

15th Asia and the Pacific Regional Meeting – Kyoto, Japan, December 2011



International  
Labour  
Office

# Building a sustainable future with decent work in Asia and the Pacific



**Supplement to the Report  
of the Director-General**

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INTERNATIONAL LABOUR OFFICE

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## Introduction

Since the publication of my Report to the 15th Asia and the Pacific Regional Meeting in early 2011,<sup>1</sup> events have served to underscore the imperative of moving towards new, more efficient patterns of growth with social justice – a message that was already central to my earlier Report. This supplement further develops the arguments framed within the decent work contribution to an efficient, sustainable development path, social justice and a fair globalization. This requires a multi-layered strategy embracing policy development and action on the ground, founded on the dynamism of markets, the power of social dialogue and, fundamentally, on the dignity of work. Specific approaches will take shape in, and be adapted to, national specificity. This 15th Asia and the Pacific Regional Meeting is an important forum to shape a common agenda that responds to the reality of our diverse membership.

This region is poised to account for half of global output, trade and investment within a few decades. Alongside rapid economic growth, there have also been significant achievements in a number of other areas, including poverty reduction. Yet the region is also characterized by uneven productivity growth, widening inequalities, limited social protection, persistent vulnerability and informality of employment, weak representation and “voice” including restrictions on freedom of association and collective bargaining. Moreover, the fragile economic situation, continuing high unemployment and stagnant growth in the traditionally important export markets of the United States and Europe mean that stable future growth will have to rely more on domestic demand and deeper regional integration and cooperation.

If the dynamism, energy and creativity that are so manifest in this region are to be harnessed for a sustainable future, new patterns of growth that are economically, socially and environmentally efficient are called for. Integrated policy packages would better address the region’s employment and social challenges and support its move towards balanced and sustainable development with equitably shared prosperity.

An essential component of such a growth model is decent work; growth underpinned by broad-based increases in productivity, investment in human capital and social protection, respect for rights at work and strong labour market institutions.

Environmental sustainability is central to this scenario. As the region addresses the impact of climate change the implications for the world of work – including for jobs, skills and the opportunities for enterprises in a range of economic activities – call for attention. Early action to manage a just transition using social dialogue is indispensable.

In recent months, the massive earthquake and tsunami in Japan and the recurrence of food and commodity price increases are reminders of the acute vulnerability of much of the region to natural disasters and external shocks. Preparedness and response measures must include support for the world of work.

A number of important developments have shown that we cannot be complacent. The wave of political uprisings that started in Tunisia and Egypt in early 2011 has now reached many parts of the Arab world. The fate of these popular movements remains in the balance, but it is already clear that they have produced the most dramatic changes in the region in the past half century.

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<sup>1</sup> ILO: *Building a sustainable future with decent work in Asia and the Pacific*, Report of the Director-General, 15th Asia and the Pacific Regional Meeting (Geneva, 2011).

These events have highlighted how the denial of democratic rights and freedoms, together with social and economic shortcomings (expressed, among other ways, in high youth unemployment, growing wage inequality and constrained private sector growth) fuel social and political upheavals. The demand for change, led by young people in countries such as Tunisia, Egypt and Yemen, has brought together people of many different backgrounds, so demonstrating the universality of the need for decent jobs, basic rights and freedoms and respect for human dignity.

Across many Arab countries of West Asia there are hopes that political change will eventually bring considerable economic and social benefits. These include unleashing the stifled creative and entrepreneurial energies of a youthful population, and delivering to them new mechanisms and labour institutions where voice, participation and democracy flourish.

Although cultures, political systems and levels of development differ, the same basic human aspirations echo around the globe. This is why the ILO's constituents – representatives of governments, workers' and employers' organizations – attending the 100th International Labour Conference last June strongly supported the call for “a new era of social justice”, growth with equity, “voice” and sustainable development underpinned by decent work.<sup>2</sup>

In Asia and the Pacific, governments and their social partners need to act now to set in motion the reforms necessary to rebalance growth and pursue sustainable development in line with the fundamental aspirations of people.

An efficient growth model can also help the countries of Asia and the Pacific avoid falling into the “middle-income trap”, where growth slows down as an economy fails to make the shift from being a low-wage producer to a highly skilled innovator and gets caught somewhere in between.<sup>3</sup> In the last decade, the region has managed to achieve high (though uneven) productivity growth by relying heavily on manufacturing and a few high-end service sectors. In the future, more balanced productivity growth will be necessary to diversify production, move up the value chain and generate more and better jobs. This will require a strong focus on fostering an environment that encourages and facilitates business creation and investment in skills, which in turn can fuel innovation, growth and job creation. At the same time, strengthening social protection, respect for rights at work and related labour institutions can ensure that the benefits of growth are shared fairly.

Overcoming the “middle-income trap” is especially critical for the region's future. In recent decades middle-income countries have generated most of the region's robust growth, and they now account for more than 70 per cent of the region's GDP and are home to more than 80 per cent of its population.<sup>4</sup> China, India, Indonesia, Malaysia and Thailand are among those who must tackle the middle-income trap and continue to push innovation, technology, human capital and living standards closer to those of richer economies. The reward would be a more balanced and sustainable development path, inspired by the vision of social justice and fair globalization, that could help the region address the decent work challenges (both long-standing and new) it faces in its quest for prosperity.

At the same time, the main thrust of the economic policy of oil-producing countries in the Gulf States continues to focus on implementing measures that will diversify their economies and promote investments and labour market reforms directed towards creating productive employment for their nationals. A new labour market model that goes beyond oil revenue-based development should focus on human-resource development as well as addressing the critical decent work deficits affecting foreign workers. These are both economic and moral imperatives that require resolute leadership and bold initiatives.

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<sup>2</sup> ILO: *A new era of social justice*, Report of the Director-General, Report I(A), International Labour Conference, 100th Session (Geneva, 2011); and ILO press release: “100th ILO annual Conference concludes with move toward new era of social justice”, 17 June (Geneva, 2011), available at: [http://www.ilo.org/ilc/ILCSessions/100thSession/media-centre/news/WCMS\\_157996/lang--en/index.htm](http://www.ilo.org/ilc/ILCSessions/100thSession/media-centre/news/WCMS_157996/lang--en/index.htm).

<sup>3</sup> Some recent reports have found that China and some other middle-income economies in the region will soon hit the per capita income level where – historically – growth slowed sharply in other economies that had previously experienced rapid economic expansion, and they may fall in the middle-income trap. See B. Eichengreen, D. Park and K. Shin: *When fast growing economies slow down: International evidence and implications for China*, National Bureau of Economic Research Working Paper Series, No. 16919 (Cambridge, MA, 2011); ADB: *Asia 2050: Realizing the Asian Century* (Manila, 2011), p. 33; and *The New York Times*: “Avoiding the middle-income trap”, 25 October (New York, 2010), available at: <http://www.nytimes.com/2010/10/26/business/global/26inside.html>.

<sup>4</sup> Middle-income countries defined according to World Bank income classifications. See: <http://data.worldbank.org/about/country-classifications>. GDP data based on IMF: World Economic Outlook Database (April 2011). Population data based on United Nations: World Population Prospects, the 2010 Revision database.

# Efficient growth, social justice and shared prosperity

## Reducing inequality, addressing vulnerability

The region's formidable economic performance over the past decades has lifted millions of people out of poverty. Overall, people in the region are richer, healthier and better educated today than their parents and grandparents were. Life expectancy and adult literacy have improved. But the region's rapid growth has been accompanied by rising inequality and persistent vulnerability and pockets of poverty. This threatens social cohesion and potentially undermines long-term development prospects.

As I noted in my earlier Report, there are pervasive and rising income inequalities. Wage polarization between the bottom and the top is growing, an increasing percentage of workers are on low pay, wage increases lag productivity growth and there is a persistent gender pay gap.

- Between 2000 and 2009, output per worker in Asia and the Pacific rose ten times faster than in the rest of the world.<sup>5</sup> However, productivity gains have been uneven; large gaps in output per worker exist across sectors, regions and types of enterprises. At the same time, wages and working conditions have not kept pace with productivity growth, due to weak labour institutions and the limited role of collective bargaining in the region. This has contributed to a declining wage share in national income and rising inequality in income and wealth in many countries.
- Income inequality (as measured by the Gini coefficient) either remained high or increased in the first decade of the century. China and India – the most populous countries in the world – stand as examples where high growth (respective average annual GDP per capita growth rates of 10.1 and 6.3 per cent between 1990 and 2008) combined with increasing income inequality; their respective Gini indices jumped by 12.2 and 3.8 points over the same period.<sup>6</sup>
- In all Asia and the Pacific countries for which data are available, the share of workers on low pay (defined as earning less than two-thirds of median wages) increased between 1995–2000 and 2007–09.<sup>7</sup>
- Gender pay gaps persist, with women's wages representing between 70–90 per cent of the wages of their male counterparts. In Jordan, women professionals earn a staggering 33 per cent less than male professionals.<sup>8</sup> This differential is the product of a group of factors, but one is likely to be discrimination, which also affects other workers such as migrants, people with disabilities and those with HIV/AIDS.
- While income inequality permeates most of Asia, there are exceptions. Between 2005 and 2009, Indonesia managed to reduce income inequality using education, health and social policies. Income inequality also narrowed in Timor-Leste between 2001 and 2007, and in Viet Nam between 2004 and 2008.<sup>9</sup>

<sup>5</sup> ILO: *Building a sustainable future with decent work in Asia and the Pacific*, op. cit., p. 22.

<sup>6</sup> I. Ortiz and M. Cummins: *Global inequality: Beyond the bottom billion. A rapid review of income distribution in 141 countries*, Social and Economic Policy Working Paper (New York, UNICEF, April 2011), p. 27; and World Bank: *World development indicators 2011* (Washington, DC, 2011).

<sup>7</sup> ILO: *Global Wage Report 2010–11: Wage policies in times of crisis* (Geneva, 2010), p. 35.

<sup>8</sup> ILO: *Combating pay discrimination: The example of Jordan*, 2011. Available at: [http://www.ilo.org/global/about-the-ilo/press-and-media-centre/insight/WCMS\\_155417/lang--en/index.htm](http://www.ilo.org/global/about-the-ilo/press-and-media-centre/insight/WCMS_155417/lang--en/index.htm).

<sup>9</sup> World Bank: *World development indicators 2011*, op. cit.

The countries of Asia and the Pacific, especially East and South-East Asia, have made huge strides in reducing the proportion and number of workers living in severe poverty,<sup>10</sup> but about half of the region's population remains vulnerable to poverty. The majority of workers are increasingly concentrated in a relatively narrow income band around or just above the US\$2 per day poverty line.<sup>11</sup> This leaves them vulnerable to falling back into poverty in the event of an external economic shock, accident, ill health or family emergency. It also makes them less likely to adopt longer-term patterns of spending and investment – e.g. education, insurance, starting small businesses – that underpin greater personal and national productivity and income.

Vulnerability is not just an issue of income. Asia cannot continue on its successful course without creating more and better jobs and without addressing the social and environmental factors underpinning poverty, which particularly affect women, ethnic minorities, migrants, domestic workers and those without voice and representation.

- About 1.1 billion people (60 per cent of the region's workers) are in vulnerable employment that typically involves poor-quality, low-paid jobs with poor working conditions and intermittent or insecure work arrangements.<sup>12</sup>
- 566 million people are malnourished, 469 million do not have access to safe water and 1.8 billion people have no access to sanitation. Rapid urbanization, growing environmental stress and climate change will exacerbate these problems.<sup>13</sup>
- Female labour force participation in the Middle East is the lowest in the world at 24.8 per cent, compared to a global average of 52.7 per cent.<sup>14</sup>
- An estimated 114 million children were still in work in 2008, 48 million of them in hazardous conditions.<sup>15</sup>

Even today, as growth returns to pre-crisis levels, the majority of people in some countries do not feel that their standard of living is improving (figure 1). Equally telling is that (outside West Asia) no developing country in the region has made it into the top 20 of Gallup's 2010 well-being index, which evaluates countries by how their populations rate their lives ("thriving", "struggling" or "suffering").<sup>16</sup> Fewer than 20 per cent of people in India, Indonesia, Malaysia, the Philippines and Viet Nam rated their lives as "thriving". In Bangladesh, China, Mongolia and Yemen, the figure was less than 15 per cent and in Cambodia, Nepal and Sri Lanka, less than 10 per cent.

Maintaining the momentum of strong growth requires rising, broad-based productivity growth, as well as a more equitable sharing of its benefits. This is not only a matter of supporting social cohesion, it also makes economic sense. A reduction in poverty, inequality and vulnerability through enhanced social protection and other measures would generate more domestic demand as low-income families spend a higher share of their income on consumption. Ensuring that wages keep pace with productivity gains would allow domestic consumption to act as an enhanced engine of growth. Such linkages should sustain a virtuous circle of improved productivity, reduced inequality and sustainable development.

In such an approach, social protection, labour standards and social dialogue are integral to securing a strong, balanced and sustainable future. This highlights why the Decent Work Agenda is more critical than ever.

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<sup>10</sup> United Nations: *The Millennium Development Goals Report 2010* (New York, 2010), pp. 6–11; and ILO: *Building a sustainable future with decent work in Asia and the Pacific*, op. cit., pp. 21–22.

<sup>11</sup> A. Bauer: *Social inclusiveness in Southeast Asia: How does inclusive growth matter?* Paper presented at the Experts' Meeting on Social Cohesion in Southeast Asia on 21 July (Bangkok, 2011).

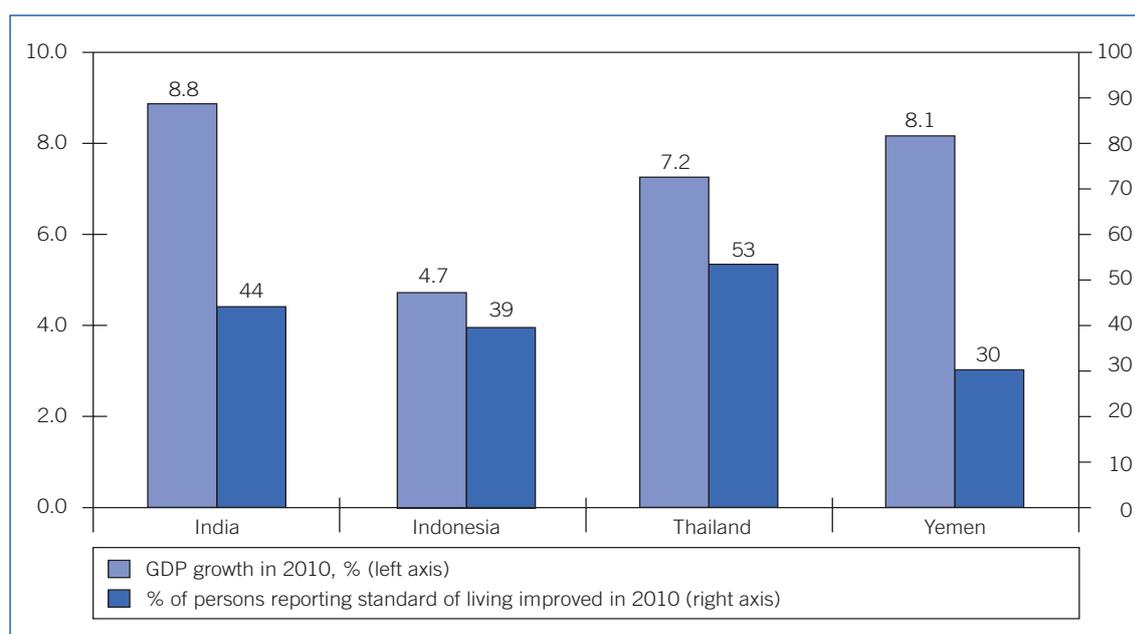
<sup>12</sup> ILO: *Building a sustainable future with decent work in Asia and the Pacific*, op. cit., p. 4.

<sup>13</sup> UNESCAP, ADB and UNDP: *Paths to 2015: MDG priorities in Asia and the Pacific: Asia-Pacific MDG Report 2010–11* (Bangkok, 2010), pp. 8, 15.

<sup>14</sup> ILO: *Global employment trends 2011: The challenge of a jobs recovery* (Geneva, 2011), table A8.

<sup>15</sup> ILO: *Accelerating action against child labour*, Report of the Director-General, International Labour Conference, 99th Session (Geneva, 2010), p. 10.

<sup>16</sup> J. Ray: *High wellbeing eludes the masses in most countries worldwide* (Washington, DC, Gallup, 2011). Available at: <http://www.gallup.com/poll/147167/high-wellbeing-eludes-masses-countries-worldwide.aspx>.

**Figure 1. High growth is leaving many behind**

Sources: Gallup World Poll; and IMF: World Economic Outlook Database (April 2011).

### ***Social protection: Promoting efficient growth by investing in people***

Social protection is an investment in both human capital and social and economic development. For States and their peoples, social protection is not just a question of entitlement and social responsibility, but a matter of rights. As Ms Noeleen Heyzer, UN Under-Secretary General and ESCAP Executive Secretary, told the Ministerial Segment of the 67th ESCAP Commission Session, “it is a social contract with people”.<sup>17</sup> This notion was also echoed by Ms Rima Khalaf, ESCWA Executive Secretary, during the 100th Session of the International Labour Conference.<sup>18</sup>

Of course, such investments could be facilitated by rapid economic growth, as has been widely experienced in the Asia–Pacific region in recent years (notwithstanding the period of economic crisis). The region has the potential to lead the world in balanced, sustainable development by strengthening the social dimension of this impressive growth and making social protection a mainstay of national development policies.

All countries should focus on building a social protection floor on the basis of a minimum universal entitlement to social security within a context of fiscal sustainability and as part of strategies for sustainable growth, prosperity and human security. The social security provisions and benefits of this floor would vary from country to country but would generally include basic health care and measures to ensure income security for households with children, the working age population, the elderly and the disabled. Building a social protection floor could strengthen social cohesion and support gender equality. It is also a powerful instrument for discouraging child labour and encouraging school enrolment.

Social protection also fortifies both societies and individuals against dangerously destabilizing economic shocks, acting as an economic stabilizer that buffers against falling incomes and consumption (as was seen during the 2008–09 economic downturn). Moreover (and this is

<sup>17</sup> UNESCAP press release: *Asia–Pacific governments agree on the need for universal basic social protection as a “staircase” out of poverty and exclusion*, 23 May (Bangkok, 2011). Available at: <http://www.unescap.org/unis/press/2011/may/g20.asp>.

<sup>18</sup> See *Provisional Record No. 23 – Summary reports of panel discussions, Panel 3: “The role of decent work in a fairer, greener and more sustainable globalization”*, 14 June (Geneva 2011). Available at: [http://www.ilo.org/wcmsp5/groups/public/@ed\\_norm/@relconf/documents/meetingdocument/wcms\\_157819.pdf](http://www.ilo.org/wcmsp5/groups/public/@ed_norm/@relconf/documents/meetingdocument/wcms_157819.pdf).

especially important in the context of the region's massive transformation), social protection can enhance growth by empowering individuals to seize opportunities that arise in changing markets, so facilitating adjustment to structural change.

Asian countries have tended to spend less than other regions on social protection. Measured as a percentage of GDP, the public health and social security spending of Asia and the Pacific (excluding West Asia) is low – an estimated 5.3 per cent, compared with 10.2 per cent in Latin America and the Caribbean.<sup>19</sup> In the Arab States, the figure is higher at 10.2 per cent of GDP, although there have been some concerns about the fragmentation and efficiency of their social protection systems. Furthermore, migrant workers remain largely excluded from social protection schemes.

The low levels of public spending in Asia often stem from the enduring perception that universal protection is unaffordable. There is evidence to show that this is not the case if it is well designed, specifically targets those in need and is introduced in stages.

- In India, a basic social protection package for more than 300 million informal economy workers could be provided for less than 0.5 per cent of GDP.<sup>20</sup>
- In the 49 least developed countries, a social protection floor – providing a minimum level of income security for children, poor workers and older women and men – would cost about 8.7 per cent of the countries' combined GDP; this would be manageable if implemented gradually.<sup>21</sup>
- The ILO and other UN agencies are conducting Assessment Based National Dialogue exercises that seek to identify policy gaps, provide recommendations for the establishment of a social protection floor, and calculate the additional cost of introducing the floor in several countries in Asia and the Pacific. In Viet Nam the results show that an additional 2 per cent of GDP would be needed.

The message is that countries should start investing more heavily in social protection today, as emphasized in my Report to the 100th Session of the International Labour Conference.<sup>22</sup>

Many countries in the region have already made significant progress in extending social protection through both contributory and non-contributory schemes.

- Thailand now provides almost universal access to basic health care.
- The Indonesian and Vietnamese Governments have managed to extend health care to the poorest groups through non-contributory schemes.
- Insurance-based schemes are also on the rise, from pensions and health insurance in China and Jordan to unemployment benefits in Bahrain and Viet Nam.
- The Kingdom of Saudi Arabia is now introducing an unemployment insurance scheme and an unemployment assistance scheme for Saudi nationals and is considering the establishment of a provident fund scheme for migrant workers.

Meanwhile, public works schemes in countries such as Indonesia, Nepal, Pakistan and Timor-Leste have provided examples of self-targeting assistance that not only generate basic employment but also support important infrastructure improvements. This has had a direct and positive impact on poverty alleviation and local economic development.

It is vital to build upon these initiatives and support the gradual introduction and extension of a social protection floor across the entire Asia-Pacific region. In the developing countries of Asia the main challenges include securing sufficient public funds for health and social security in a fiscally sustainable way. Innovative programmes are needed that respond to current weaknesses in tax collection, including the limited tax base that has resulted from large informal economies

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<sup>19</sup> ILO: *World Social Security Report 2010–11: Providing coverage in times of crisis and beyond* (Geneva, 2010), table 8.1, p. 81.

<sup>20</sup> *The challenge of employment in India: An informal economy perspective*, National Commission for Enterprises in the Unorganised Sector, Vol. 1 (New Delhi, 2009).

<sup>21</sup> ILO: *Can low-income countries afford basic social security?* Social Security Policy Briefings Paper No. 3 (Geneva, 2010).

<sup>22</sup> ILO: *A new era of social justice*, p. 34.

that constrain income redistribution.<sup>23</sup> In West Asia, where social spending is typically far higher, the challenge is more often one of improving the coherence, coverage and efficiency of fragmented social protection systems.

In the coming years, the region's ability to progressively guarantee a minimum level of protection and well-being for all citizens will be a critical factor in securing its overall prosperity. National and regional political commitment to reinforcing the social components of development in Asia and the Pacific must be strengthened as a matter of priority.

### ***Promoting inclusive labour markets that meet international standards***

Upholding fundamental principles and rights at work provides a basic framework for market forces to operate efficiently and fairly. It ensures that the benefits of the region's economic transformation are shared broadly. However, progress in the ratification of labour standards has been modest, and in some cases is even in retreat. Backsliding threatens rights in a number of areas including forced labour, bonded labour, human trafficking, discrimination, freedom to organize and collective bargaining.

- Globally, ILO member States have on average ratified 42 Conventions, while member States in Asia and the Pacific have ratified 21 and Arab States 26.<sup>24</sup>
- Worldwide, more than 73 per cent of ILO member States have already ratified the eight fundamental Conventions, compared with less than one-third in Asia and the Pacific and less than one-fifth of the Arab States.

As noted earlier, even before the economic crisis we could see that without freedom of association and the right to collective bargaining, wage growth tended not to match average productivity growth. Income inequality is on the rise in many countries in the region, and this is at least partially the result of persistent informality and inadequate access to training and skills development. In addition, persistent and often widespread discrimination, forced labour and child labour (including its worst forms) are not only a waste of human resources and productivity (now and in the future) but are also a violation of human dignity. It is clear that in Asia and the Pacific, the ratification and effective implementation of the ILO's fundamental Conventions need to be improved if nations are to progress towards more balanced, sustainable growth paths.

In order to secure a better balance between labour market flexibility and employment security – especially pertinent in times of structural change – governments need to pay more attention to, and invest more in, labour law reforms. Social dialogue, including collective bargaining, should be one of the key tools for negotiating and agreeing on labour law reforms and flexibility at the workplace. However, to date, reforms have tended to focus on minimum labour standards and limited attention has been given to strengthening labour relations frameworks. Similarly, in many countries legislators have given insufficient attention to emerging labour market trends such as the growth of precarious work (including temporary employment) and emerging patterns of labour migration. In some instances, these have led to an erosion of working conditions and the gains made in basic labour standards.

A salient constraint on labour governance in the region is the often limited capacity of the social partners. What is more, in many places collective bargaining remains poorly understood and limited in coverage. To some extent this is the result of restrictive labour laws and the lack of respect for international labour standards in some parts of the region. Labour laws are sometimes designed to control unions rather than to provide equal opportunities for labour and management to function and develop harmonious industrial relations. Certainly, in many countries, developing constructive labour relations remains a challenge, as evidenced by the dramatic rise in disputes

<sup>23</sup> IMF: "Revenue mobilization in developing countries" (Washington, DC, March 2011).

<sup>24</sup> As of August 2011, the 34 member States in Asia and the Pacific (excluding Tuvalu and the Maldives) had ratified 698 Conventions in total and the Arab States 282. Since 2006, member States in Asia and the Pacific (excluding Tuvalu and the Maldives) and the Arab States have ratified an average of just two new Conventions each. See ILO-APPLIS: <http://webfusion.ilo.org/public/db/standards/normes/appl/index.cfm>.

(both individual and collective)<sup>25</sup> stemming from tensions between rapidly changing labour market and workplace conditions and the slow pace of reforms – in labour laws, dispute settlement mechanisms and industrial relations systems – to cope with new economic conditions.<sup>26</sup>

In the field of labour administration, poor resourcing and large and growing informal economies are posing formidable challenges to labour inspection and the safeguarding of the rights to associate and bargain freely. The countries of Asia and the Pacific need to strengthen these systems and revisit wage policy if they are to rebalance export-led development towards greater domestic demand and support socially sustainable growth.

Addressing these long-standing decent work deficits requires greater emphasis on strengthening labour market institutions, to ensure inclusive and equitable growth. In West Asia, these deficits, which helped to fuel recent unrest and political upheavals, have underscored the need for reform. Moreover, throughout the whole region, an expanding and educated middle class will continue to demand stronger labour market institutions in line with enhanced governance structures that give them a greater say in shaping their futures. They will call for increased opportunities for representation in deciding policies that affect their careers, earnings and well-being. They will want effective governments that eliminate corruption and enforce a regulatory framework conducive to enterprise development, job creation and respect for labour rights.

### **Supporting job-rich growth**

Between 2010 and 2020, Asia and the Pacific needs to generate more than 213 million jobs to keep pace with its expanding labour force. That is in addition to those required by the 94 million people currently unemployed.<sup>27</sup> But the greater and even more critical task is not the mere creation of sufficient jobs but rather to intensify the generation of quality jobs that provide decent wages and working conditions. This is a daunting challenge requiring innovative and integrated policy responses.

The challenge of productive employment creation predates the economic and social crisis of 2008–09. In many economies in the region the rate of employment creation declined in the decade prior to the crisis, compared to earlier decades. This was true even in countries such as China and India which experienced exceptionally high economic growth rates. This decline slowed progress in poverty reduction and undermined the equitable distribution of the benefits of growth.

As emphasized above, quality employment is just as important as the creation of employment itself. The quality of employment, underpinned by rising and broad-based productivity growth, determines the quality of lives and ultimately the quality of societies. The creation of quality jobs, and with them decent work, is a key ingredient of Asia's future competitiveness and shared prosperity. Without enhancing productivity (and through it employment quality), low-income countries cannot improve competitiveness and efficiency to reach middle-income status and middle-income countries cannot diversify production to move up the value chain.

Even for developed economies, improving employment quality is critical. When presenting his 2010 budget, Singapore's Finance Minister Mr Tharman Shanmugaratnam said that their priority during last year's global crisis was keeping jobs and that their priority must now be to improve the quality of jobs.<sup>28</sup> This statement recognizes the importance of decent work – and the related gains in employment quality – in improving the country's long-term growth potential and competitive global position.

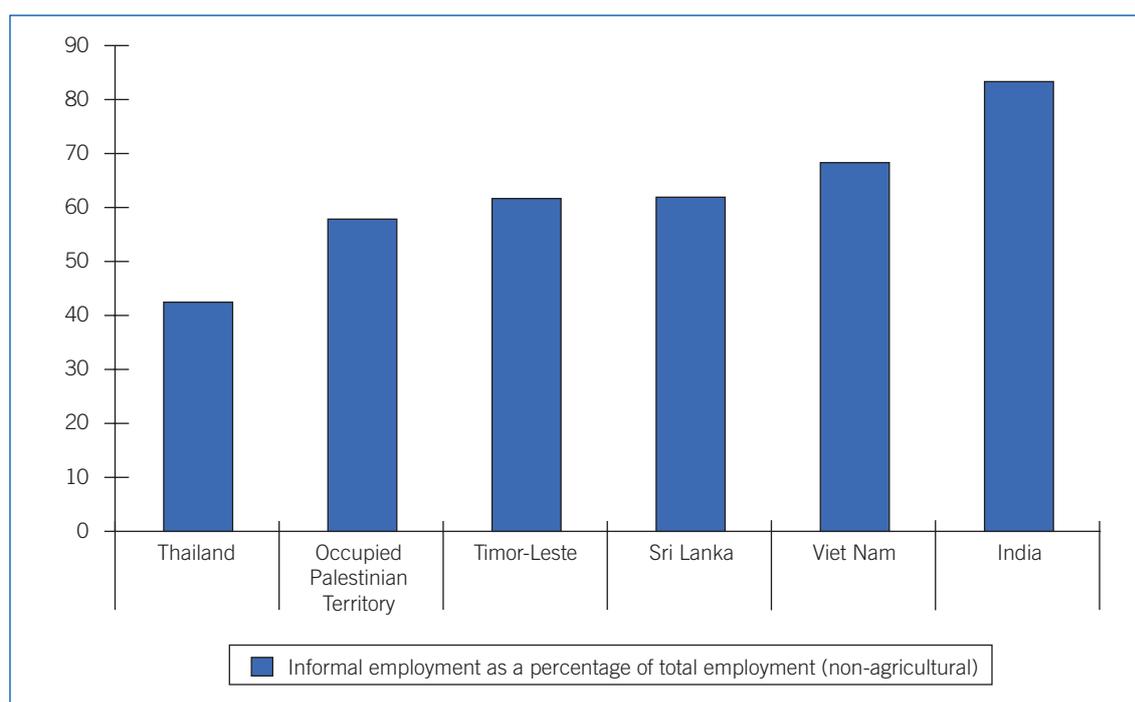
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<sup>25</sup> According to the National Bureau of Statistics of China: *China Statistical Yearbook 2010* (Beijing, 2010), the number of labour disputes rose from 25,424 in 2007 to 33,084 in 2008 and 83,709 in 2009. Viet Nam had 336 strikes (many of them wildcat stoppages) in the first four months of 2011, which means that the country is on course to beat the 2008 record of 762. See Bloomberg Businessweek: "Vietnam's Labor Unrest", 23 June 2011. Available at: [http://www.businessweek.com/magazine/content/11\\_27/b4235015577710.htm](http://www.businessweek.com/magazine/content/11_27/b4235015577710.htm).

<sup>26</sup> ILO: *Building a sustainable future with decent work in Asia and the Pacific*, op. cit., p. 94.

<sup>27</sup> Estimates based on ILO: *Trends econometric models*, October 2010; and ILO: *Economically Active Population Estimates and Projections*, fifth edition, revision 2009.

<sup>28</sup> T. Shanmugaratnam: "Towards an advanced economy: Superior skills, quality jobs, higher incomes". Budget speech 2010, *Straits Times*. Available at: <http://www.straitstimes.com/STI/STIMEDIA/pdf/20100222/2010BUDGETSTATEMENT.pdf>.

**Figure 2. Informal employment is a way of life for most workers in Asia**

Source: ILO: *Statistical update on employment in the informal economy* (Geneva, June 2011), table 1, p. 3, available at: [http://laborsta.ilo.org/sti/DATA\\_FILES/20110610\\_Informal\\_Economy.pdf](http://laborsta.ilo.org/sti/DATA_FILES/20110610_Informal_Economy.pdf).

In the same vein, King Abdullah of Jordan has made a commitment to build the best future for Jordanian citizens and provide a decent living for all and ensure social justice through fair distribution of development gains.<sup>29</sup>

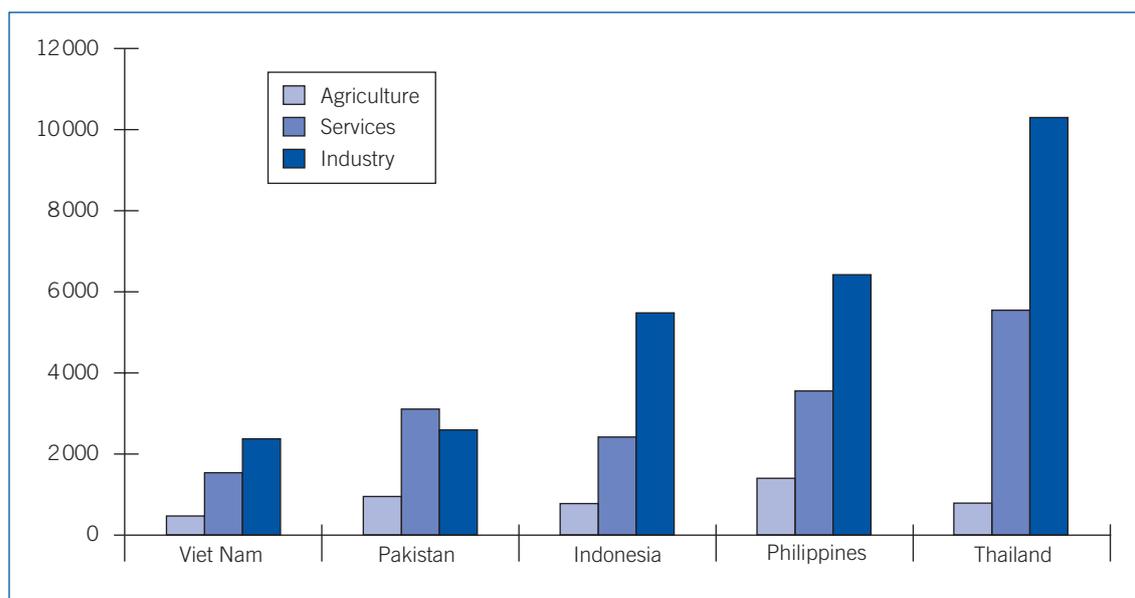
However, as I noted in my previous Report, the majority of working women and men in the region still earn their living through self-employment or helping family members. Often this is out of necessity rather than choice. Informal employment remains a major, and in some cases dominant, form of employment (figure 2). Workers in such jobs typically lack legal or social protection and are unlikely to have representation or a voice in the workplace. Women are more likely than men to be in vulnerable or informal employment. Many find themselves in the sectors most vulnerable to economic and other external shocks. The persistence of this kind of low-productivity and low-wage employment restricts productivity improvements and the growth of domestic demand, which in turn inhibits the growth of a virtuous cycle of rising productivity, wages and demand.

One reason for this trend is that economic growth priorities have too often not been balanced with social and employment objectives. Policy-makers in the region expected strong growth to automatically produce sufficient employment opportunities for their citizens. In many cases, however, this assumption was wrong. If countries are to foster greater productive employment growth they need to find ways in which development strategies and macroeconomic and structural policies are harnessed and coordinated with the explicit goal of job creation.

Another reason is that developing Asia's labour productivity has grown very fast but still remains far behind levels in developed economies. Productivity increases have also been uneven, as shown by large gaps in output per worker across different sectors (figure 3). In most economies of Asia and the Pacific, productivity growth during the past decade was driven heavily by industry and a few high-end service sectors. As a result, in Thailand, output per worker in the industrial sector in 2009 was around 1.9 times higher than in the services sector and more than 12 times

<sup>29</sup> King Abdullah II of Jordan: *Our last best chance: The pursuit of peace in a time of peril* (Amman, 2011).

Figure 3. Large gaps in productivity across sectors



Note: Real output per worker by sector in 2009 (constant 2000 US\$).

Sources: ILO calculation based on employment data from national statistical offices and GDP data from the World Bank: *World development indicators 2011*.

higher than in the agriculture sector. Similarly, in Indonesia, Pakistan, the Philippines and Viet Nam, productivity in agriculture lags far behind industry. The uneven growth in labour productivity has led to rising income inequality and heightened social tensions as rising food prices have amplified the gap between rich and poor. A greater focus on more balanced productivity growth with respect for rights at work can promote a more inclusive growth model that is ultimately more sustainable on both economic and social grounds.

Clearly, the starting point for more quality jobs is greater labour productivity. Gains in productivity can lead to higher wages (without adding to inflationary pressures), better working conditions and greater investment in human resources. But ensuring this linkage occurs requires strong labour market institutions, underpinned by effective tripartite dialogue between workers' and employers' organizations and governments and effective collective bargaining practices at workplaces. Working conditions too can make an important contribution to the quality of employment and overall productivity; occupational accidents and illnesses affect both the lives of individual workers and productivity.

The challenges of boosting productivity and improving employment quality are perhaps nowhere more acute than in agriculture, which remains the predominant source of employment for vast swathes of workers. The difference between agriculture's modest contribution to output and its strong contribution to employment underscores the substantial productivity gaps between it and other sectors. Increased investment in agriculture, agro-industries and rural enterprises is thus crucial in advancing decent work, reducing poverty and narrowing the growing rural–urban divide. In the coming decade projected increases in demand for food and other agro-related products and the potential for more extreme weather events to reduce food supplies could add to inflationary pressures. These factors are likely to increase the near-to-medium-term risk to food security and livelihoods. Boosting agricultural productivity in the region could exert vital downward pressures on food prices and improve rural incomes.

The services sector is already the leading driver of job creation in Asia and the Pacific and this is likely to increase as the region's middle classes expand and domestic demand increases. However, too many of these jobs have been created in the expanding urban informal sector, ranging from informal wage workers to street vendors to (often migrant) domestic workers. If countries

want to make sure that rebalancing their economies goes hand in hand with improved job quality, they must pay particular attention to labour productivity and the quality of jobs created in the services sector.

### ***Creating jobs for young people today while preparing for tomorrow's ageing workforce***

As quality of employment defines the quality of a society, so the future of a society is determined by the employment of its young workers.<sup>30</sup> Youth unemployment is one of the most pressing issues confronting the region today. Unemployment among young women and men is on average three times higher than that of adults. The root causes of the youth employment challenge vary. In some cases, particularly in South Asia, they are tied to low enrolment in education and persistent child labour. In many countries, it is graduate unemployment that is particularly acute.

- In the Arab region, youth unemployment is extremely high, at 27.2 per cent in 2010.<sup>31</sup> The average unemployment rate of 41.5 per cent was even worse for young women whose labour market participation was already much lower than elsewhere in the world.
- Even where young people have jobs, working conditions are very poor and wages low. There is little social protection, they often lack secure contracts and their representation and voice are usually weak or non-existent.
- Youth unemployment is also high in Hong Kong (China), Indonesia, New Zealand, the Philippines and Sri Lanka.<sup>32</sup>

How governments address the youth employment challenge will determine whether their economies sustain growth or stall due to the loss of the talent, creativity and energy of their young people. Creating sufficient decent work for young women and men is also critical to strengthening social cohesion and political stability.

We must rise to this challenge. As Dr Susilo Bambang Yudhoyono, President of the Republic of Indonesia, told the 100th Session of the International Labour Conference, it was necessary to work together to prevent the increasing unemployment among young people and that coherent policies were needed, as well as investing more in sectors that generate jobs for youths.<sup>33</sup>

Aside from pre-emptive policies to keep children out of work and in education for longer, addressing the youth employment challenge also requires smart education and skills policies that recognize the demands of enterprises. Employers have a key role to play since they are well placed to articulate these demands.

A range of measures can be adopted to smooth the school-to-work transition for young people, depending on the specific causes of youth unemployment in individual countries. These include better labour market information, job search assistance and employment services, as well as an expansion of opportunities for apprenticeships and other forms of on-the-job training.<sup>34</sup> Policies that support a macroeconomic environment of robust and sustainable economic growth, coupled with investment in strategic sectors with high employment potential, will leave countries in Asia better placed to take full advantage of the economic and social potential of their future workforce.

Looking ahead, rapid growth in the youth labour force is expected to put tremendous pressure on some low- and middle-income countries, which will need to create jobs for a large number of new labour market entrants over the coming decade (figure 4). With the right mix of investment, industrial, education and training policies, among others, they can reap a demographic dividend.

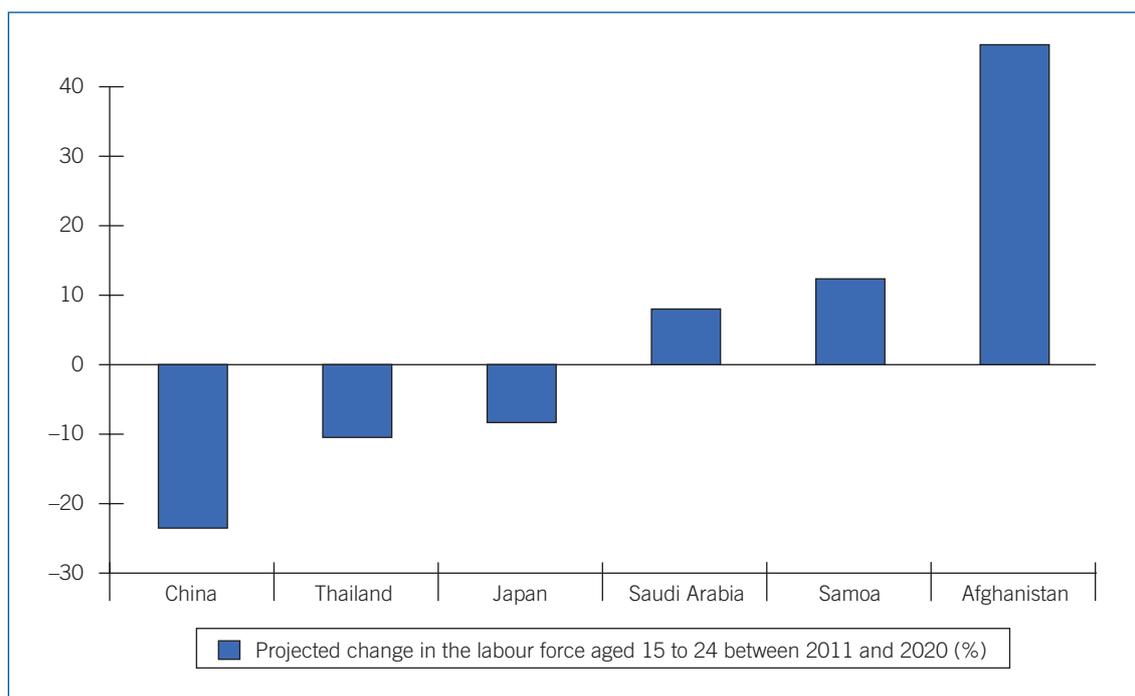
<sup>30</sup> Youth refers to the population aged 15–24.

<sup>31</sup> ILO: *Trends econometric models*, October 2010.

<sup>32</sup> ILO: *Asia-Pacific labour market update* (Bangkok, April 2011), p. 4. Available at: [http://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/documents/publication/wcms\\_154215.pdf](http://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/documents/publication/wcms_154215.pdf).

<sup>33</sup> ILO: "Indonesian President calls for Global Coalition for Youth Employment", ILO Press Release, 14 June 2011 (Geneva). Available at: [http://www.ilo.org/ilc/ILCSessions/100thSession/media-centre/press-releases/WCMS\\_157666/lang--en/index.htm](http://www.ilo.org/ilc/ILCSessions/100thSession/media-centre/press-releases/WCMS_157666/lang--en/index.htm).

<sup>34</sup> ILO: *Labour and social trends in ASEAN 2007: Integration, challenges and opportunities* (Bangkok, 2007), p. 30.

**Figure 4. While some countries begin to age, others prepare for an explosion in young workers**

Source: ILO: Economically active population estimates and projections (fifth edition, revision 2009).

On the other hand, East Asia and some of the more developed economies of South-East Asia are ageing rapidly. They face the challenge of getting “old” before they get “rich”. These countries need to strengthen social protection to support their “greying” population, undertake structural change to move away from labour-intensive industries to more knowledge-based ones and address labour shortages through increased levels of female labour force participation and lifelong learning. Attention should also be given to addressing labour shortages through appropriate migration policies.

### **Unlocking the potential of SMEs**

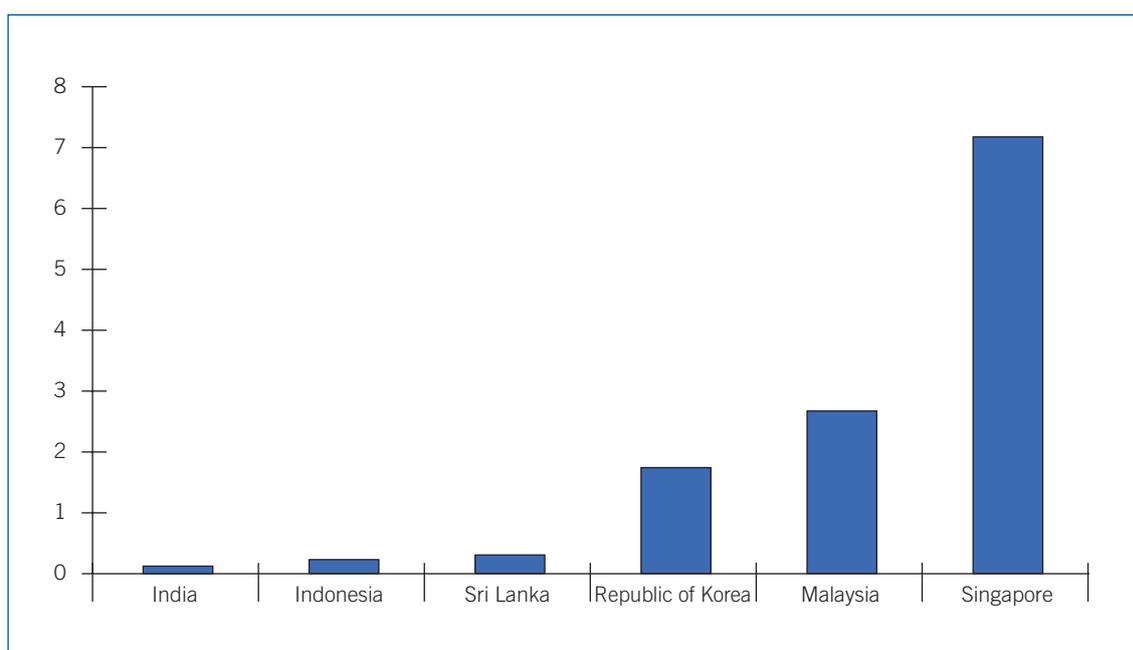
In my previous Report, I stressed that the move to more balanced and sustainable development will require harnessing the full potential of technology, innovation and, critically, entrepreneurship.<sup>35</sup> With better access to finance and skilled labour and through stronger linkages with large firms, micro- and small and medium-sized enterprises (MSMEs and SMEs) in the private sector (including rapidly expanding cooperatives and similar organizations), could be the engine of growth and job creation as they seize opportunities arising from growing domestic demand and deepening regional integration.

Across Asia and the Pacific, MSMEs greatly outnumber large enterprises in both number and the share of the labour force they employ. But the majority of MSMEs in low- and middle-income countries operate in the informal economy and their needs are often overlooked by policy-makers and regulators. They often lack access to finance, training opportunities and other support. Unsurprisingly, their productivity considerably lags that of large enterprises. Prioritizing MSMEs in policy-making and helping them move from survival to sustainability is essential to increase the productivity of the overall economy and to roll back informality.

Limited access to finance is a key constraint to the formation and growth of businesses in developing economies. While the microfinance revolution has helped micro-enterprises find

<sup>35</sup> ILO: *Building a sustainable future with decent work in Asia and the Pacific*, op. cit., p. 26.

**Figure 5. Number of newly registered limited liability companies per 1,000 working-age population (aged 15–64) in 2008**



Source: World Bank Group Enterprise Snapshots 2010.

credit, the finance requirements of SMEs are often too big for microfinance providers, while banking sectors are geared heavily towards larger firms. This has led to the emergence of the so-called “missing middle” in some developing economies, where employment is dominated by micro-enterprises and contributing family workers and the contribution from SMEs is usually very small. This is in stark contrast to high-income nations where SMEs account for the bulk of employment.<sup>36</sup> This contributes to inequality in incomes, opportunities for skills development and formal economy jobs.

To unlock the potential of the small and medium-sized private sector to innovate, expand and create employment, central banks and financial institutions need to increase access to credit.<sup>37</sup> This is important for small and, even more so, for medium-sized enterprises which hold the greatest potential to grow and create employment.

Close attention must also be given to the regulatory environment that can enable enterprises to adapt to change, innovate, grow and create productive employment.<sup>38</sup> The lack of well-designed, transparent and accountable regulations, coupled with inadequate infrastructure and poor access to markets, often inhibits business creation and growth in the formal economy. As figure 5 indicates, India, Indonesia and Sri Lanka significantly lag behind their high-income peers when it comes to the creation of businesses.

<sup>36</sup> The presence of a “missing middle” has been identified in the manufacturing sectors of India and Indonesia. However, in the Philippines, Thailand and Viet Nam the contribution SMEs make to formal economy employment is similar to that observed in high-income economies, though their contribution to GDP is much lower, and there is also a large informal sector that does not exist in high-income economies. See K. Yokota: “Globalization, productivity changes, and missing middle in Indonesia’s manufacturing sectors”, The International Centre for the Study of East Asian Development, Working Paper Series (Kitakyushu, 2008), Vol. 2008–03; M. Ayyagari, T. Beck and A. Demirgüç-Kunt: “Small and medium enterprises across the globe: A new database”, World Bank Policy Research Working Paper No. 3127 (Washington, DC, 2003); and D. Mazumdar: “Small-medium enterprise development in equitable growth and poverty alleviation”, paper presented at the Asia and Pacific Forum on Poverty: “Reforming policies and institutions for poverty reduction” (Manila, 2001), available at: <http://www.adb.org/poverty/forum/pdf/mazumdar.pdf>.

<sup>37</sup> G. Sziraczki et al.: “Recovery, job quality and policy priorities in developing Asia”, in *The global crisis: Causes, responses and challenges* (Geneva, ILO, 2011), pp. 47–48.

<sup>38</sup> G. Buckley, J.M. Salazar-Xirinachs and M. Henriques: *The promotion of sustainable enterprises* (Geneva, ILO, 2009).

Improving business regulations means working closely with the private sector to uncover obstacles to growth and diversification and to determine the necessary interventions while ensuring respect for labour and environmental standards. Recent regulatory reforms in Jordan, the United Arab Emirates and some Pacific Island countries show that efforts pay off in terms of increased competitiveness and employment generation.<sup>39</sup>

A vigorous business environment requires entrepreneurship, innovation and creativity – especially in times of rapid structural change. Promotion of an entrepreneurial culture must also target young people – especially in countries that have large informal economies and rapidly growing youth labour forces. In addition, entrepreneurship and inclusive growth will be meaningless if the creative potential of Asia’s women is not fully utilized. In 2009, only 1 per cent of working women in Asia and the Pacific (excluding West Asia) ran their own businesses with paid employees, which compares with about 3 per cent for males.<sup>40</sup> As stated in my previous Report, Asia needs to go beyond traditional stereotypes of women.

As noted above, governments have a role to play in making the education system relevant and creating policies to nurture technology and new industries. In times of rapid change, the biggest challenge is to identify new skills needs faster and better, so allowing workers to seize new opportunities and enterprises to adapt to new technologies and markets. Connecting training and skills development to the requirements of enterprises and workplaces is critical.<sup>41</sup> Investment in quality education and skills brings many benefits to workers, enterprises and societies, and partnerships that link governments, workers’ and employers’ organizations and training providers could anchor learning in the world of work.

### **Green jobs and a just transition**

Climate change is one of the most important long-term issues of our lifetime and could affect every human being on the planet. With more than half the world’s population living in Asia and the Pacific, this region arguably has more at stake than any other.<sup>42</sup>

Green jobs issues are moving up policy agendas in Asia and the Pacific as governments look for integrated strategies to address the twin challenges of job creation and climate change. Opportunities exist throughout the region for innovative new policies that are both climate smart and support employment growth. This will require the utilization not only of high technology but also the innovative application of traditional skills and processes.<sup>43</sup> Opportunities lie not just in the creation of new green jobs but in the greening of existing workplaces.

Low-income, labour-rich countries have as important a role to play as those with more fiscal and social policy space. They can generate green jobs opportunities through private or public investment programmes, particularly in sectors such as water and irrigation management, infrastructure, sustainable buildings and land development.

Recent trends underline this:

- Asia is expected to surpass North America and the European Union as the largest energy consumer. It will therefore be most affected by, and able to affect, trends in energy imports.<sup>44</sup>
- Already millions of livelihoods in the region have been destroyed or are at risk from massive deforestation, loss of biodiversity, soil erosion, water contamination and poor waste management.
- Rising temperatures and extreme weather threaten millions of jobs in agriculture and could undermine future food security, as is the case in Arab States such as Jordan, Saudi Arabia and the Syrian Arab Republic.

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<sup>39</sup> ILO: *Building a sustainable future with decent work in Asia and the Pacific*, op. cit., pp. 25–26.

<sup>40</sup> ILO and ADB: *Women and labour markets in Asia: Rebalancing for gender equality* (Bangkok, 2011).

<sup>41</sup> World Economic Forum: “Creating jobs in Asia: The entrepreneurship equation”, Session summary, World Economic Forum on East Asia, 12–13 June (Jakarta, 2011). Available at: [www.weforum.org/node/100251](http://www.weforum.org/node/100251).

<sup>42</sup> ADB: *Asia 2050: Realizing the Asian Century*, op. cit., p. 25.

<sup>43</sup> ILO: *Green jobs programme for Asia and the Pacific*, Background Brief No. 1, Aug. (Bangkok, 2011).

<sup>44</sup> ADB: *Asia 2050: Realizing the Asian Century*, op. cit., p. 71.

- Urban centres, where output and jobs are increasingly concentrated, are also under threat from extreme weather, rising sea levels and other hazards. Six out of the world's eight largest cities exposed to such dangers are in Asia and the Pacific.

The future competitiveness of Asia and the well-being of its population will depend both on more efficient use of natural resources and winning the global race to a low-carbon future.<sup>45</sup> ILO constituents need to address the opportunities and challenges provided both by climate change itself and by evolving patterns of consumption, production and employment.

This move to a low-carbon, sustainable society must be equitable. In other words, it must be a just transition. Economic and social restructuring will have a deeply felt impact on workers, businesses and communities and the right mix of policies is necessary to share the costs and spread the benefits.<sup>46</sup>

Social dialogue is a critically important component of this transition.<sup>47</sup> To be able to engage effectively in social dialogue on these issues, constituents will need to be equipped with appropriate tools to foresee shifts in labour markets and skills trends, and assess the employment impact and opportunities created by green policies.

Many workers will require new skills to handle changing technologies and access employment opportunities. SMEs will need assistance to adjust to environmental policies and regulations and position themselves to benefit from incentives. Support for the greening of this sector is likely to create a significant number of green jobs, although new forms of production may bring with them new risks that must not be overlooked.

In conclusion, creating green jobs requires attention be paid to all dimensions of decent work.

### ***People-centred disaster recovery and risk management***

Upgrading the capacity of countries to manage the economic and social consequences of natural disasters should be part of a comprehensive strategy. The devastating tsunami and nuclear disaster in Japan, earthquakes in China and New Zealand and floods in Pakistan, the Philippines and Thailand are a stark reminder of the region's vulnerability. In the last decade, Asia has endured some of its most devastating disasters, in terms of both loss of life and economic damage (see figure 6).<sup>48</sup>

These disasters have taught us that effective responses require close public-private partnerships and coordination, robust infrastructure, careful planning, targeted social protection measures, livelihood-centred recovery and employment-focused reconstruction. Social partners have an indispensable role to play in enhancing preparedness, recovery and reconstruction. Decent work can help societies "build back" faster and better.

### ***Strengthening regional integration and cooperation***

Stronger regional cooperation creates a tremendous opportunity for the region to show leadership on fairer, more inclusive, sustainable globalization. It offers opportunities to strengthen existing partnerships and develop new ones that can promote decent work and social justice.

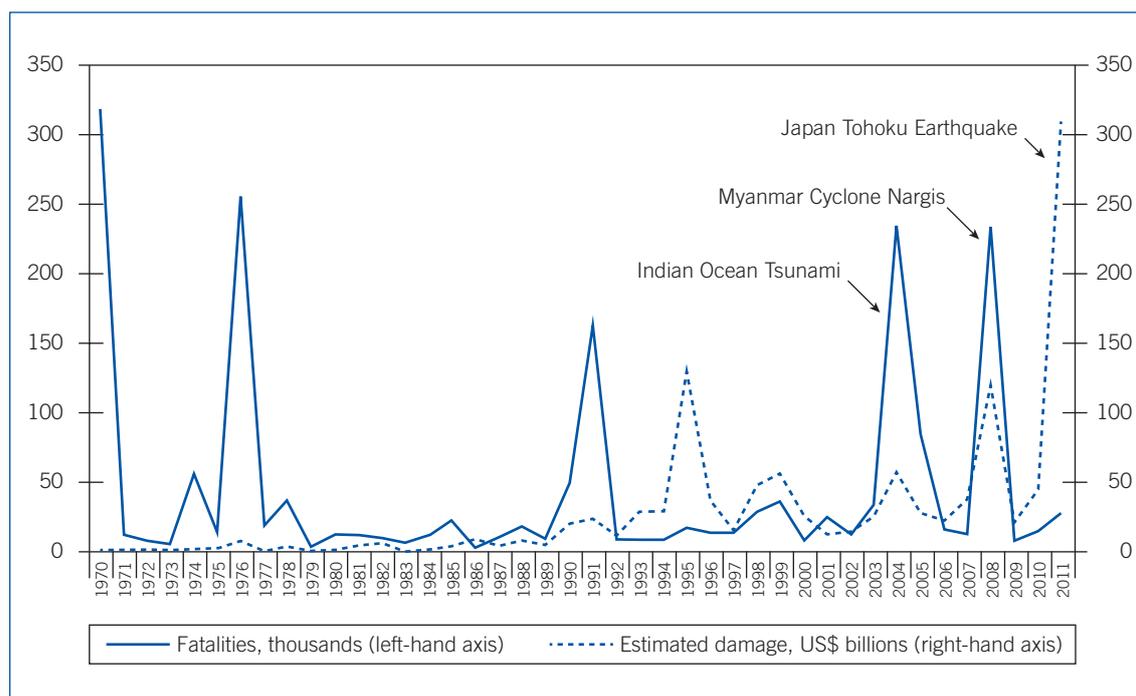
One example of the effective application of regional dialogue and partnership has been the collective action taken to mitigate the impact of the 2008–09 global financial crisis on millions of

<sup>45</sup> For more discussions, see World Bank East Asia and Pacific Economic Update 2011, Volume 1: *Securing the present, shaping the future* (Washington, DC, 2011), pp. 57–63.

<sup>46</sup> For details, see ILO: *Building a sustainable future with decent work in Asia and the Pacific*, op. cit., pp. 35–45.

<sup>47</sup> ILO: *Promoting decent work in a green economy* (Geneva, 2011), background note to UNEP: *Towards a green economy: Pathways to sustainable development and poverty eradication* (Geneva, 2011).

<sup>48</sup> It is important to note that the region is also prone to "man-made disasters" such as the war in Afghanistan and political instability and conflict in countries like Pakistan and Myanmar, which have caused the displacement of millions of people who live in poverty and without much protection.

**Figure 6. Recent natural disasters have taken a heavy toll in the region**


Source: WHO Collaborating Centre for Research on the Epidemiology of Disasters (CRED): The International Disaster Database (EM-DAT), available at: [www.emdat.be](http://www.emdat.be).

Asian workers. ADB President Haruhiko Kuroda called the crisis a “trigger” for Asian regionalism.<sup>49</sup> Other examples can be found in the areas of trade, infrastructure, financial stability, labour migration, climate change and food and energy security.

The main driver of integration among the countries of Asia and the Pacific is trade in goods and services. The region has made impressive strides in keeping its borders open to encourage trade, investment and the movement of workers. Open markets can contribute to growth and better employment outcomes if there are complementary actions at the national and regional levels to facilitate adjustment and ensure that the benefits of trade are widely shared. Trade policies, labour market and social protection measures interact closely. The recognition of this interaction can help to ensure that deepening regional integration through trade has significant, positive effects on both growth and employment.<sup>50</sup>

It is equally important to recall that the 2008 Declaration on Social Justice for a Fair Globalization highlights the importance of internationally recognized labour standards in creating a level playing field in an open trading system: “... the violation of fundamental principles and rights at work cannot be invoked or otherwise used as a legitimate comparative advantage and (...) labour standards should not be used for protectionist trade purposes”.<sup>51</sup> The ILO can give useful support to this objective.

There is enormous potential for economic growth and job creation through the reduction of non-tariff trade barriers related to services, logistics and regulations and the development

<sup>49</sup> H. Kuroda: *European and Asian integration: Achievements and challenges*, Opening remarks at the European Commission (Brussels, 2008).

<sup>50</sup> OECD, ILO, World Bank and WTO: *Seizing the benefits of trade for employment and growth*, Report prepared for submission to the G20 Summit Meeting Seoul, 11–12 November 2010. Available at: [www.ilo.org/public/libdoc/jobcrisis/download/g20\\_seoul\\_report.pdf](http://www.ilo.org/public/libdoc/jobcrisis/download/g20_seoul_report.pdf).

<sup>51</sup> ILO: *ILO Declaration on Social Justice for a Fair Globalization*, adopted by the International Labour Conference at its 97th Session (Geneva, 2008), p. 11. Available at: [www.ilo.org/wcmsp5/groups/public/@dgreports/@cabinet/documents/publication/wcms\\_099766.pdf](http://www.ilo.org/wcmsp5/groups/public/@dgreports/@cabinet/documents/publication/wcms_099766.pdf).

of efficient capital markets that orient Asia's immense domestic savings towards infrastructure investment, including building new transport systems that have huge potential for job creation.

In addition to trade and investment, countries have become increasingly connected through international migration. More than 25 million Asians work outside their home countries.<sup>52</sup> That number is expected to rise as a result of demographic trends, income disparities, human security issues and the effects of climate change. Regional cooperation offers an opportunity to advance the protection of migrants, to recognize the substantial economic and social contributions of migrant workers, to channel remittances more effectively and to strengthen the governance of labour migration. This last element would be made more credible and mutually beneficial through the application of the ILO's migrant workers conventions and the promotion of the ILO's Multilateral Framework on Labour Migration.

Regional cooperation is also needed to maintain financial stability. It is important to consider not only the stability of the financial system itself, but how that system can better serve the needs of workers, families and communities. Rapid capital flows into developing Asia in recent years and the risk of sudden reversal could create further economic volatility. Given the impact of macroeconomic instability on poverty and vulnerable workers, better regional policy coordination is warranted. Renewed consideration should be given to regional dialogue, management of exchange rates, capital control measures and the establishment of a regional monetary fund, among other initiatives.<sup>53</sup>

Regional cooperation can also accelerate the transition to low-carbon economic activities and the creation of green jobs. The region can serve as a global exemplar by forging a regional solution to the challenge of long-term food and energy security. With millions of people vulnerable to poverty, food and energy security is not just an economic issue but a political and social one. The return of the food and fuel crisis underscores the need for collective action:

- Global food prices have increased rapidly since early 2010 and in June 2011 the FAO food price index stood 39 per cent higher than a year earlier.<sup>54</sup>
- As well as affecting the poor, rising food prices are reversing hard-won development gains. Higher food and energy prices mean that up to 42 million additional people in Asia and the Pacific (without West Asia) may remain in poverty in 2011, in addition to the 19 million already affected in 2010.<sup>55</sup>

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<sup>52</sup> ILO: *Building a sustainable future with decent work in Asia and the Pacific*, op. cit., p. 127.

<sup>53</sup> ADB: *Institutions for regional integration: Toward an Asian economic community* (Manila, 2010).

<sup>54</sup> FAO: *World food situation: FAO Food price index* (July 2011). Available at: <http://www.fao.org/worldfoodsituation/wfs-home/foodpricesindex/en/>.

<sup>55</sup> UNESCAP: *Economic and social survey of Asia and the Pacific 2011. Sustaining dynamism and inclusive development* (Bangkok, 2011), p. viii.

## The way forward

The Decent Work Agenda and its interrelated and mutually reinforcing objectives are more important than ever, especially in shaping a new development path in the region that produces economic growth with decent work. This new path must contribute to social justice and fair globalization while ensuring environmental sustainability. As exemplified by the situation of Arab countries of West Asia, a new development model should be anchored in a new State–citizen relationship based on a social contract of mutual responsibility and accountability. This new social contract should ensure a rule of law based on an inclusive socio-economic governance system, rooted in social justice and human dignity.

As we move ahead we must build upon experiences and lessons learned from efforts to realize both the Asian Decent Work Decade and the Millennium Development Goals. Given the diversity of the region and widely differing national conditions, specific actions and timings will vary.

At the national level three broad and interrelated areas for action may be identified:

(i) *Coordinated macroeconomic, employment and social protection policies*

Creating greater coherence at the national level between macroeconomic, employment and social protection policies, as reiterated in the ILO Global Jobs Pact, is essential in shaping effective strategies for decent work based on productive investment, job-rich growth and adequately resourced social protection. Recognition of the role that social protection plays in reducing poverty, alongside productive employment, facilitating structural change and enhancing societies' resilience to shocks, should lead to the gradual establishment of a social protection floor within the context of fiscal sustainability.

The key elements for promoting coordinated macroeconomic and social protection policies should include:

- Making full employment a priority macroeconomic goal alongside sound fiscal and monetary policies.
- Facilitating access to credit and investment for SMEs and micro-enterprises by improving their financial inclusion.
- Establishing budgetary priorities by identifying the employment and social effects of different government spending and tax policies as part of the normal parliamentary process.
- Building and strengthening a social protection floor for the most vulnerable people, in line with national circumstances.
- Ensuring the participation of the social partners in the design and implementation of policies, as illustrated by the approach of some countries in responding to the global crisis, for example through the adoption of national Global Jobs Pacts in Indonesia and Mongolia and the development of a national employment strategy in Jordan.

(ii) *Productive employment, sustainable enterprises and skills development*

Creating a sustainable future with decent work requires renewed attention to the needs of MSMEs, given their role in driving growth and creating jobs – including for young women and men.

Improved productivity and better working conditions are important both for the competitiveness of enterprises and the promotion of decent work. Opportunities should also be created to boost entrepreneurship and rural employment and support green jobs.

For MSMEs, education and skills are essential for enhanced productivity and human and social development. In particular, under-investment in the skills of young people can have serious

consequences, trapping youth in low-skilled, low-productivity jobs and keeping children out of school. Therefore, priorities in these areas could include:

- Promoting an enabling environment for sustainable enterprises, especially SMEs (including cooperatives), in particular by reducing administrative and regulatory burdens and making the tax system more favourable to real investment.
- Promoting entrepreneurship, including for young women and men.
- Equipping the workforce, including young people, with the skills required for strong, balanced and sustainable growth, including through the involvement of workers and employers in the development of training curricula, and through the strengthening of public employment services.
- Improving working conditions (including occupational safety and health) particularly in the informal economy and in SMEs, by involving the relevant social partners in dialogue. Consideration could be given to scaling up some pilot ILO programmes in these areas.
- Boosting rural and agricultural development, for example, by improving labour productivity, promoting green growth and green jobs and introducing innovative social protection to workers in these sectors.

(iii) *Rights at work and social dialogue*

Respect for fundamental principles and rights at work is a cornerstone of the ILO's agenda for social justice and of its contribution to a fair globalization. It is the starting point for building the institutional capacity necessary to promote efficient growth.

Eliminating decent work deficits requires that the voice of the real economy, represented by the tripartite ILO constituents, be fully heard. This is a requirement of balanced policy-making.

More balanced growth, underpinned by both domestic consumption and exports, will require measures that improve the alignment of wages and productivity increases. Achieving this needs the social partners to play a greater role in wage determination. In turn, this implies strengthening labour market institutions, including ministries of labour and employment and employers' and workers' organizations.

It is therefore important to improve labour market governance in the following areas:

- Intensify efforts to ratify and apply fundamental labour standards as well as ILO governance conventions.
- Improve wage-setting mechanisms, including collective bargaining and minimum wage fixing.
- Strengthen institutions and procedures for preventing and resolving disputes fairly and quickly. Support labour inspection as a crucial tool for reconciling the needs of workers' safety and protection with the requirements of productivity and competitiveness.
- Improve labour laws to enable enterprises to create decent jobs and reduce job-related precariousness and informality. It is notable that labour law reform is an important policy issue in many countries, including in the Pacific region, and China recently strengthened its labour contract regulations.
- Enhance the capacity of workers' and employers' organizations to represent and service their members and build effective mechanisms for social dialogue and collective bargaining at different levels. In particular, special attention should be given to equipping constituents with the appropriate knowledge and tools to assess the potential employment impact of macroeconomic policies, and anticipate the skills and labour market changes that will come with the transition to low-carbon economies.

At the regional level promoting policy coherence between economic and social goals is also needed. Priorities might include:

- Promoting policy coherence among regional organizations across a range of areas, especially those linking people's aspirations for social justice with the management of regional markets. This is critical for advancing the social dimension of regional integration. One recent example is the request from the ASEAN Secretariat for ILO and ADB help with building up the capacity to assess the employment impact of trade at both regional and national levels.

- Strengthening regional cooperation on climate change and mitigating environmental degradation. This could involve sharing lessons learned, including the promotion of green jobs and a just transition.
- Improving cooperation to respond effectively to natural disasters, particularly through livelihood-centred and employment-focused rebuilding and recovery measures.
- Providing evidence of the economic contribution made by migrant workers to the national economies of both origin and destination countries, and supporting improvements in the governance of labour migration, including better dialogue and protection of migrants' rights.
- Strengthening the voice of workers and employers in the relevant work of regional organizations.

By 2020, Asia's contribution to the global economy could exceed 40 per cent, and the region could be home to nearly three-fifths of the world population.<sup>56</sup> As Asian leaders exercise their emerging influence and assume more stewardship they will also have the opportunity, and responsibility, to ensure that employment and social issues feature prominently on the global agenda.

Strong regional institutions can provide a platform to consolidate and enhance the region's global influence in promoting economic prosperity and social cohesion. This would include influencing international financial and trading systems and the climate management framework. Existing institutions such as ASEAN+3, SAARC and PIF can be strengthened to serve as regional forums for policy dialogue on employment and social issues.

### ***The role of the ILO***

For its part, the Office must be ready to support constituents in the areas identified, helping them to realize the decent work objectives in their different national circumstances and according to specific regional and subregional contexts. A systematic focus on capacity building for constituents must be a priority. For example, the ILO should be able to support requests for help in implementing fundamental principles and rights at work and other relevant labour standards that should underpin open trading conditions, sustain productivity increases and enhance competitive economies. The ILO should also be involved in regional dialogue on protecting the working poor from rising commodity prices.

To contribute to shaping more efficient patterns of growth, the Office must be able to provide advisory services to constituents in areas such as productivity, wages and collective bargaining. Other areas where advice would be valuable include the costing, affordability and fiscal space required to establish social protection floors; relevant, cost-effective skills development systems; and establishing quality employment promotion programmes through SMEs.

Another important aspect of ILO work will be responding to constituents' demands for real-time data, knowledge and analysis on issues, policies and good practices (from both the region and beyond) and support for their initiatives to develop and improve the statistical systems that are critical for policy development.

It will also collaborate and forge partnerships with relevant national and regional organizations to promote policy coherence and joint research, and respond to evolving demands, such as improved knowledge sharing.

It will strive to deepen and expand partnerships that mesh the ILO's decent work mandate with development objectives. Cooperation programmes (such as those between the ILO and Australia, Japan and the Republic of Korea) have played an important role in enabling the practical application of decent work principles and approaches. These could be scaled up and used to inform national policy development. Such actions will continue to be key elements in strategies to advance the Decent Work Agenda.

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<sup>56</sup> ILO estimates based on IMF: World Economic Outlook Database (April 2011) and United Nations: World Population Prospects, the 2010 Revision database.

The Office will make a particular effort to expand South–South and Triangular cooperation as a way of complementing established North–South arrangements. Singapore and the ILO recently concluded a partnership agreement supporting ASEAN South–South collaboration and the ILO has also entered into partnerships on South–South cooperation with Brazil, India and South Africa. China is also playing an important role in supporting South–South cooperation.

The Office must continue to reinforce its active engagement with the UN family, including the regional commissions and other international organizations. This may include pursuing policy and operational coherence, contributing to discussions on reform, heightening awareness of tripartism, and participation in other joint actions.

In these challenging times, the Office will need to continuously strive for greater efficiency and effectiveness, including through outcome-based management, as called for in the 2008 Declaration on Social Justice for a Fair Globalization, working with constituents to prioritize action while maintaining constant vigilance over the values it serves.

## ***Conclusion***

Today's environment is one of great opportunity but much uncertainty in Asia and the Pacific. Against this backdrop, the guidance provided by the ILO's values, restated in the 2008 Declaration on Social Justice for a Fair Globalization, is more important than ever. As countries in the region seek to rebalance their growth to overcome the middle-income trap and lift their citizens out of poverty, or, in the case of the Arab States, to frame a new development path based on democratic rights and freedoms, the ILO's strategy of economic growth with decent work and social justice provides an important framework for action that is grounded in, and shaped by, the principal actors of the real economy and is relevant to all levels of development.

The region has a tremendous opportunity to show leadership in the construction of a new development paradigm, with decent work at its core. This 15th Asia and the Pacific Regional Meeting will help to chart the ILO's contribution towards this goal.