Overview

Asia’s labour market outlook faces growing uncertainty. The weak global economy has affected Asia and its resilient performance is showing growing signs of fragility. Although economically it continues to outpace other regions the worsening external environment is hampering exports and domestic demand is moderating. Moreover, the destructive flooding that devastated a number of countries in Southeast Asia at the end of last year has again demonstrated that the region is also economically and socially vulnerable to natural disasters, as well as economic crises.

While job growth was robust in some economies there has been an overall slowdown since the middle of last year. Unemployment for young jobseekers remains a particular concern. Progress in improving job quality has also decelerated. Current forecasts indicate that Asia and the Pacific will face various challenges throughout 2012 in regard to generating decent and productive jobs and reducing unemployment.

As well as addressing a range of short-term labour market challenges, policymakers must also consider longstanding problems that profoundly shape the quality of Asian societies, namely high and rising income disparities and social exclusion. To this end it is essential that efforts continue across the region to reform labour legislation, strengthen social dialogue and wage setting institutions and build social protection systems. Moreover, the region is undergoing a massive urbanization process as more and more people seek new opportunities in Asia’s cities. This transition puts tremendous pressure on urban infrastructure and social services. It also underscores the need to address urban poverty and informality and foster inclusive growth through an integrated strategy based on decent work.  

Economic uncertainties highlight labour market vulnerabilities

Economic activity slowing, prospects remain fragile…

The tenuous global economic recovery is affecting the Asia-Pacific region. Weak export markets, the euro zone debt crisis and the impact of natural catastrophes resulted in a deceleration in economic activity at the end of 2011 in most economies (see Figure 1).

Figure 1: Real gross domestic product, Q3 and Q4 2011 (% change, year-on-year)

<table>
<thead>
<tr>
<th>Country</th>
<th>Q3 2011</th>
<th>Q4 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Thailand</td>
<td>-1.8</td>
<td>-2.5</td>
</tr>
<tr>
<td>New Zealand</td>
<td>-1.9</td>
<td>-2.3</td>
</tr>
<tr>
<td>Australia</td>
<td>-0.3</td>
<td>-0.1</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>0.9</td>
<td>1.0</td>
</tr>
<tr>
<td>Singapore</td>
<td>2.3</td>
<td>3.0</td>
</tr>
<tr>
<td>Indonesia</td>
<td>3.6</td>
<td>3.7</td>
</tr>
<tr>
<td>Malaysia</td>
<td>5.2</td>
<td>5.9</td>
</tr>
<tr>
<td>Korea</td>
<td>6.1</td>
<td>6.3</td>
</tr>
<tr>
<td>Japan</td>
<td>8.3</td>
<td>8.3</td>
</tr>
</tbody>
</table>

Note: Figures for Brunei Darussalam represent Q2 and Q3.
Source: CEIC Global Database; National statistical offices.

China and India, which – in the context of feeble activity in the euro area and the United States in the past couple of years – have functioned as key drivers of global growth, are both slowing, raising new concerns for the world economy. While still resilient, China’s GDP growth declined to 9.1 per cent and 8.9 per cent in the third and fourth quarters. Notably, growth in India fell to 6.9 per cent in the third quarter and to 6.1 per cent in the fourth quarter, the lowest rate since the height of the global economic crisis in early 2009. On the other hand, the fourth quarter GDP growth figure for Indonesia remained steady at 6.5 per cent, driven by strong domestic demand.

Thailand’s economic output plummeted by 9.0 per cent in the fourth quarter of 2011 as a result of the widespread flooding that devastated the country and caused extensive disruption to production. Japan’s economy contracted by 1.0 per cent in the same period partly due to its close integration with these Thai manufacturing suppliers as well as sluggish export markets. In addition, weak external demand also prompted a slowdown in other export-oriented economies such as Malaysia and Singapore.

If external markets continue to falter policymakers in Asia may look to stimulate their economies in 2012.
In light of the uncertain global economic environment, employment growth across the region is projected to remain largely unchanged in 2012 – at 0.6 per cent in East Asia, 1.6 per cent in Southeast Asia and the Pacific and 2.0 per cent in South Asia.7

...although slowing labour force growth moderated unemployment pressures...

Despite these mixed employment trends, job growth still outpaced increases in the size of the labour force and thus led to declining unemployment rates in twelve of fourteen economies where official data are available (see Figure 3). Demographic transitions are easing labour market pressures as some countries’ economically active population grows older.

In the Philippines and Indonesia, two countries with significant unemployment challenges, unemployment fell to 7.2 per cent in January and 6.6 per cent in August respectively. When looked at in terms of gender gaps, unemployment rates were higher for women than men in Indonesia (1.7 percentage points) and in Sri Lanka (4.3 percentage points).

Moreover, in the Philippines, Sri Lanka and Thailand, assessing the desirable fall in unemployment should be balanced against limited progress in improving the quality of jobs (see below).

While regional unemployment figures as a whole have gradually fallen since 2009, current projections indicate there will be little change in developing Asia in 2012. Unemployment is forecast to remain low in East Asia at 4.1 per cent, 4.7 per cent in Southeast Asia and the Pacific and 3.8 per cent in South Asia.8

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1 Fiscal positions, while not as strong as before the 2008 global economic crisis, provide some room for fiscal stimulus in a number of countries. However, fiscal and monetary policy interventions must also deal with the additional problem of the recent high price inflation in various countries, such as Bangladesh (10.1 per cent), India (8.8 per cent) and Viet Nam (14.2 per cent).4

2 Global prospects for 2012 indicate a further slowdown. Economic growth projections have been lowered for many economies in the region as downside risks continue to loom.5 These risks include continued uncertainty over the sovereign debt situation in the euro area and fears that instability in the Middle East could trigger high global oil price inflation, among others. The implications for labour markets in Asia could include a deceleration in job growth and setbacks in reducing job-related informality and working poverty.

...with mixed progress in job growth...

Reflecting this deceleration in economic activity, growth in employment has moderated in comparison to the second and third quarters of last year. Overall, the latest employment figures for the region, from the end of 2011 and beginning of 2012, show mixed progress (see Figure 2).

Employment trends remained strong in Hong Kong (China), Macau (China) and Singapore. Job growth in the Philippines was also robust at 3.0 per cent in January, although this is considerably weaker than the October figure of 5.6 per cent.

On the other hand, the net increase in employment in Thailand slowed to merely 0.9 per cent in the fourth quarter, partly as a result of the economic contraction caused by the flooding. Job growth was also weak in the industrialized economies of Japan (0.1 per cent in February) and Australia (0.3 per cent in March).

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Figure 2: Employment, latest periods (% change, year-on-year)

Note: Ages 15+, except Macau, China (ages 16+). Periods in parentheses represent prior period followed by the latest period.

Source: National statistical offices; ILO: Laborsta.
...but among young people, high unemployment persisted...

Economies across the Asia-Pacific region continue to face the immense challenge of creating decent and productive jobs for their young people (see Figure 4).

The latest figures on youth joblessness show varied progress. Youth unemployment rates increased in Australia, Japan, Pakistan and Singapore. Notably, in Japan and Singapore, the percentage of unemployed young people rose even as adult unemployment rates fell. Some other economies showed positive developments, with the largest declines in youth unemployment in Hong Kong, China (7.9 percentage points) and the Philippines (2.6 percentage points).

Overall, the situation remains concerning. One in five young people in the labour force are unemployed in Indonesia and Sri Lanka and around one in six in Australia, the Philippines and New Zealand. In the region as a whole young jobseekers are three to five times more likely to be unemployed than adults.

In some countries young women are particularly disadvantaged. For example, the gender gap in youth unemployment was 1.1 percentage points higher for females than males in Pakistan, 1.8 percentage points in Indonesia, 2.8 percentage points in the Philippines and an alarming 11.7 percentage points in Sri Lanka.

Just as overall unemployment projections are expected to show little movement for 2012, youth unemployment rates are likewise forecast to show minimal change in East Asia and South Asia this year, at 8.9 per cent and 9.8 per cent respectively. However in Southeast Asia and the Pacific the situation could deteriorate with youth unemployment rising from 13.4 per cent in 2011 to 13.7 per cent in 2012.

...and progress on enhancing job quality remains inadequate

Continuing high levels of own-account and contributing family workers are illustrative of the persistence of low quality jobs in developing Asian countries where recent data are available (see Figure 5).

In the Philippines and Sri Lanka, the percentage of workers classified as own-account and contributing family workers stagnated around 42 per cent. Meanwhile, the proportion remained nearly 55 per cent in Thailand and around 63 per cent in Pakistan.

By contrast some progress was noted in Malaysia, where the percentage of own-account and contributing family workers fell by 1.9 percentage points to 19.6 per cent. In Indonesia the proportion fell below 60 per cent for the first time in August, a remarkable drop of 4.4 percentage points.

For Asia’s wage workers, improvements in employment quality and working conditions are also needed. Recent findings highlight the prevalence of long working hours and inadequate workplace safety, as well as insufficient earnings in some of Asia’s manufacturing supply chains.

Widespread working poverty (where workers earn too little to escape poverty) is also indicative of poor job quality. An estimated 666 million workers (or two in five of the region’s workers) are estimated to be living on less than US$2 per day. In the Asia-Pacific subregions, the highest working poverty rates were in South Asia at more than 67 per cent.

Moreover, progress in reducing job-related informality and vulnerabilities may halt or even reverse as a result of the deteriorating global economic climate – as has happened in previous crises.
Fostering sustainable, equitable growth and ensuring social inclusion in Asia’s developing urban landscape

Enhanced labour market governance critical for social equity...

Income disparities have risen in many developing Asian countries, despite remarkable economic growth and poverty reduction in recent past decades (see Figure 6). This trend can undermine economic sustainability and threaten social cohesion.

Among countries with higher income inequality (measured by a Gini coefficient of 40 or higher), the ratio in China and Sri Lanka increased significantly by 10.0 points and 7.8 points respectively. In the Philippines the picture remains stark with only slight improvement. In Thailand while a range of health and social policies have contributed to lower disparity levels, these still remain high.

Among countries with lower income inequality (measured by a Gini coefficient of less than 35), growing disparities were seen in Bangladesh, India and Indonesia. However, there were some rare exceptions where income gaps narrowed: Nepal, Pakistan and Timor-Leste now have some of the lowest levels in developing Asia.

Socio-economic inequalities in Asia include not only incomes but also persistent and rising gaps between women and men, urban and rural workers, and the skilled and unskilled, among others. Addressing these pervasive disparities must include promoting productive jobs, investment in social protection, building a sound legal framework that facilitates social dialogue and strengthening wage setting mechanisms (see Box 1).

…and rapid urbanization calls for the right policy mix

Urban centres throughout developing Asia are expanding rapidly (see Figure 7). Between 2010 and 2020 urban populations are projected to grow by nearly 50 per cent in the Lao PDR and almost 43 per cent in Nepal. In Bangladesh, Pakistan, Papua New Guinea and Viet Nam the number of city dwellers is forecast to spike by more than 30 per cent in the same period.

Some of these high-urbanization countries also continue to face the daunting challenge of alleviating widespread poverty – approximately 60 to 80 per cent of the population live on less than US$2 per day in Bangladesh, the Lao PDR, Nepal and Pakistan.12 This combination of high urban population growth and extensive poverty has tremendous implications for urban informal employment, housing, social services and infrastructure development.

To respond to this transition integrated policies based on tripartite dialogue are necessary to promote urban development that is economically, socially and environmentally sustainable. These include better access to finance and credit, relevant technical and vocational training and public employment services that can help more workers move out of informality and into higher quality urban jobs.
Promoting investment in labour-intensive, construction and infrastructure projects is also critical and could simultaneously help create new job opportunities in the green economy and support climate change adaptation. In addition, urban governance and social protection should be strengthened to prevent the urbanization of poverty and reduce social and economic vulnerabilities.

**Box 1: Better wage systems to rebalance economies and reduce vulnerability**

The 2008 economic crisis highlighted the need for some countries in the region to rebalance economic growth towards greater household consumption and away from an overreliance on exports. Such rebalancing should be anchored in productive, quality employment and sustainable increases in incomes to drive aggregate demand.

With regard to incomes, the share of employees earning low pay (measured as less than two-thirds of the median pay) remained high in Cambodia (31.3 per cent) and Indonesia (26.4 per cent) despite some progress during the past decade. In the Philippines the proportion of low-paid workers was lower at 14.5 per cent in 2010, but has risen slightly as larger proportions of women have entered the ranks of the low paid.

Moreover, the gender gap in low pay is growing in these three countries. While there have been positive trends for male employees, women have not seen comparable improvements; the proportion of female employees in low earnings has risen by around 1.5 percentage points since 2001 in both Indonesia and the Philippines.

Wage setting mechanisms, such as collective bargaining and minimum wages, can help to achieve more balanced and inclusive development by ensuring equitable sharing of the benefits of economic growth. Sound wage policies (based on social dialogue in particular) can help reduce vulnerabilities and the risk of low-paid workers falling into poverty.

Minimum wage legislation and related reforms have taken greater prominence across the region in recent years. In China policy initiatives designed to spur domestic consumption have prompted double-digit annual real wage growth for workers in the urban public sector during the past decade. Hong Kong, China introduced its first minimum wage in May 2011, and similar legislation was also endorsed in Malaysia last year. At the end of 2011 reforms were also adopted in Viet Nam to harmonize its two-tier wage system. In the Philippines efforts continue to improve the current pay system, with the aim of moving minimum wage rates away from serving as a median wage level and towards becoming a more genuine wage floor, and to promote productivity-based wage setting for workers above that minimum wage floor.

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1. ILO: Asia-Pacific Labour Market Update (Bangkok, December 2011).
Recent publications

ILO: *Global Employment Trends 2012: Preventing a deeper jobs crisis* (January 2012). The annual report offers the latest global and regional information and projections on several indicators of the labour market, including employment, unemployment, working poverty and vulnerable employment. It also presents a number of policy considerations in light of the new challenges facing policy makers in the coming year.

Forthcoming publications

ILO: *Promoting safety and health in a green economy* (Geneva, April 2012)
ILO: *Domestic workers across the world: Global and regional statistics and the extent of legal protection* (Geneva, May 2012)

Data and statistics

ILO Global Wage Database
ILO Key Indicators of the Labour Market (KILM)
ILO Laborsta Database
ILO Short term indicators of the labour market

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4. Source: CEIC Global Database and official national sources. Year-on-year inflation figures for India are from February 2012 and from March 2012 for Bangladesh and Viet Nam.


6. See: ILO: *Asia-Pacific Labour Market Update* (Bangkok, December 2011), Figure 2.


8. ILO (October 2011), op. cit.

9. ILO (October 2011), op. cit.

