

## Overview

The devastating earthquake and tsunami in Japan and the impact of the social turmoil in the Middle East on Asian migrants and their remittances serve as a warning that new short-term economic uncertainties have joined longer-term challenges as threats to the sustainability of the economic recovery Asia was starting to see. While developing Asia continues to drive the global recovery, growth rates have moderated from their 2010 rebound peaks and food and oil prices have spiked, adding to concerns that inflation could drive many back into poverty. With the outlook for growth in the U.S. and Europe still uncertain, governments opted for a gradual exit from fiscal stimulus measures coupled with reforms to extend social protection and promote job-rich, balanced and sustainable development.

Uncertainties relating to accelerating inflation, volatile capital flows, and shrinking fiscal space may push policy-makers to engage in sudden fiscal consolidation, but such a short-term focus would put at risk longer-term economic and social advancement. As well as extending social protection, other areas requiring attention include boosting productivity in the services and agricultural sectors, measures to ensure that productivity improvements are reflected in wages and also in stronger domestic consumption, investment in skills development, and support for small and medium-sized enterprises.

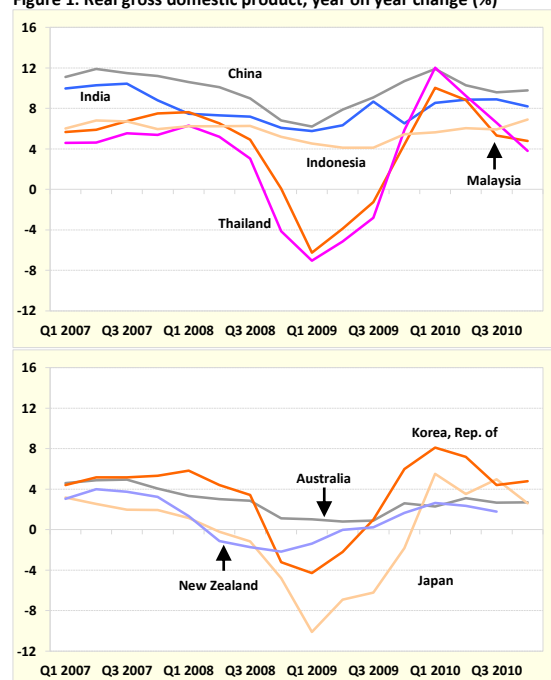
From country to country the labour market recovery is varying dramatically. This in part reflects the longer-term labour market challenges that each economy faced prior to the crisis, many of them related to the quality, as much as the quantity, of employment. For example, underutilization of labour resources, reflected in high underemployment and low female labour force participation, was another entrenched problem magnified by the global recession. Youth unemployment rates also remain well above pre-crisis rates – and above adult levels – in most Asian economies. Tackling these entrenched issues is essential for sustainable development, and should complement shorter-term economic support measures.<sup>1</sup>

## Short-term employment challenges posed by volatile economic, social, natural environments

### Economic growth slowed in developing economies, albeit from high levels...

- After a rebound at the end of 2009, economic growth moderated in developing Asia by mid-2010 as tighter monetary policies, restocked inventories and the phasing out of fiscal stimulus dampened economic activity.
- Large domestic markets in China, India and Indonesia helped to ensure that their growth slowdown has been mild.
- Export-reliant economies, such as Malaysia and Thailand, were more affected by the global downturn and recovery, and by the current volatile environment.
- Inflation is a pressing problem – partly driven by spiking global food and energy prices – and one that hits the poor the hardest (see Box 1).

Figure 1: Real gross domestic product, year on year change (%)



Source: National statistical offices and World Bank Global Economic Monitor.

### ... in more industrialized economies growth varied

- Australia and the Republic of Korea recovered rapidly from the global crisis and – despite the recent slowdown – grew at or above trend rates in Q3/Q4 2010. Hong Kong (China) and Singapore fared similarly.
- Japan and New Zealand experienced slower recoveries than their regional peers; in New Zealand persistently high unemployment and the Christchurch earthquake hindered the recovery. In Japan growth was constrained by low consumer and business confidence, and the

earthquake, tsunami and nuclear crisis of March are likely to further dampen economic prospects.

- The impact of these disasters on the regional economy is already being felt through short-term supply chain disruption, especially in the auto and electronics sectors. However, as reconstruction begins, the medium-term impact on developing Asia is likely to be limited, although a knock-on rise in fossil fuel prices would have more serious consequences.

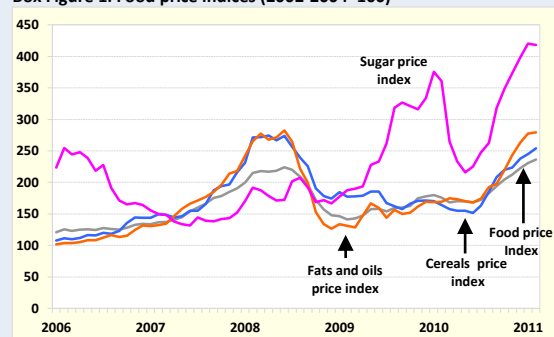
### Box 1: Spiking food and energy prices hit the poor hardest

Since June 2010 food prices have increased rapidly. In February 2011 the FAO food price index reached its highest point since 2008. Many recent food price rises have been driven by sugar, cereals, oils and fats. In addition, the crude oil price reached \$111 a barrel in March 2011, a 40% year-on-year rise. Prices are unlikely to fall in the short-term, given political tensions in the Middle East and reconstruction needs in Japan. The Fukushima nuclear disaster may also have a longer term, negative impact on the global nuclear industry, contributing to increasing demand (and rising prices) for traditional sorts of energy.

As a result of food price increases, 43.7 million more people may have fallen into extreme poverty in low- and middle-income countries worldwide. However there are important country differentials. In Pakistan the World Bank estimates a 1.9% increase in poverty, as the impact of higher prices (particularly wheat) outweighs the benefits felt by medium- and large-scale producers. On the other hand, in Viet Nam poverty is estimated to have declined because a large proportion of poor households are net producers of food products.

The effect on workers of rising food and energy prices is likely to vary according to their industry and location. Poor urban workers, who spend a large proportion of their incomes on food and have limited access to social protection programmes, have been badly affected by food price rises. Small farmers have also been squeezed between rising costs of inputs such as fertilizer and price controls on their produce. Surging fuel prices also affect the cost of transport and energy, something that is particularly felt by poor people and small, household-based enterprises.

Box Figure 1: Food price indices (2002=2004=100)



Source: FAO World Food Index.

Source: Poverty impacts: World Bank, [Food Price Watch](#) (February 2011). Oil prices: United States Energy Information Administration.

### A two-speed employment recovery

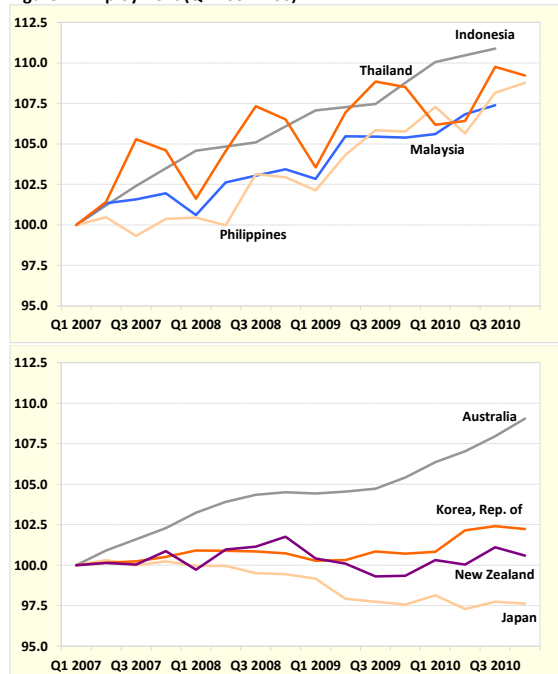
#### Employment growth in developing economies...

- Despite the global 2008/09 downturn, employment did not contract year-on-year in Indonesia, Malaysia, the Philippines or Thailand. However employment growth did slow in 2008 and early 2009, before picking up in 2010.
- Indonesia and the Philippines had the fastest employment growth in 2010, both driven by the

services sector. However this raises other concerns about the quality of the jobs created (see Figure 4).

- Slowing economic growth since mid-2010 may affect the type and quality of jobs created in the near future.

Figure 2: Employment (Q1 2007=100)



Note: Ages 15+.

Source: National statistical offices.

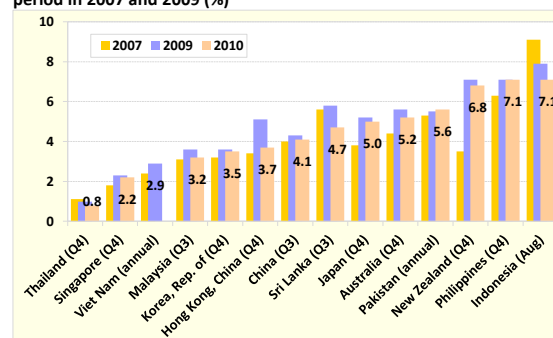
### ...but uneven employment recovery in more industrialized economies

- After stagnating between Q3 2008 and Q3 2009, Australia's employment growth moved up sharply, expanding 3.5% between Q4 2009 and Q4 2010.
- In New Zealand, employment declined by around 2% in the year to Q3 2009. Employment began to recover at the start of 2010, but by Q3 2010 had only matched its pre-crisis level.
- In Japan employment, which had not yet shown sustained recovery, will be further affected by the March earthquake and tsunami. Employment at small firms fell 2.8% in 2010,<sup>2</sup> while in the Bank of Japan's December Tankan survey a majority of small enterprises reported tight financial positions and tough lending conditions, highlighting the need for greater attention for small and medium enterprises.

### Although lower, unemployment remains elevated

- Unemployment rates fell in the most recent period of 2010 compared to a year earlier. The only exceptions were Pakistan and the Philippines.
- In Indonesia unemployment continued to fall during the crisis, dropping from 8.4% to 7.1% between August 2008 and August 2010; this reflects strong employment growth in both manufacturing and community and social services.
- In industrialized economies such as Australia, Japan and New Zealand, unemployment remains above 2007 levels, but is in line with rates in the middle of last decade. Notably, unemployment remains a persistent problem in Japan and New Zealand; in Q4 2010 it stood at 5.0% and 6.8% respectively.
- Weak employment recovery in the Republic of Korea and New Zealand has slowed demand for foreign labour. Political turmoil in the Middle East could have an even more serious impact on both migration flows and remittances (see Box 2).

Figure 3: Unemployment rate, most recent period in 2010 against same period in 2007 and 2009 (%)



Note: Based on national statistical office definition of unemployment; Ages 15+, except in Pakistan and Sri Lanka: ages 10+; Sri Lanka excludes Northern and Eastern provinces; for China data are the registered unemployment rate in urban areas.

Source: National statistical offices.

### Box 2: Migration flows and remittances threatened

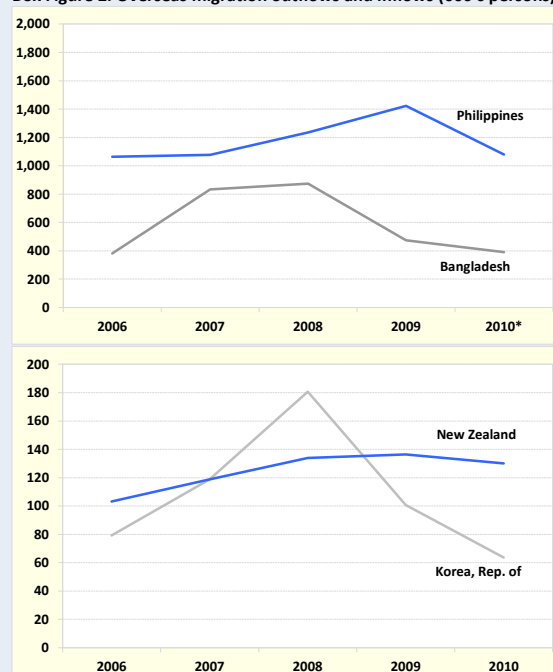
Both migrant sending and receiving countries have felt the impact of the global crisis. In Bangladesh the number of people going abroad to work surged in 2007 and 2008 but fell by nearly half in 2009 and decreased further in 2010 to around 390,000. In the Philippines the numbers going overseas for work (Overseas Filipino Workers or OFWs) continued to increase in 2009 but in 2010 the rate of growth slowed. Between January and October 2010, 1.079 million were deployed, compared to 1.112 million in the same period in 2009 – a 3% decline. The comparatively larger impact on Bangladesh is partly because Bangladeshi overseas migrant workers are concentrated in a few countries; in 2009 more than 80% of Bangladeshi workers went to the Middle East and North Africa, compared to around 45% for OFWs.

In the Republic of Korea the demand for foreign labour has weakened sharply since 2008. The number of foreign workers employed under the Employment Permit System (EPS) rose to around 181,000 in 2008 but decreased in 2009 and fell again in 2010 to around 64,000. In New Zealand the number of approved temporary workers increased steadily every year from the financial year 2000/01 to 2008/09, when it started to fall.

Migration flows are likely to have further been exacerbated by political and social instability in the Middle East, North African and Gulf countries (the destinations of around half of Asia's migrants). Reduced demand for foreign labour from these regions would hurt sending countries' labour markets, in particular in South Asia. The instability has also increased existing concerns relating to the treatment and protection of migrant workers and their families.

In some economies, (e.g. Nepal, Bangladesh, Sri Lanka and the Philippines) which rely heavily on remittances to maintain macroeconomic stability and support investment and consumption, weakening overseas demand for their workers could dampen growth and feed economic and social instability.

Box Figure 2: Overseas migration outflows and inflows (000's persons)



Note: 2010 data for the Philippines include only the months of January to October. Data for New Zealand refer to the financial year.

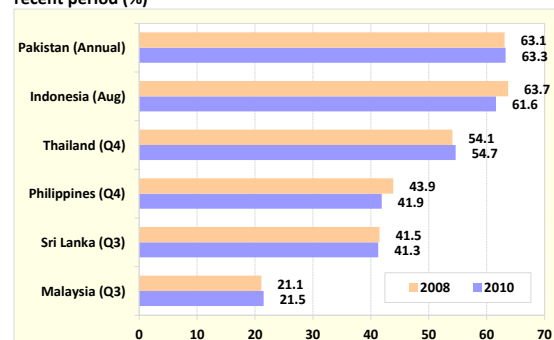
Source: Korea Ministry of Employment and Labour; New Zealand Department of Labour; Philippines Overseas Employment Administration (POEA); Bangladesh Bureau Manpower, Employment and Training (BMET).

## Sustainable recovery must address long-standing labour market challenges

### Mixed progress on reducing vulnerable employment...

- In Malaysia, Pakistan and Thailand the proportion of vulnerable employment increased between 2008 and 2010, reflecting deteriorating job quality.
- The proportion of vulnerable employment in total employment remains high in Indonesia, Pakistan, the Philippines, Sri Lanka and Thailand.
- In Indonesia and the Philippines the shares of vulnerable employment have been falling since 2008. In the Philippines the decline has been primarily driven by a rise in wage employment in the private sector.

Figure 4: Vulnerable employment as share of total employment, most recent period (%)



Note: Ages 15+, except in Pakistan and Sri Lanka: ages 10+; Sri Lanka excludes Northern Province. Vulnerable employment defined as own-account workers and contributing family workers.

Source: National statistical offices.

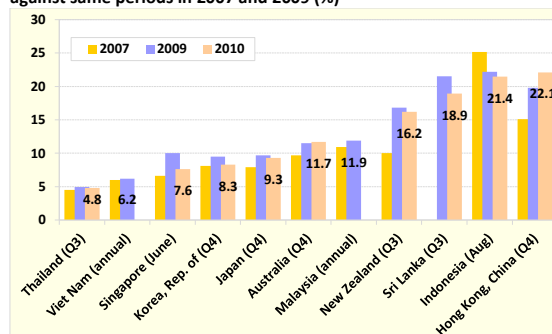
- Workers in vulnerable employment are more likely to have informal employment arrangements and low incomes that leave them more exposed to rising food and energy prices (see Box 1). This is particularly the case for women.

### ... youth unemployment still a key challenge...

- Youth unemployment rates are far higher than adult unemployment rates throughout the region. In Sri Lanka the youth unemployment rate was seven times higher than the adult unemployment rate in Q3 2010.
- In Australia and Hong Kong (China) youth unemployment rates continued to rise in 2010, even as overall unemployment fell.
- Although in most economies youth unemployment fell slightly in 2010 (after a steep rise in 2008 and 2009) only in Indonesia did it go below pre-crisis levels; however that country's situation remains alarming since nearly 1 in 5 youth in the labour force were still unemployed in August 2010.

- In some economies there is also a gender bias. In Sri Lanka the female youth unemployment rate was 23.3% in Q3 2010, compared to 16.3% for young men. In Japan and the Republic of Korea male youth unemployment rates were 2.5 percentage points higher than the female equivalent in Q4 2010.

Figure 5: Youth unemployment rates, most recent period in 2010 against same periods in 2007 and 2009 (%)



**Note:** Ages 15-24, except Hong Kong, China: ages 15-19; Macau, China: ages 16-24; Singapore: Residents ages 15-29. Sri Lanka excludes Northern and Eastern Provinces.

**Source:** National statistical offices.

### Box 3: Women and informal employment

Gender inequality in Asian labour markets is significant both in terms of the sex distribution between formal and informal employment and within the informal economy itself. In South Asia not only is the overall proportion of workers in informal employment the highest in all of Asia's sub-regions, but the proportion of women in informal employment tends to be slightly higher than men. In Bangladesh, India and Nepal around 90% of female workers in non-agricultural employment are in informal work.

Agriculture is still the most prominent employer of women in the region. Agricultural employment in developing Asia is predominantly informal (and there is an increasing regional trend towards casualization for both sexes), so it follows that the share of female informal employment is high. In Asia as a whole 48.2% of women work in agriculture compared to 38.9% of men; and women are more likely than men to be working in low-productivity, subsistence-level agriculture (based on 2009 figures). Commonly, women are the main producers of food while men manage most commercial crops. A high proportion of women in agriculture are unpaid family workers. For those female agricultural workers who are paid wages, working conditions tend to be harsher than for their male counterparts. Despite the hazardous and risky nature of the work agriculture is often the sector most poorly covered by national occupational safety and health regulations.

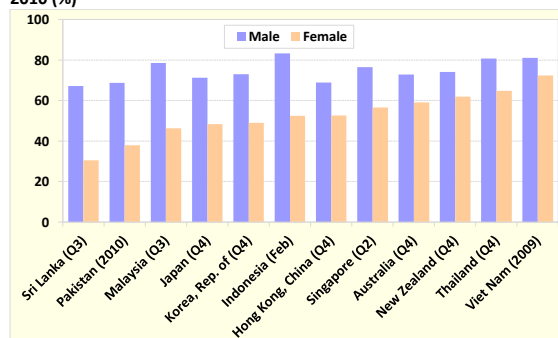
**Source:** ILO and ADB: *Women and Labour Markets in Asia: Rebalancing for Gender Equality* (forthcoming, 2011); ILO: *Global Employment Trends 2011: The Challenge of a Jobs Recovery* (Geneva, 2011), Table A10.

### ... some wide gender disparities remain...

- In all economies with data available, gender gaps in labour force participation narrowed between 2000 and 2009; in most economies they shrank further in 2010.
- However, women remain an underutilized labour resource in many Asian economies, with low participation rates.

- In the four nations where the gender gap in labour force participation is greater than 30 percentage points (Indonesia, Malaysia, Pakistan and Sri Lanka), female unemployment rates are also higher.
- While the causes of gender gaps and barriers to labour market entry vary between countries, lower pay and poorer job quality for women are common, as is female overrepresentation in informal employment (see Box 3).
- Releasing women's full economic potential is critical for economic growth and competitiveness, increased productivity and more inclusive, balanced and sustainable development.

Figure 6: Labour force participation rate by sex, most recent period in 2010 (%)



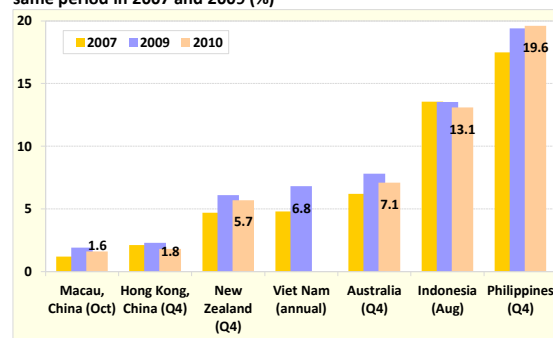
Note: Ages 15+, except in Pakistan and Sri Lanka: ages 10+; Sri Lanka excludes Northern and Eastern Provinces.

Source: National statistical offices.

### ...underemployment persists...

- Underemployment rates in a majority of reporting economies remain above pre-crisis levels, despite rapid employment growth in some cases since the middle of 2009.
- Even with a moderate decline in 2010, the underemployment rate in Indonesia remains alarmingly high, at more than 13%.
- In the Philippines the underemployment rate in Q4 2010 was the highest Q4 level since 2006.
- In Australia the underemployment rate in Q4 2010 stood at 7.1%, 0.9 percentage point higher than in Q4 2007.

Figure 7: Underemployment rate, most recent period in 2010 against same period in 2007 and 2009 (%)



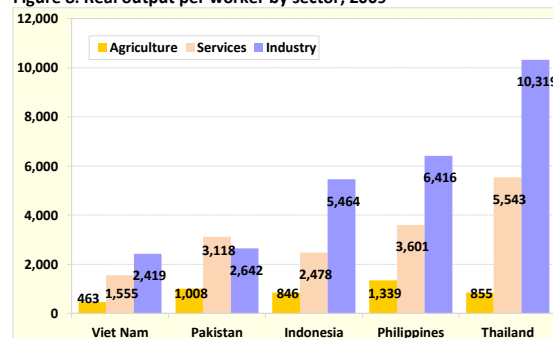
Note: Ages 15+. Underemployment defined as employed individuals who work less than a desirable or minimum number of hours based on the national criteria.

Source: National statistical offices.

### ...and large productivity gaps still exist between sectors and economies

- As more countries in Asia rely increasingly on the services sector for growth and job creation, greater focus is needed on improving services sector productivity. This could lead to higher wages and support needed structural change.
- Productivity levels in services in Indonesia, the Philippines and Viet Nam are only approximately one half the level of industry.
- Agricultural productivity levels are even lower throughout developing Asia and also lag other sectors. In Thailand, for example, agricultural productivity is a mere 12% of industrial productivity. More investment is needed to increase productivity, boost food production (and put downward pressure on food prices), lift agricultural incomes and bring millions out of poverty.

Figure 8: Real output per worker by sector, 2009



Note: Value added per worker in each sector, in constant year 2000 US\$.

Source: ILO estimates based on employment data from national statistical offices and value-added data from World Bank, World Development Indicators, 2010.



## Recent publications

- ILO: [Global Employment Trends 2011: The challenge of a jobs recovery](#) (January 2011). The report takes stock of the labour market situation during the recovery from the global economic crisis. It uses the most recent labour market information available to investigate the state of global and regional labour markets.
- ILO: [Building a sustainable future with decent work in Asia and the Pacific](#) (February 2011). The report of the Director-General to the 15th Asia and the Pacific Regional Meeting (APRM) takes stock of major developments since the 14th APRM and calls for a renewed commitment to the goal of decent work for all.

## Forthcoming publications

- ILO and ADB: [Women and labour markets in Asia: Rebalancing for gender equality](#) (May 2011). The theme of the report is that rebalancing Asia towards a job-rich, inclusive and sustainable development trajectory must, as a matter of both 'smart economics' and social justice, also promote gender equality in the labour market.

## Data and statistics

- ILO Global Job Crisis Observatory: [Short term indicators of the labour market](#)
- ILO [Key Indicators of the Labour Market \(KILM\)](#)
- ILO [Laborsta Database](#)

## For more information, please contact

ILO Regional Office for Asia and the Pacific  
United Nations Building  
Rajdamnern Nok Avenue  
Bangkok 10200, Thailand  
[bangkok@ilo.org](mailto:bangkok@ilo.org) | Tel: +66 (0) 2 288 1234

Sophy Fisher, Regional Information Officer  
Regional Communications Department  
[fisher@ilo.org](mailto:fisher@ilo.org) | Tel: +66 (0) 2 288 2482

Gyorgy Sziraczki, Senior Economist  
Regional Economic and Social Analysis Unit  
[sziraczki@ilo.org](mailto:sziraczki@ilo.org) | Tel: +66 (0) 2 288 1215

---

<sup>1</sup> This update was prepared by Nikhilesh Bhattacharyya, Phu Huynh, Kee Beom Kim and Gyorgy Sziraczki. It provides a snapshot of economic and labour market trends for a number of Asian economies based on official data available as of 7 March 2011. Due to variations in national definitions, data presented for different economies are not strictly comparable.

<sup>2</sup> Statistics Japan: <http://www.stat.go.jp> (accessed 7/3/2011).