

## Background note for the High-Level Dialogue

### “Inclusive Growth for Social Justice”

This document, which supplements the Report of the Director-General to the 16th Asia-Pacific Regional Meeting (Geneva, 2016), has been prepared as an additional resource for the High-Level Dialogue: “Inclusive Growth for Social Justice” (provisional title).

#### Introduction

1. The region of Asia-Pacific and the Arab States has made considerable progress over the last few decades: growth far exceeds the global average, productivity has been rising rapidly and poverty has more than halved.<sup>1</sup> Yet, income inequalities are elevated or even worsening in some parts of the region, while decent work deficits remain marked. The presence of working poverty and vulnerable employment indicates insufficient opportunities for women and men, social protection coverage is sparse, rights at work are inexistent in some places or not adhered to, and there are regular shortcomings in social dialogue. As such, persistent inequalities and decent work deficits have undermined the inclusiveness of the region’s achievements, raising the question of whether social justice is being advanced.
2. The 16th Asia-Pacific Regional Meeting is taking place in the first year of the 2030 Agenda for Sustainable Development. The 17 Sustainable Development Goals (SDGs) respond to a range of social, economic and environmental challenges and provide an opportunity to underscore the central importance of decent work. However, Asia and the Pacific will itself feel the strains and pressures from major shifts and changes in the future of work. These changes include major demographic shifts including migration, greater regional integration, unprecedented technological change and transitions towards a greener society – all of which have direct and significant implications for social justice. Accordingly, a decent work paradigm that promotes inclusive and job-rich growth is critical, to which coordinated policies, robust labour market institutions and strong social dialogue and tripartism are needed more than ever.

#### Growth with inequality

3. The Asia and the Pacific region has made considerable economic progress over the last decade, exhibiting average economic growth of around 6 per cent per year over the decade to 2015, compared to around 2 per cent for the rest of the world.<sup>2</sup> GDP is projected to grow 5.4 per cent over the next five years, higher than the global average of 3.8 per cent, but

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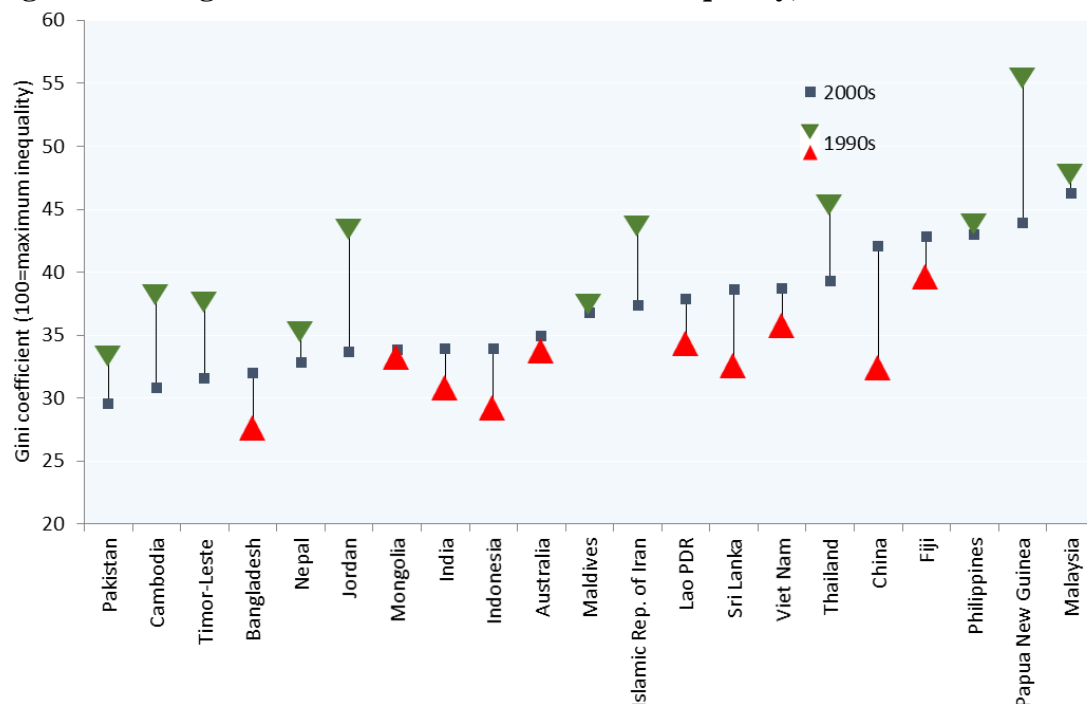
<sup>1</sup> Henceforth, for the purposes of this note, ‘Asia and the Pacific’ refers to the region that includes 47 countries, plus the Occupied Palestinian Territory, across all income levels from East Asia, South-East Asia, South Asia, the Pacific Island countries and the Arab States of West Asia, unless explicitly stated otherwise.

<sup>2</sup> ILO: *Statistical Report of the Decent Work Decade 2006-2015: Asia-Pacific and the Arab States*, (Bangkok, 2016)

marks a ‘new normal’ period of lower growth in the region, underpinned by a slowdown in China.<sup>3</sup>

4. The annual average growth rate of labour productivity has been around 4.8 per cent between 2006 and 2015, compared to a global average of 2.1 per cent over the same period. This is partly a reflection of rapid structural change taking place in the region. In developing countries of Asia and the Pacific, women and men shifting from agriculture and low-value activities into higher-value added manufacturing and services, is corresponding with a greater number engaged in wage employment than in the past.
5. Despite the extent of economic and productivity growth, income inequality remains elevated in a number of countries and in some is getting worse. Where inequality has been rising, it is often associated with greater wage inequality and a delinking of productivity and wage growth, much of which has been due to the lack of respect for freedom of association and collective bargaining. Since the early-2000s, the Gini coefficient of income inequality has been high (at over 40) in China, Fiji, Malaysia, Papua New Guinea and the Philippines (see Figure 1). It has been rising in countries such as India and Indonesia; but falling in countries including Cambodia, the Islamic Republic of Iran, Jordan, Nepal and Timor-Leste.

**Figure 1. Changes in Gini coefficients of income inequality, select economies**



Note: Gini coefficients correspond to earliest year with data available from 1990-2000 and latest year with data available from 2001-2015.

Source: World Bank, World Development Indicators. [Accessed on 26/11/2015]

6. In addition, there are marked disparities between urban and rural areas, between youth and adults and between men and women. Such disparities not only deprive individuals and groups of opportunities, they also highlight the enormous untapped source of creativity and

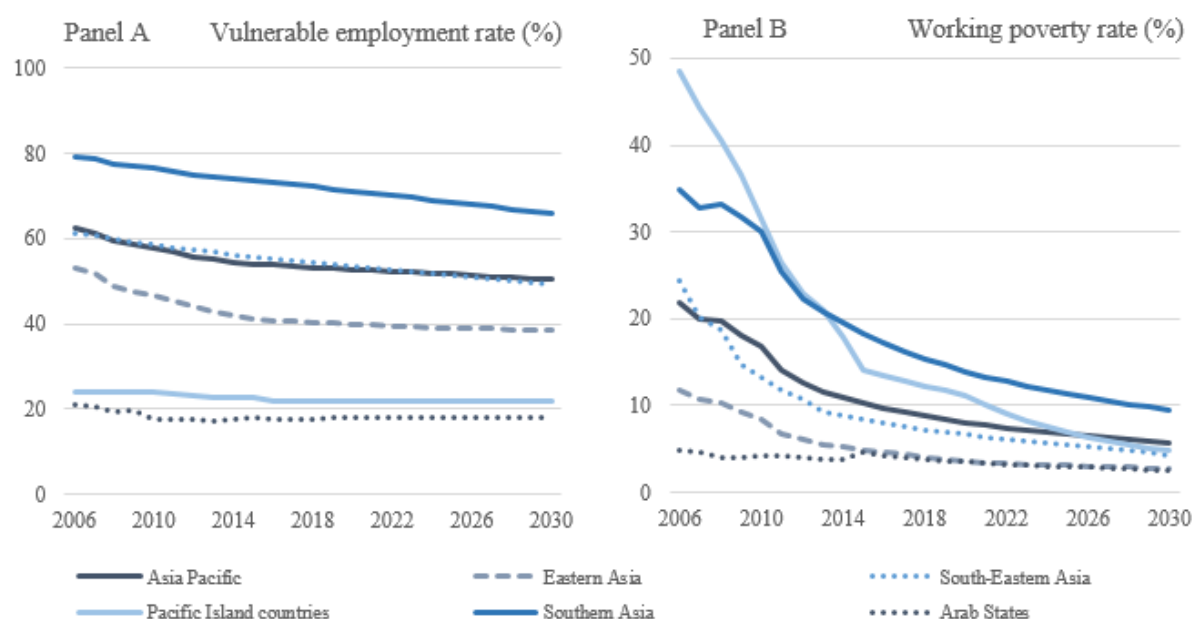
<sup>3</sup> For example one study finds that a growth slowdown of 1.6 percentage points in China could bring about a growth deceleration of 0.26 percentage points in developing Asia as a whole, see: F. Zhai and P. Morgan: *Impact of the People’s Republic of China’s growth slowdown on emerging Asia: A general equilibrium analysis*, ADBI Working Paper Series No. 560 (Tokyo, ADBI, 2016).

innovation. Reducing inequalities and facilitating sustainable and inclusive growth requires promoting decent work and social justice for all.

## Decent Work and the 2030 Agenda for Sustainable Development

7. The 2030 Agenda for Sustainable Development provides a unique opportunity to reprioritise decent work within national, international and multilateral sustainable development strategies. Ensuring no one is left behind, a key principle of the 2030 Agenda, will require comprehensive and inclusive national strategies and plans that are driven by strong cooperation among all stakeholders and in particular the ILO tripartite constituents. Decent work is not only an objective in itself, but a means to achieve wider social justice and sustainable development.
8. SDG 8 seeks to promote full and productive employment and decent work for all, especially for young people. By 2030, the labour force of Asia and the Pacific including the Arab States is projected to exceed 2.2 billion. To accommodate the expanding labour force, projections indicate that the region will need to create 249 million more jobs in the next 15 years, which, in particular, necessitates an enabling environment for job creation in the private sector. These trends could create the greatest difficulties for young people, whose unemployment rate, at 11.8 per cent, is projected to remain about three times that of the overall workforce. Moreover, despite higher levels of education, persistent skill mismatches among young people are expected.
9. More than one billion people in the region are in vulnerable employment, i.e. as either own-account workers or unpaid family workers, representing more than one in two workers. ILO projections suggest a gradual reduction in the proportion of workers in vulnerable employment, however this will remain a significant challenge in 2030 especially in South Asia and in South-East Asia (figure 2, panel A). Many of these workers are informally employed with limited access to legal or social protection. While the share of wage and salaried workers in Asia and the Pacific will rise, concerns remain about their working conditions in key sectors.

**Figure 2. Estimates (2006-2015) and projections (2016-2030) of vulnerable employment rate and working poverty rate (\$1.90 per day), by subregion**



Source: ILO: Long-term (LT) Trends Econometric Models, October 2015; October 2015 (LT) update of the model in: S. Kapsos and E. Bourmpoula: *Employment and Economic Class in the Developing World*, ILO Research Paper No. 6 (Geneva, ILO, 2013).

10. The aim of SDG 1 is to end poverty in all its forms everywhere including the proportion of workers living on less than \$1.90 per day. Essentially, these workers earn too little to lift themselves and their families above the poverty line. Around one in ten workers in the region still lives in extreme poverty despite the considerable progress in reducing working poverty rates over the last decade (see figure 2, panel B). Over the next 15 years, more than 70 million workers across the region are expected to move out of extreme poverty.
11. A critical means of reaching SDG 1 is better social protection. Coverage in the region has expanded, as reflected by increasing commitment by governments to Social Protection Floors, but remains weak overall in terms of expenditure and breadth of policy areas. Prioritizing social protection would also help to achieve SDG 10, which aims to reduce income inequality within and between countries. Overall and particularly in the larger Asia-Pacific countries such as China, India and Indonesia, various metrics indicate rising income disparity in recent decades.
12. Enhancing social protection coverage will also require progress with respect to formalization of informal workers and protection for those employed in non-standard forms of work.<sup>4</sup> Fostering formalization of small and medium-sized enterprises and reducing informality is another target outlined in SDG 8.
13. Child labour and forced labour are still a major concerns for the region. Approximately 10 per cent of children in Asia are labourers, and of this group over half are trapped in one of the worst forms of child labour, often employed in hazardous work.<sup>5</sup> The Asia-Pacific region also accounts for 56 per cent of global forced labour.<sup>6</sup> SDG 8.7 calls for an end to forced labour and child labour by 2025.
14. Gender equality and women's empowerment have implications for growth and development as highlighted in SDG 5. Throughout Asia-Pacific, however, women continue to trail behind men in the labour market. They consistently face disadvantages in not only labour force participation but also in terms of wages, vulnerable and informal employment, unpaid work, and exploitation, among other dimensions. These gender gaps have many underlying drivers including the structure of the economy, differences in education levels, available employment opportunities, and the extent of social protection provisions such as maternity protection.
15. Women also find their employment opportunities restricted by socio-cultural norms and gender inequality or by discriminatory policy and institutional frameworks. Such factors can drive more women into vulnerable forms of employment and informal employment, particularly as contributing family workers. It is estimated that women held only 37 per cent of all wage and salaried work in Asia-Pacific as compared to 63 per cent held by men in 2013. Gender inequality is particularly pronounced in Southern Asia and the Arab States, where women still hold only 21.5 per cent of all wage jobs and 14.9 per cent, respectively, compared to Eastern Asia (41 per cent), and South Eastern Asia and the Pacific (40 per

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<sup>4</sup> For further discussion on non-standard forms of employment, please refer to ILO: *Conclusions of the Meeting of Experts on Non-Standard Forms of Employment*, Governing Body, 323rd Session, Geneva, Mar. 2015, GB.323/POL/3.

<sup>5</sup> International Programme on the Elimination of Child Labour (IPEC): *World Report on Child Labour 2015: Paving the way to decent work for young people* (Geneva, ILO, 2015).

<sup>6</sup> ILO: *Profits and poverty: the economics of forced labour* (Geneva, 2014).

cent).<sup>7</sup> Some estimates also suggest that in Asia-Pacific, the gap in disposable income amongst men and women has widened significantly, from 31 per cent in 2000 to 38 per cent in 2013.<sup>8</sup>

16. Improved labour market governance is key to realising the SDG goals and reducing inequality. However, in a number of countries, labour legislation imposes considerable constraints on the rights of workers to organize, bargain collectively, or strike. In relation to freedom of association and collective bargaining, for instance, only half of the region's countries – covering about one-quarter of the region's workforce – have ratified the Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87) and the Right to Organise and Collective Bargaining Convention, 1949 (No. 98).

## **Drivers affecting the future of work**

17. Progress towards the 2030 Agenda for Sustainable Development and more broadly the future of work will also be dependent on how the world of work, and related public policies and national legislation, respond to imminent labour market trends and challenges. These include demographic shifts, technological advances, and deeper integration through trade and investment. The region will also have to adjust to more environmentally sustainable methods of production and consumption.

### **Demographic pressures**

18. People in Asia and the Pacific are living and working longer. Between 2015 and 2030, the share of the population aged 65 and above in the region is projected to increase from 8 per cent to 12 per cent, placing pressure on underdeveloped pension systems and raising the need for greater job creation, especially in the care service sector. Aging populations, in addition to intra-regional income disparities, are driving millions of workers to move across borders, mostly to neighbouring countries within the region, and also to other regions, including from South and East Asia to the Arab States, and in particular to the Gulf Cooperation Council countries. There is also considerable migration within the Arab region, which hosts 12 per cent of the world's migrant workers and where 36 per cent of the workforce are international labour migrants.

### **Technology transforming the workplace**

19. Rapid technological advances are transforming the workplace across different sectors. The Asia-Pacific and Arab States region faces very uncertain labour market changes and opportunities as new occupations and industries are created and others are redefined or become obsolete. Technological change enables growth and productivity, enhances product quality, creates potential for increased earnings and can improve workplace safety and health, but in the process, can also lead to both job gains and losses. The extent of potential changes to employment levels will vary depending on skill compositions, the current structure of production, policies and institutional frameworks.
20. The relative cost of investing in labour-saving technologies, as well as workforce skill levels, will drive the speed of technological adoption and workplace automation. Many countries in the region have an abundant supply of labour which remains cheaper than the technology that might displace it. However, wages are rising even in developing Asia and

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<sup>7</sup> ILO: Key Indicators of the Labour Market, ninth edition, 2016, Table R3.

<sup>8</sup> Estimate excludes the Arab countries.

the Pacific, making robotics and technology more attractive. There is also a trend towards workplace automation that is increasingly being deployed to raise the productivity of existing workers and not necessarily to replace them.

21. Moreover, information and communications technologies (ICT) are transforming the way in which businesses operate and offer tremendous promise as an innovative platform for providing public and private services to billions of people across the globe. There is considerable potential in particular to use ICT to provide new business and labour market services to people living in rural and poor areas. Market information, financial services, social protection, education and health services have largely been unavailable to them due to a lack of digital connectivity of any kind. The impact of ICT on economic growth, along with targeted interventions to increase their impact on poverty alleviation, will help to relieve the plight of workers and families in poverty and improve the well-being of citizens everywhere, including in the Asia-Pacific region.

### **Deeper regional trade integration**

22. The Asia-Pacific region accounts for around 40 per cent of global trade and is closely integrated into global and regional value chains. Moreover, economic integration in Asia and the Pacific is increasing, both within the region as well as with global markets. At the end of 2015, the ten member States of the Association of Southeast Asian Nations (ASEAN) formed an economic community that accounted for more than 600 million people and a regional economy of \$2.4 trillion. In October 2015, a number of Asia-Pacific countries became a signatory of the Trans-Pacific Partnership (TPP).
23. With lower trade barriers, these regional integration initiatives offer massive prospects for accelerating growth, creating new jobs and facilitating labour mobility. However, the benefits from these agreements will not be spread evenly across the workforce, nor will all new jobs be decent. An ADB-ILO study found that the gains from the ASEAN Economic Community (AEC) would be less for women and for lower skilled workers and that the share of vulnerable employment of new jobs created could be significant.<sup>9</sup> However, there could be positive improvements in freedom of association and collective bargaining where agreements commit signatories to adhere to fundamental principles and rights at work, as with the TPP.

### **Greening production and jobs**

24. Economic prosperity and social progress in this region are threatened by environmental degradation and climate change, which adversely affect jobs and livelihoods. Much of the damage will come from extreme weather, as witnessed in Bangladesh, the Philippines, and the Pacific in recent years, and desertification in the Arab States. ILO studies show that over the next two decades the transition to a greener, low-carbon economy could generate up to 60 million additional jobs worldwide.<sup>10</sup> These can come from newer sectors such as renewable energy, recycling, green services and eco-tourism, as well as the transformation of existing carbon-intensive sectors such as agriculture, fisheries and forestry, manufacturing, construction and transport.

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<sup>9</sup> ILO and Asian Development Bank (ADB): ASEAN Community 2015: Managing integration for better jobs and shared prosperity (Bangkok, 2014).

<sup>10</sup> ILO: *Working towards sustainable development. Opportunities for decent work and social inclusion in a green economy* (Geneva, 2012).

## Mainstreaming an Agenda for Social Justice

25. The ILO Declaration on Social Justice for a Fair Globalization, adopted in 2008 by the ILO tripartite constituency at the 97th International Labour Conference (ILC), provides a sound framework for addressing decent work deficits. Accordingly, the Declaration institutionalises the concept of decent work and provides four ‘strategic objectives’ based on the ILO’s constitutional mandate, to help establish decent work and social justice firmly within economic and social policies. Moreover, as reinforced in the Resolution on Advancing Social Justice through Decent Work, four strategic objectives – (i) employment promotion, (ii) social protection, (iii) social dialogue and tripartism, and (iv) fundamental principles and rights at work – are inseparable and mutually supportive and need to be pursued and implemented with gender equality and non-discrimination also as cross-cutting issues in the four strategic objectives.
26. How these strategic objectives are achieved is determined by each Member State according to the respective nation’s conditions, circumstances and needs, as well as priorities identified by representative organizations of employers and workers, and governments. How the strategic objectives have actually been implemented, and the degree to which countries have been able to mainstream decent work in their national development strategies since adoption of the Declaration is not clear cut, despite a recent effort undertaken for the 105<sup>th</sup> ILC, to evaluate progress in this regards.<sup>11</sup>

### The way forward

27. The challenges that the Asia-Pacific region face are immense. Social inequalities and deficits in the labour market are pervasive throughout the region. Moreover, demographics and migration, technology, regional integration and environmental dynamics together will heavily shape the future of work and could exacerbate these challenges without strong policy action. In this context, a decent work paradigm that promotes inclusive and job-rich growth is critical. Coordinated employment policies, robust labour market institutions and strong social dialogue are needed more than ever.

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<sup>11</sup> ILO: *Advancing Social Justice: Reviewing the impact of the ILO Declaration on Social Justice for a Fair Globalization*. ILC, 105<sup>th</sup> session, 2016 (Geneva, 2016)