainable process of development.[58] This will be further discussed at the meeting of the Working Party on the Social Dimension of Globalization of the ILO's Governing Body in November 2007. Governments can provide policy frameworks for environmental sustainability together with job creation by, for example, providing incentives to businesses to use cleaner technologies, by enacting fair taxation and through adequate social welfare provisions. Investments in related research and development activities will require the active involvement of employers and effective public-private partnerships. The adoption of corporate social responsibility principles by businesses and multinationals can promote "greener" production together with strengthened occupational safety and health measures at the workplace.

Workers and trade unions, as social agents directly associated with the production chain, can make significant contributions to the sustainable management of the environment and ecosystems. The landmark Trade Union Assembly on Labour and the Environment/Worker's Initiative for a Lasting Legacy 2006, was organized in cooperation with ILO and WHO as part of UNEP's ongoing work to enhance participation by major groups in global environmental processes.[59] When unions become involved in environmental issues at the workplace, they use existing tools and structures, such as social dialogue and collective bargaining, awareness-raising campaigns and solidarity projects. Work on traditional issues, such as employment and occupational health and safety, has resulted in healthier workplaces. Trade unions are now increasingly promoting a wider sustainable development agenda, and have long been advocating for transition policies to help workers and others adapt to technological and structural changes. The later environmental mitigation efforts start, the more difficult this will be since the changes will be more disruptive, including for employment.

Making the transition to growth that is more environmentally sound and at the same time supportive of decent employment outcomes will not be simple. Cooperation between governments, employers and workers will help ensure the needed coherence between policies and programmes to promote a process of development that is economically, socially and environmentally sustainable.

6. Concluding remarks

In economic terms and looking at region-wide trends, there is little doubt that the Asia-Pacific region is experiencing an unprecedented leap forward in terms of growth and development. Underlying this performance are a number of positive, reinforcing factors, including favourable demographic trends; cost competitiveness due to the region's enormous pool of labour and rapid productivity growth; the remarkable export performance, which has clearly benefited from this cost competitiveness; the ongoing structural shift in employment in which tens of millions of workers have moved from low-productivity agricultural employment to higher-productivity jobs in manufacturing and services; and substantial investment in both physical and human capital, which has made possible a large-scale movement to higher-value added production.

---

58 ILO Press Release: "ILO Director-General calls for "Green Jobs Initiative" to support environmentally sustainable development," 11 June 2007.

59 Most of the world's largest trade union organizations participated in the International Assembly on Labour and the Environment (Nairobi, 15 - 17 January 2006) and made recommendations on a wide range of labour and environmental issues. See http://www.unep.org/labour_environment/about/index.asp.

Yet, this paper has demonstrated the need to look beyond the narrow scope of economic growth to the broader issue of decent work. From this "higher" vantage point, the picture is much more complex. With more than 900 million workers living on less than US$2 per day and over 1 billion working in the informal economy, there clearly remains a great deal of very serious work to be done. More than 200 million additional jobs will be needed in the region by 2015. Adding this to the current number of working poor, this implies that to truly succeed during the Asian Decent Work Decade, the policies and programmes put in place by the tripartite partners must help to provide opportunities for least 1.1 billion Asians to, themselves, realize decent work.

While economic growth prospects for Asia remain great throughout much of the region, the goal of achieving decent work will not be met if significant progress is not made in also ensuring social and environmental sustainability. On the issue of social sustainability, one crucial issue facing the region is the need to improve labour market governance. Adopting and adhering to international labour standards, improving accountability and transparency, as well as building the capacity of employers and workers to engage more effectively in serious dialogue will all be crucial for building the consensus needed to realize decent work. Extending social protection to vulnerable workers – particularly the working poor and those operating in the informal economy – will be essential. Importantly, much of what is needed in terms of ensuring social sustainability is already known: the challenge lies in setting appropriate priorities in terms of policies and expenditures and in effective execution. The nature of environmental sustainability, on the other hand, involves many more "unknowns". Success will require new thinking and a clear, long-term vision.

Effective regional and tripartite cooperation will be essential for making progress in each of the three pillars of sustainable development. Furthermore, given the tremendous diversity and wealth of experience in the region, there is considerable scope for countries to share knowledge and good practices and to work together to address common challenges. Better knowledge management and closer cooperation would go a significant way towards making decent work a reality in all countries in the region.

Appendix

Table A.1. Subregional country groups

Developed Economies in Asia	East Asia	South-East Asia and the Pacific	South Asia
▪ Australia ▪ Japan ▪ New Zealand	▪ China ▪ Hong Kong, China ▪ Korea, Democratic People's Republic of ▪ Korea, Republic of ▪ Macau, China ▪ Mongolia ▪ Taiwan, China	▪ Brunei Darussalam ▪ Cambodia ▪ East Timor ▪ Fiji ▪ Indonesia ▪ Lao People's Democratic Republic ▪ Malaysia ▪ Myanmar ▪ Papua New Guinea ▪ Philippines ▪ Singapore ▪ Solomon Islands ▪ Thailand ▪ Viet Nam	▪ Afghanistan ▪ Bangladesh ▪ Bhutan ▪ India ▪ Iran, Islamic Republic of ▪ Maldives ▪ Nepal ▪ Pakistan ▪ Sri Lanka

Table A.2. Total labour force and labour force participation rate (ages 15+) – 1996, 2006, 2015

	Total labour force ('000s)			Labour force participation rate (%)		
	1996	**2006**	**2015**	**1996**	**2006**	**2015**
Developed Economies in Asia	78 384	78 988	75 372	63.5	60.7	56.8
East Asia	749 331	826 745	867 924	78.0	74.6	72.1
South-East Asia and the Pacific	229 908	287 161	337 215	70.1	70.7	71.5
South Asia	513 303	643 491	777 294	60.8	59.7	59.8
Asia-Pacific Total	1 570 926	1 836 385	2 057 805	69.6	67.4	66.2
World, excluding Asia	1 080 340	1 278 357	1 457 421	62.9	63.3	63.6

Source: ILO: Economically Active Population Estimates and Projections Database, Version 5 (2006); United Nations Population Division: World Population Prospects: The 2006 Revision Population Database (2007).

Table A.3. Total employment and employment-to-population ratio – 1996, 2006, 2015

	Total employment ('000s)			Employment-to-population ratio (%)		
	1996	**2006**	**2015**	**1996**	**2006**	**2015**
Developed Economies in Asia	75 205	75 672	72 233	60.9	58.1	54.4
East Asia	720 546	796 750	836 494	75.0	71.9	69.5
South-East Asia and the Pacific	221 330	269 232	317 404	67.5	66.3	67.3
South Asia	488 261	608 703	735 729	57.8	56.5	56.6
Asia-Pacific Total	1 505 342	1 750 356	1 961 860	66.7	64.3	63.1

Source: ILO: Global Employment Trends Model (2007).

Table A.4. Employment by major economic sector (%) – 1996, 2006, 2015

	1996			2006			2015		
	Agricul-ture	Industry	Services	Agricul-ture	Industry	Services	Agricul-ture	Industry	Services
Developed Economies in Asia	5.6	32.0	62.4	4.3	26.8	68.9	3.0	25.6	71.4
East Asia	48.5	24.3	27.2	40.9	25.6	33.5	21.7	35.3	43.0
South-East Asia and the Pacific	51.0	16.5	32.5	45.4	18.6	36.0	35.5	22.9	41.5
South Asia	58.5	15.8	25.8	48.4	21.4	30.2	39.5	25.7	34.7
Asia-Pacific Total	49.9	20.8	29.3	42.6	23.1	34.3	29.9	29.4	40.7

Source: ILO: Global Employment Trends Model (2007).

Table A.5. Status in employment (%) – 1996, 2006, 2015

	Wage & salary workers	Employers	Own-account workers	Contributing family workers
Developed Economies in Asia				
1996	82.5	3.2	9.1	5.2
2006	85.7	2.7	8.0	3.6
2015	88.2	2.5	7.3	2.0
East Asia				
1996	32.4	2.8	33.4	31.4
2006	42.6	1.2	38.2	18.0
2015	48.7	0.6	41.7	8.9
South-East Asia and the Pacific				
1996	33.0	2.1	34.8	30.1
2006	38.8	2.1	35.2	23.9
2015	43.5	1.4	37.8	17.4
South Asia				
1996	18.4	1.5	45.2	34.8
2006	22.1	1.2	46.5	30.2
2015	28.5	1.0	46.5	24.0
Asia-Pacific Total				
1996	30.5	2.3	36.2	31.0
2006	36.7	1.4	39.3	22.5
2015	41.7	0.9	41.6	15.7

Source: ILO: Global Employment Trends Model (2007).

Table A.6. Total unemployment – 1996, 2000, 2005, 2006

	Total unemployment ('000s)				Unemployment rate (%)			
	1996	2000	2005	2006	1996	2000	2005	2006
Developed Economies in Asia	3 179	3 968	3 540	3 315	4.1	5.0	4.5	4.2
East Asia	28 784	31 552	30 185	29 995	3.8	4.0	3.7	3.6
South-East Asia and the Pacific	8 578	12 435	17 086	17 930	3.7	4.9	6.1	6.2
South Asia	25 042	27 609	35 007	34 789	4.9	4.9	5.6	5.4
Asia-Pacific Total	65 584	75 563	85 818	86 028	4.2	4.5	4.7	4.7

Source: ILO: Global Employment Trends Model (2007).

Table A.7. Working poverty at US$1 and US$2 per day – 1996, 2006, 2015

	Number of working poor at US$1 per day ('000s)			Share of working poor at US$1 per day in total employment (%)		
	1996	**2006**	**2015**	**1996**	**2006**	**2015**
East Asia	140 822	75 970	27 050	19.5	9.5	3.2
South-East Asia and the Pacific	48 837	36 683	25 938	22.1	13.6	8.2
South Asia	266 889	195 469	138 706	54.7	32.1	18.9
Asia-Pacific Total	456 548	308 122	191 693	30.3	17.6	9.8
	Number of working poor at US$2 per day ('000s)			**Share of working poor at US$2 per day in total employment (%)**		
	1996	**2006**	**2015**	**1996**	**2006**	**2015**
East Asia	459 048	299 841	158 613	63.7	37.6	19.0
South-East Asia and the Pacific	136 288	137 259	124 212	61.6	51.0	39.1
South Asia	435 726	470 964	522 014	89.2	77.4	71.0
Asia-Pacific Total	1 031 062	908 064	804 839	68.5	51.9	41.0

Source: ILO: Trends Working Poverty Model (2007).

Table A.8. Productivity level (constant 2000 international $) – 2005

	Agriculture	Industry	Services
Developed Economies in Asia	23 858	58 836	54 191
East Asia	2 755	22 764	15 076
South-East Asia and the Pacific	2 815	21 304	11 945
South Asia	3 136	10 825	14 583
Developing Asia	2 916	18 424	14 375

Source: Authors' calculation based on World Bank: World Development Indicators (2007); ILO: Global Employment Trends Model (2007).

Table A.9. Labour productivity and employment, average annual growth rate (%) – 2000-2005

	Productivity growth			Employment growth		
	Annual growth	**Annual growth from sector shift**	**Share of growth due to sector shift**	**Agriculture**	**Industry**	**Services**
Developed Economies in Asia	1.1	0.05	4.3	-12.5	-7.8	5.1
East Asia	7.3	1.4	19.5	-5.7	11.0	19.9
South-East Asia and the Pacific	2.5	1.2	46.2	1.1	21.6	17.1
South Asia	4.1	1.9	47.3	-3.6	37.0	26.8
Developing Asia	5.5	1.6	29.7	-3.9	20.3	21.6

Note: For the Developed Economies in Asia, the latest year is 2004.
Source: Authors' calculation based on World Bank: World Development Indicators (2007); ILO: Global Employment Trends Model (2007).

Table A.10. Gross domestic product and labour productivity, average annual growth rate (2000-2006) and projected annual productivity growth required to sustain GDP growth (2007-2020)

	Historical growth (%) (2000-2006)		Annual productivity growth required (%)	
	GDP	Labour productivity	2007-2015	2015-2020
Developed Economies in Asia	1.6	1.5	2.1	2.0
East Asia	8.7	7.6	8.1	8.8
South-East Asia and the Pacific	4.7	2.7	2.9	3.4
South Asia	6.7	4.4	4.5	4.8

Source: Authors' calculation based on World Bank: World Development Indicators (2007); ILO: Global Employment Trends Model (2007).