

Asia-Pacific Labour Market Update

ILO Regional Office for Asia and the Pacific | April 2013

Overview: Growing pains

The Asia-Pacific labour market has been resilient in a fragile world economy, but not everywhere, and not for everyone. Although economic growth was robust in China and parts of South-East Asia, other economies have slowed. Overall, economic uncertainty could damage the region's efforts to improve job opportunities and quality, in particular for women and young people.

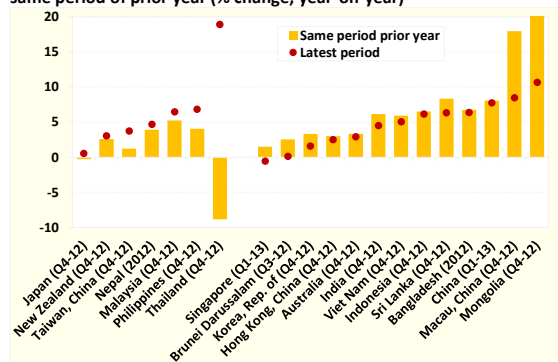
Despite recent progress, women's economic participation remains disproportionately low in many parts of the region. When women do find work, many end up in precarious and unstable jobs in agriculture and the informal sector, for example as street vendors and domestic workers. The uncertain economic environment only magnifies many of the employment challenges that women face and slows their progress in the workplace. In some countries, where young women have been able to find jobs in industries that make products for export such as garments, those jobs are particularly vulnerable in a volatile economic climate.

Sustained gains for women workers as well as youth and other vulnerable groups will only be possible if economic growth is stable, benefits more people and creates quality jobs. Well-functioning labour market institutions that promote decent work and gender equality in the workplace are equally critical. So too are improvements to infrastructure, the business environment and education and training, all of which can drive productivity growth.¹

Global recovery slows, outlook remains fragile...

More than four years after the onset of the global financial crisis, the economic environment in many Asia-Pacific economies remains uncertain. Recent regional economic trends have been mixed, reflecting weak external markets in some cases and resilient domestic demand in others (see Figure 1).

Figure 1: Real gross domestic product, latest period in 2012/13 and same period of prior year (% change, year-on-year)



Note: Figures for Bangladesh and Nepal are annual.

Source: CEIC Global Database; National statistical offices.

Driven by domestic consumption and investments, China's economic growth was 7.7 per cent in the first quarter of 2013. While strong, this represents a decrease both year-on-year and quarter-on-quarter.

In India annual output increased by 4.5 per cent. This was partly due to moderating growth in services and agriculture. Activity in both Bangladesh and Sri Lanka, although slower than in 2011, expanded year-on-year by 6.3 per cent spurred by an increase in industrial output.

The economies of South-East Asia were resilient overall. In Thailand, a dynamic recovery in the motor vehicle sector from the 2011 flooding crisis and an increase in consumption helped boost economic growth to a remarkable 18.9 per cent. Economic growth in Malaysia and the Philippines also benefited from robust domestic demand and increased to 6.4 per cent and 6.8 per cent respectively. By contrast, output in Indonesia expanded more slowly at 6.1 per cent, with moderation in exports and public investments. Growth in Viet Nam dipped to 5 per cent partly reflecting the impact of policies designed to create macroeconomic stability.

In the Pacific Islands economic growth remained strong overall in 2012 but softened in comparison to the previous year.² GDP growth in Papua New Guinea, estimated at 9.2 per cent in 2012, was spurred by domestic demand linked to a liquefied natural gas project. In the Solomon Islands growth estimated at 5.5 per cent in 2012 was driven by a vigorous industrial sector. Notably, economic activity in Samoa decelerated due to the severe impacts of Cyclone Evan on both agriculture and tourism, underscoring the sub-region's high vulnerability to natural disasters.

In the industrialized economies of Australia, Hong Kong (China), Japan, Republic of Korea and Singapore, economic activity remained sluggish or decelerated on an annual basis. However in New Zealand, growth increased to 3 per cent and in Taiwan (China) to 3.7 per cent.

Economic prospects for 2013 point to only a slight improvement in global growth.³ Moreover, downside risks including renewed setbacks in the euro debt crisis and the United States fiscal policy divide could adversely weigh on the Asia-Pacific region's growth and labour market outlook.

Box 1: Releasing women's potential

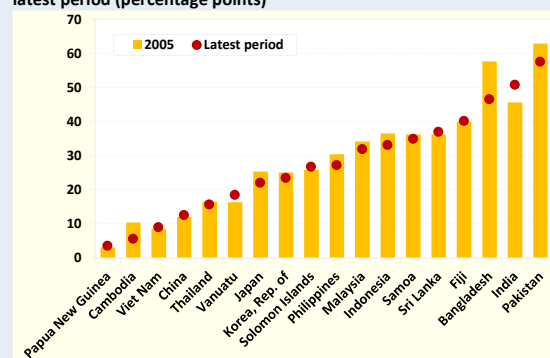
Realizing women's full economic potential is essential for driving growth and achieving more inclusive and balanced development. However, throughout the Asia-Pacific region, women still face significant barriers (see Figure B1.1).

The gender gap in labour force participation is the highest in Bangladesh, India and Pakistan, exceeding 45 percentage points. But in many countries in South-East Asia and the Pacific it also ranged from 25-40 percentage points. However, one positive development is that since 2005 the male-female gap has fallen in most economies, notably in Bangladesh (11.1 percentage points) and Cambodia (4.8 percentage points) where export-oriented garment industries have created new job opportunities.

A concerning exception to this regional pattern is India where women's participation decreased to 29 per cent, and the gender gap rose by 5.1 percentage points. A number of factors are behind this trend, including more young women attending school, declining employment opportunities for women and unequal access to the same occupations and industries as men.¹

Improving women's labour market prospects requires a fundamental change in social perceptions. Stronger anti-discrimination and anti-harassment legislation for workplaces is also needed. Other important measures include skills development, access to child care, maternity protection, access to safe transport, reducing earnings disparities between men and women and promoting growth that creates productive jobs.²

Figure B1.1: Male-female gap in labour force participation, 2005 and latest period (percentage points)



Note: Ages 15+ except Cambodia and Malaysia (ages 15-64) and Sri Lanka (ages 10+).

Source: National statistical offices; ILO: Key Indicators of the Labour Market (7th edition).

¹ S. Kapsos and A. Silberman: *Understanding the recent decline in female labour force participation in India* (New Delhi, ILO, forthcoming).

² The gender pay gap throughout the region is considerable and as high as approximately 40 per cent in Nepal and Pakistan. Source: Authors' estimates from ILO: *Global Wage Database* (2012).

...with varied progress on job growth...

Recent employment trends were mixed across the region and driven by economic and demographic developments (see Figure 2). Employment in the Philippines expanded by a slower 1.6 per cent in the first quarter (on a year-on-year basis), with the majority of job increases in the hotel, restaurant and construction industries. In Indonesia job growth moderated to 1 per cent in August, partially reflecting a sudden decrease of 350 thousand women from the labour force and the related increase in economic inactivity due to household responsibilities.

In Viet Nam, employment expanded by just 0.5 per cent matching slower labour force growth. Employment levels in Sri Lanka contracted by 2.5 per cent overall; however industrial employment increased by a favourable 3.3 per cent.

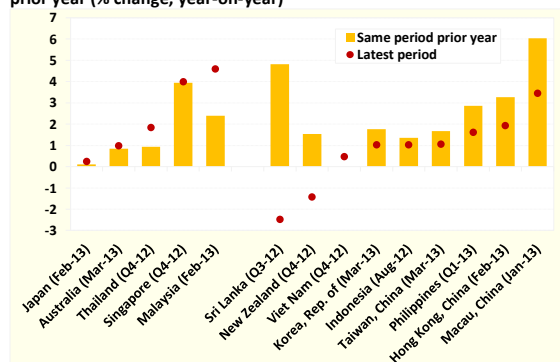
In contrast, strong employment growth continued in Malaysia and Singapore, rising by 4.6 per cent and 4 per cent respectively, with a sizeable increase in the labour force in the former and greater demand in construction and services in the latter. Employment

levels in Thailand also edged upwards to 1.8 per cent but predominantly in agriculture.

In the industrialized economies progress varied. In Australia, Japan, New Zealand and the Republic of Korea, flat labour force growth shaped weak employment trends. In Hong Kong (China) and Macau (China) employment growth softened but remained significant at 1.9 per cent and 3.5 per cent respectively.

Creating more productive jobs would greatly help the region navigate the volatile global economic recovery, particularly if labour market prospects for women are prioritized (see Box 1).

Figure 2: Employment, latest period in 2012/13 and same period of prior year (% change, year-on-year)



Note: Non-seasonally adjusted; ages 15+ except Macau, China (ages 16+) and Sri Lanka (ages 10+); Sri Lanka excludes Northern province.

Source: National statistical offices.

Unemployment rates throughout the region remained relatively low overall (around 4 per cent or lower), but there were a few exceptions (see Figure 3). In Indonesia, unemployment in August (measured on an annual basis) fell from 6.6 per cent to 6.1 per cent, largely due to a substantial decline in the female labour force. Unemployment in the Philippines remained above 7 per cent with higher rates for men than women. In New Zealand, unemployment spiked year-on-year from 6.3 per cent to 6.8 per cent at the end of 2012 and edged upwards in Australia to 6.0 per cent in March.

...and a persistent lack of jobs for young people...

While the overall unemployment situation appears less concerning, creating decent jobs for young people remains daunting in many parts of Asia and the Pacific. In seven of thirteen economies with recent data, youth unemployment exceeded 10 per cent.

In Indonesia, although youth unemployment has fallen in recent years, nearly one in five young people in the labour force remains unemployed. In New Zealand,

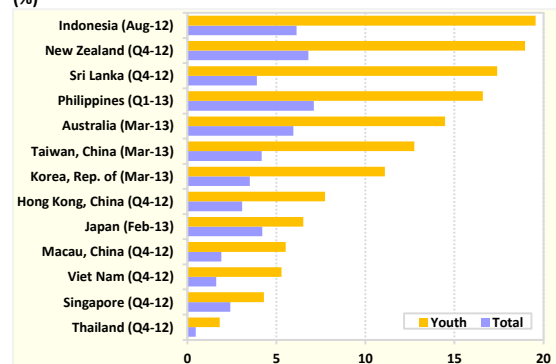
unemployment among youth climbed from 16.6 per cent to 19 per cent on an annual basis, and accounted for nearly three-fourths of the total increase in unemployment. Notably, in Sri Lanka the youth unemployment rate was more than four times the overall unemployment rate and significantly higher for young women (24.5 per cent) than young men (13.3 per cent).

For young men in the Pacific Islands, the unemployment challenge is especially severe. In Papua New Guinea the unemployment rate for young people aged 15-24 was 6 per cent overall, but an alarming 18.1 per cent for urban male youth. Likewise, young men in Samoa accounted for more than one-third of the total unemployed population and young women accounted for around one-fifth. In the Marshall Islands youth unemployment was 11 per cent, with higher rates for young men (12.2 per cent) compared to young women (8.7 per cent).⁴

The mismatch between education, employers' requirements and youth aspirations remains an important underlying factor. In the Lao People's Democratic Republic, for instance, the youth unemployment rate was 3.1 per cent overall but nearly 13 per cent among young people with a university or post-graduate degree.⁵

Unemployment among young people, however, is only one aspect of the youth employment challenge. Many young people in developing Asia and the Pacific have adjusted to limited job opportunities by working part-time, sometimes involuntarily. Too many continue to work in low-paid jobs with earnings that are insufficient to escape poverty.⁶ In India, for example, 72.2 per cent (or 45.8 million) of all young workers aged 15-24 still lived in households on less than US\$2 per person each day.⁷

Figure 3: Unemployment rate, total and youth, latest period in 2012/13 (%)



Note: Non-seasonally adjusted; total includes ages 15+ except Macau, China (ages 16+) and Sri Lanka (ages 10+); youth includes ages 15-24 except Macau, China (ages 16-24) and Singapore (Residents ages 15-29).

Source: National statistical offices.

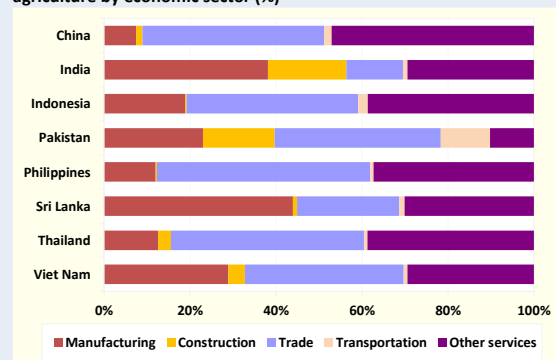
Box 2: Women trapped in informality

A disproportionate number of women workers in the developing economies of Asia and the Pacific are found in agriculture, where productivity and earnings are low and informality is pervasive. The percentage of employed women in agriculture is 45.6 per cent, compared to only 38.5 per cent for men. In the South Asia sub-region, the gap is even greater, with the share of agricultural employment for women 24.1 percentage points higher than for men.¹

Job-related informality is also prevalent for women working in the secondary and tertiary sectors. In six of eight countries with comparable data around 40-50 per cent of women with non-agricultural informal jobs were in the trade sector (see Figure B2.1). However, in India and Sri Lanka these women were primarily employed in manufacturing. In addition, with the exception of Pakistan, other service sectors (excluding trade and transportation) also accounted for a considerable share of women's informal non-agricultural jobs, ranging from 30-47 per cent.

One key service industry where informality is widespread among working women is the domestic household sector. Overall, 41 per cent of the world's domestic workers are in Asia, equal to 17.5 million women and 4 million men.² Despite their economic and social contributions, many lack legal protection and decent working conditions. The Philippines has taken a significant step towards tackling this issue by ratifying the ILO's Domestic Workers Convention, 2011 (No. 189). The convention provides an essential floor of rights – including decent hours, the right to collective action and to a minimum wage and legal protection from harm or abuse.

Figure B2.1: Distribution of female informal employment in non-agriculture by economic sector (%)



Note: Indonesia includes only Banten and Yogyakarta; Sri Lanka excludes the Northern Province; China covers six urban areas.

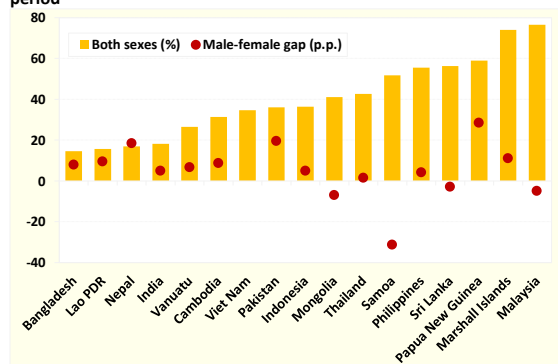
Source: ILO: *Statistical update on employment in the informal economy* (Geneva, June 2012).

¹ ILO: Key Indicators of the Labour Market (7th edition), table R4.

² ILO: *Domestic workers across the world: Global and regional statistics and the extent of legal protection* (Geneva, 2013).

...and low job quality and productivity remain paramount challenges

Figure 4: Share of wage employment in total employment (%) and gender gap in wage employment rates (percentage points), latest period



Note: Ages 15+ except Cambodia and Malaysia (ages 15-64).

Source: National statistical offices; ILO: Key Indicators of the Labour Market (7th edition).

Poor working conditions and low quality jobs are pervasive throughout the region. In developing Asia and the Pacific, nearly 1.1 billion workers (61.1 per cent) are classified as own-account or contributing family worker with limited job stability, earnings and protection.⁸ These workers are often informally

employed with few opportunities for regular, salaried employment that is more productive and secure.

In eleven of seventeen developing economies, fewer than one in two workers was engaged in paid wage employment (see Figure 4). In Bangladesh, India, Lao People's Democratic Republic and Nepal, salaried work accounted for fewer than one-fifth of all jobs. Only in the Marshall Islands and Malaysia were wage employment rates higher than 70 per cent.

With only a few exceptions, the share of wage employment was lower for women than for men in the sample of countries, underscoring the distinct challenge that women face (also see Box 2). The largest male-female gaps in wage employment rates were in Papua New Guinea (28.4 percentage points), Pakistan (19.5 percentage points) and Nepal (18.3 percentage points). In contrast, salaried employment in Samoa was more common among working women than men who were predominantly found in subsistence agriculture.⁹

Recent wage trends reveal another concern. While wages in Asia almost doubled between 2000 and 2011, this strong performance was driven mainly by China.¹⁰ Wages in the rest of Asia excluding China have actually stagnated in recent years and were lower in real terms in 2011 than in 2007, the year before the global financial crisis. In addition, wage levels in developing Asia remain considerably low, with average manufacturing wages in China, India, and the Philippines well under US\$2 per hour, compared to US\$12.68 in Singapore and US\$18.32 in Japan.

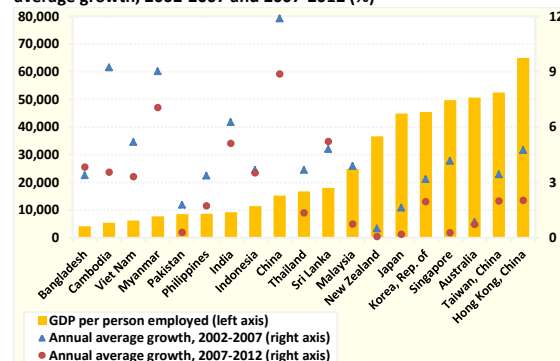
The job quality challenge in the Asia-Pacific region is also linked to labour productivity trends. Since the onset of the global financial crisis, labour productivity has mostly decelerated or stagnated across the region (see Figure 5). Comparing the five-year period before and since 2007, annual average productivity growth decreased the most in Cambodia (5.7 percentage points), Singapore (3.9 percentage points) and Malaysia (3.1 percentage points). Productivity growth in China and India, while still robust, moderated from 11.9 per cent to 8.9 per cent and from 6.3 per cent to 5.1 per cent, respectively. Weak investments and a volatile business outlook have contributed to these downward trends.¹¹

In addition, there remain significant intra-regional disparities in labour productivity levels. In more than one-third of the economies with comparable data, GDP per worker remained below US\$10,000. By contrast, productivity in the seven industrialized Asia-Pacific economies averaged US\$46,818, or three to five times higher than in India, Indonesia and China.¹²

Given the importance of higher productivity in improving economic competitiveness, working conditions and living standards, it is necessary to prioritize policies that accelerate productivity growth. This includes increasing infrastructure investment, facilitating sectoral shifts from agriculture to industry,

promoting innovative business practices particularly in small and medium enterprises, enhancing the relevance of education and training institutions and ensuring workplace safety.¹³ Moreover, better labour market governance, including social dialogue and collective bargaining systems, could help foster workplace productivity and ensure that productivity gains are shared equitably.

Figure 5: GDP per person employed (constant 1990 US\$) and annual average growth, 2002-2007 and 2007-2012 (%)



Source: ILO: Key Indicators of the Labour Market (7th edition).

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² Economic data and analysis of the Pacific Islands are based on Asian Development Bank: *Pacific Economic Monitor* (Mar. 2013).

³ IMF: *World Economic Outlook: Hopes, realities, risks* (Washington, D.C., Apr. 2013).

⁴ Papua New Guinea National Statistical Office: *2009-2010 Papua New Guinea Household Income and Expenditure Survey: Summary Tables* (Port Moresby, 2012); Republic of the Marshall Islands, Economic Policy, Planning and Statistics Office: *The RMI 2011 Census of Population and Housing: Summary and Highlights Only* (Feb. 2012); and Samoa Bureau of Statistics: *Population and Housing Census 2011: Tabulation Report v.1* (July 2012).

⁵ Authors' calculations based on ILO et al.: *Lao PDR: Labour force and using child labour survey: Year 2010* (Vientiane, 2012).

⁶ ILO: *Global Employment Trends for Youth 2013: The crisis reaches new highs* (Geneva, forthcoming).

⁷ P. Huynh and S. Kapsos: *Economic class and labour market inclusion: Poor, vulnerable and middle class workers in developing Asia* (Bangkok, ILO, forthcoming).

⁸ ILO: *Global Employment Trends 2013: Recovering from a second jobs dip* (Geneva, 2013).

⁹ Economic participation in Malaysia, Samoa and Sri Lanka is significantly lower for women than men (see Box 1). However, when they do engage in the labour market, women are more likely than men to be engaged in wage employment in these countries.

¹⁰ Wage data and analysis are based on ILO: *Global Wage Report 2012-13: Wages and equitable growth* (Geneva, 2012).

¹¹ ILO: *Global Employment Trends 2013: Recovering from a second jobs dip*, op. cit.

¹² The seven industrialized Asia-Pacific economies include Australia, Hong Kong (China), Japan, New Zealand, Republic of Korea, Singapore and Taiwan (China).

¹³ Recent workplace tragedies in Bangladesh, for example, have highlighted the importance of occupational safety and better working conditions. See: J.A. Manik and J. Yardley: "Building collapse in Bangladesh leaves scores dead", in *The New York Times*, 24 Apr. 2013.