

Labour and Social Trends in ASEAN 2008: Driving Competitiveness and Prosperity with Decent Work

Key Findings

Recent labour market trends

- The ASEAN region's strong economic performance in 2007 had a positive impact on its labour markets. Employment in ASEAN Member Countries increased from 260.6 million in 2006 to 268.5 million in 2007 – an increase of 3 per cent, or 7.9 million additional jobs.
- Unemployment shrank by about 550,000, or 3.2 per cent, in 2007, easing to 16.5 million. The region's unemployment rate declined from 6.1 per cent in 2006 to 5.8 per cent in 2007.
- Young women and men (aged 15–24) gained the most from the strong demand for labour. In 2007 the number of unemployed youth dropped by approximately 530,000. Consequently, the region's very high youth unemployment rate eased from 17.2 per cent in 2006 to 16 per cent in 2007.
- Since 2000 the agricultural sector in ASEAN has contributed less than 2 per cent of all new employment growth in the region since 2000. More than 8.4 million new jobs have been created in the rapidly expanding industrial sector, representing annual growth of more than 3.6 per cent. The services sector grew by 13.3 million, or by 2.8 per cent annually. In aggregate, the services sector accounted for approximately 60 per cent of all new employment while the industrial sector accounted for more than 38 per cent of new employment in the region.
- Yet, agriculture still accounts for 44.5 per cent of ASEAN's total employment, albeit with considerable variation across countries, ranging from less than 1 per cent in Singapore to over 80 per cent in the Lao People's Democratic Republic.
- An estimated 161 million workers, or about 60 per cent of the ASEAN workforce in 2007, were characterized as vulnerable (estimated as the sum of the self-employed and contributing family workers). Vulnerable employment in ASEAN has a female face, with a larger share of women (65 per cent) in vulnerable employment than men (56 per cent), indicating that women tend to have more limited employment opportunities.
- An estimated 1.5 million ASEAN workers leave their home countries each year to work abroad, including within the ASEAN region.
- Between 2002 and 2007, growth in labour productivity accounted for approximately two-thirds of ASEAN's total economic growth. The remaining one-third was due to an increase in the number of workers in the region's labour market.

Labour productivity trends

- Significant disparities between ASEAN Member Countries are evident in terms of labour productivity: Singapore's productivity level was nearly 12 times that of Cambodia, 9 times that of Myanmar and 8.5 times that of Viet Nam.
- In every country, the agricultural sector has the lowest level of labour productivity while the industrial sector is the most productive (except in the Lao People's Democratic Republic where it is essentially at the same level as the services sector). The ratio of average productivity in industry to agriculture is greatest in Thailand – nearly 12 to 1, which means that it would take the average industrial worker only one month to produce the same value as the average agricultural worker would produce in one full year. In Indonesia, the ratio is 7.7 to 1. In Viet Nam, it is 6.4 to 1, in the Lao People's Democratic Republic, it is nearly 5 to 1, and in Cambodia it is 4 to 1. The ratio is lower (approximately 3 to 1) in Malaysia and Singapore.
- Small and medium-sized enterprises (SMEs) provide jobs for the majority of workers in the region (ranging from more than 50 per cent in Singapore to more than 90 per cent in Indonesia). But their productivity, competitiveness and export performance considerably lag behind those of large companies.

Short/medium-term labour market projections

- Reliance on exports and foreign investment increases the vulnerability of ASEAN Member Countries to a prolonged global slowdown. Accelerating labour productivity growth will be essential to minimize the effects of the global economic slowdown and to promote continued development in the region.
- Weakening external and domestic demand in the ASEAN region, according to projections, will reduce economic growth in 2008 and 2009. The slowdown is likely to be more pronounced in countries with higher trade exposure and stronger financial links with the United States and the Euro zone.
- With the ongoing drop in growth, stemming from the growing financial crisis, the ASEAN regional unemployment rate could rise from 5.8 per cent in 2007 to as high as 6.1 per cent in 2008 and 6.2 per cent in 2009, though the most developed countries are likely to experience the largest relative increase in unemployment rates.

Long-term projections & scenarios

- ASEAN's labour force is massive and still growing. In 2007, it stood at about 285 million and is expected to increase by around 40 million, or 14.1 per cent, between 2007 and 2015. The fastest labour force growth is projected to occur in countries with the greatest numbers of people who are poor and the largest informal economies, among them Cambodia, the Lao People's Democratic Republic and the Philippines.
- By 2015, the services sector is expected to be the largest sector in terms of employment in the region, accounting for over 41 per cent of total employment –

up from 36.5 per cent in 2007. Underlying this trend, employment in ASEAN's services sector will increase by a projected 28 million between 2007 and 2015, with employment in industry growing by 17.6 million and employment in agriculture declining by 7.1 million.

- The share of those vulnerable in total employment will remain enormous. In 2015, more than 55 per cent of ASEAN's workers are likely to be characterized as vulnerable, although this represents a decrease from 60.1 per cent in 2007.
- By 2015, most of ASEAN's population will reside in urban areas. Aside from natural increases, rural-to-urban migration is expected to continue or even escalate. Between 2007 and 2015, the region's urban population will grow by an estimated 64.1 million, or nearly 25 per cent. The rural population will shrink by 9 million, or 2.9 per cent.
- If labour productivity growth does not accelerate in the ASEAN region as a whole, its economic growth rate is projected to slow. To maintain the same historical gross domestic product (GDP) growth rate of 5.6 per cent during the 2000–2006 period, the region will need to accelerate productivity growth from 3.3 per cent to around 4.1 per cent over the 2007–2015 period.
- Nowhere is the need for increased productivity more acute than in the region's agricultural sector. If recent productivity trends persist, the region will be on track to producing US\$27 billion (33 per cent) in additional agricultural output by 2015. However, if average annual growth in agricultural labour productivity were to accelerate by just 1 per cent over the 2007–2015 period, it would generate an additional \$10 billion per year in value added by 2015. Boosting agricultural productivity could put downward pressure on food prices while at the same time improving rural incomes, thereby raising living standards and helping to reduce poverty in the region.
- ILO estimates of how much productivity growth would be needed over the 2007–2015 period to maintain the GDP growth rates registered since 2000 indicate that annual labour productivity growth must accelerate from 3.3 per cent to 4.1 per cent in the ASEAN region. In Cambodia and Singapore, productivity growth would need to more than double. In Thailand, productivity growth would need to accelerate from 3.3 per cent to 4.4 per cent, while Myanmar and the Philippines would also require a significant acceleration. In Indonesia, Malaysia and Viet Nam, the productivity growth rates registered over the 2000–2007 period appear roughly sufficient, given expected employment growth. Yet, achieving historical productivity growth rates
- Looking ahead to 2015, projections in primary and lower-secondary school enrolments raise concerns about the future workforce of ASEAN as a whole. As many as 14.1 million children in the region may still not be enrolled in school by 2015, representing 14.6 per cent of the total primary and lower-secondary school-age population.⁶ Without concerted efforts to achieve basic education for all children now, countries are risking a future labour force that could lack the essential skills that serve as a basis for increasing national competitiveness in rapidly changing regional and global markets.