

# Asia-Pacific Labour Market Update

ILO Regional Office for Asia and the Pacific | October 2015



International  
Labour  
Organization

## Overview

Labour markets in Asia and the Pacific are facing uncertainty. Economic deceleration in China and continued sluggish demand in the Eurozone are weighing down the labour market outlook. Some economies are facing additional internal pressure as a result of a rapid structural shift out of agriculture. In 2015, employment growth in most Asia-Pacific economies slowed, and progress towards improving job quality has been uneven. Consequently, the region faces a sizeable task in the post-2015 development era, in promoting the Sustainable Development Goals (SDGs) related to full and productive employment and decent work for all, including for young people.

This update focuses on the region's youth, who in particular face specific obstacles to finding decent work. Millions of young people remain unemployed. For those who are working, too many are employed in informal or vulnerable jobs. A high proportion find themselves underqualified in occupations in which their education and training has not sufficiently prepared them. Improving the school-to-work transition requires a renewed policy focus on young people. This includes increasing demand for young workers, aligning education and training systems with industry, strengthening the quality of apprenticeships and other work experience programmes, as well as enhancing employment services and labour market information.<sup>1</sup>

## Employment growth slowing overall, with demand waning in some economies

Employment growth across the region varied considerably in 2015, driven by a range of demographic and economic trends (see figure 1). Among the developing economies, employment expansion was robust in Indonesia, growing by 2.3 per cent, or nearly 2.7 million, year-on-year. This increase was shaped in part by strong demand in the manufacturing and social services sectors, which offset a sizeable contraction in agriculture.

In Sri Lanka, employment increased by 2.2 per cent overall, with strong gains for women compensating for decreasing male employment. In Malaysia, employment growth was only 1.3 per cent and not sufficient to keep pace with considerable labour force expansion of 1.7 per cent.

By contrast, employment levels narrowed marginally in the Philippines, Thailand and Viet

Nam in the early part of 2015. In the Philippines, a fall in employment of 109,000 was coupled with a considerable rise in underemployment.<sup>2</sup> In Thailand, the decrease in employment reflects the eighth consecutive quarter of contraction, and was spurred by a weak economy, political uncertainty and a continued structural shift away from agriculture. In Viet Nam the drop in employment primarily affected women and was concentrated in the agricultural sector as employment demand conversely rose in industry and construction.

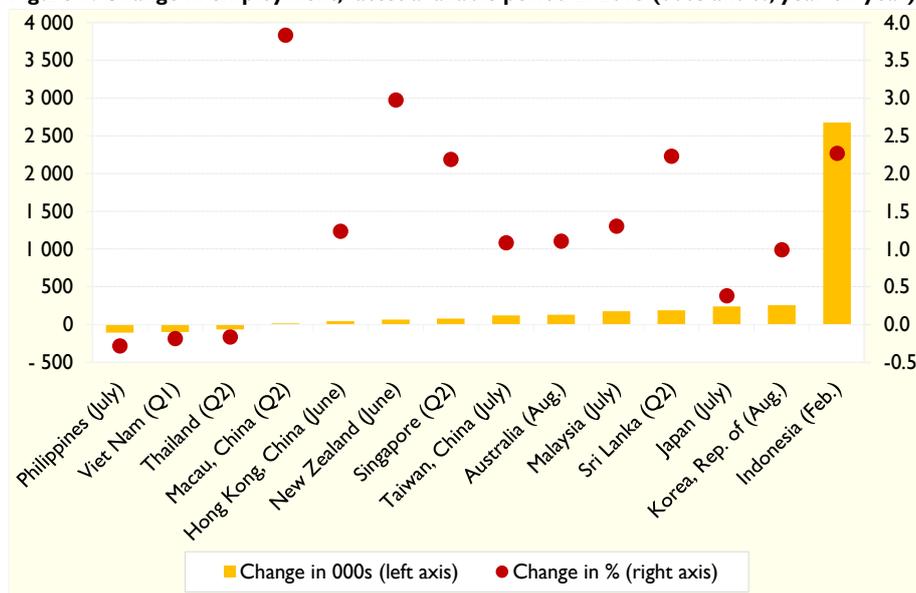
In the industrialized economies, employment growth in 2015 varied but was generally modest overall and lower than in 2014. In Macau (China), employment increased by 3.8 per cent, driven by the hotel industry and the wholesale and retail trade sector. In New Zealand, employment expanded by 3 per cent, helped by formidable demand in construction and manufacturing. In

Singapore, employment increased by 2.2 per cent despite waning manufacturing demand.

In Australia, Hong Kong (China), the Republic of Korea and Taiwan (China), there were moderate

job gains, hovering around just 1 per cent. Meanwhile, employment in Japan edged up slightly by only 0.4 per cent, reflecting the ageing population and flat labour force growth.

Figure 1. Change in employment, latest available period in 2015 (000s and %, year-on-year)



Note: Non-seasonally adjusted; ages 15+ except Macau, China (ages 16+); the Philippines excludes the province of Leyte; People's Republic of China, India and the Pacific Island Countries are not included due to a lack of comparable survey data for 2015.

Source: ILO estimates based on labour force survey data from national statistical offices.

### Unemployment remains low overall, but decent jobs for young people is still a concern

The general unemployment rate increased year-on-year in eight of 14 economies with recent 2015 estimates, but to varying degrees (see figure 2, panel A). The largest increase was 0.4 percentage point in Malaysia, partly due to considerable growth in the labour force. In Viet Nam, the unemployment rate rose by 0.3 percentage point, accompanied by a spike in economic activity among men.

Nevertheless, unemployment remained low across the region overall. In only four economies was the total unemployment rate more than 5 per cent. In the Philippines, unemployment declined considerably by 0.6 percentage point to 6.4 per cent in April, although the gap in unemployment rates between men (6.7 per cent) and women (6 per cent) widened. In Indonesia,

unemployment increased slightly by 307,700 to 5.8 per cent in February, against sizeable labour force growth of nearly 3 million.

However, young people in the region continue to face considerable challenges finding decent jobs. Despite some positive developments, youth unemployment exceeded 10 per cent in a slight majority of the 13 economies with official 2015 estimates (see figure 2, panel B).

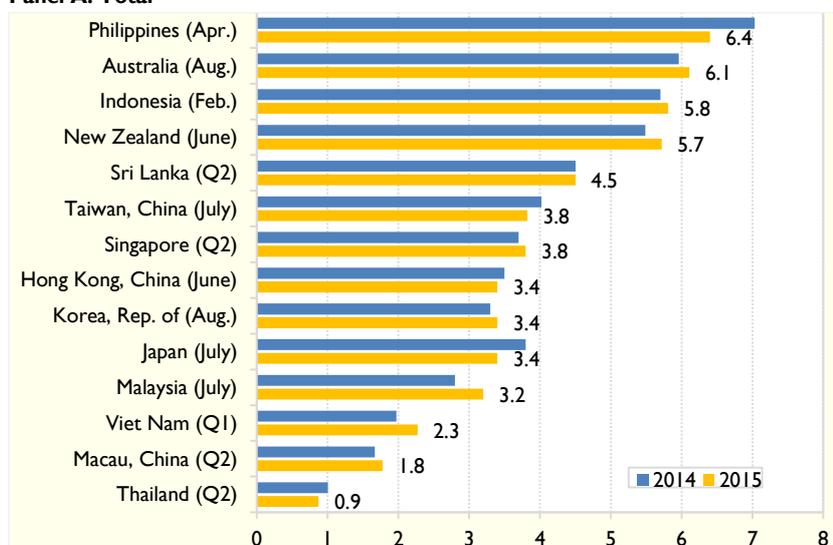
In Sri Lanka, for instance, the situation worsened with 21.4 per cent of young people in the labour force unemployed in 2015 compared to 19.5 per cent in 2014. This concerning trend affected young female jobseekers in particular; their unemployment rate climbed 2.5 percentage points year-on-year to 28.8 per cent. Similarly, in

Indonesia youth unemployment increased from 17.1 per cent to 18.3 per cent. Women

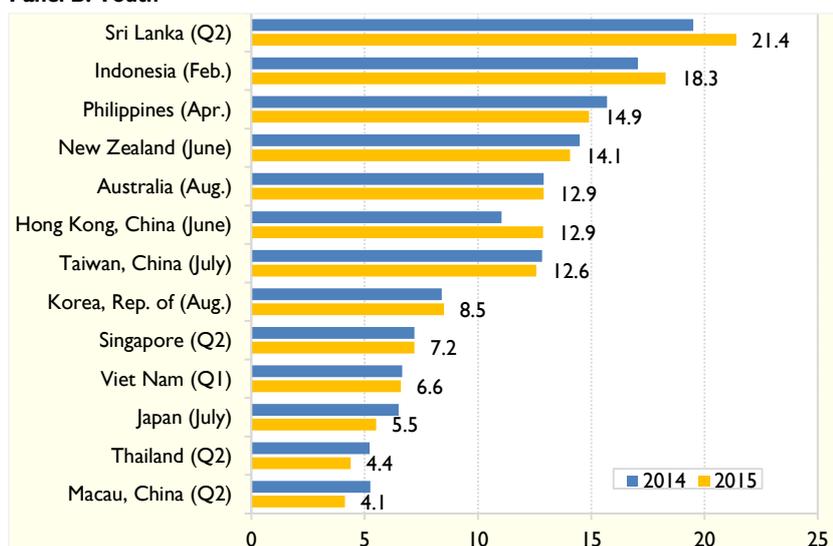
accounted for nearly three-fifths of the additional 260,000 unemployed young people.

**Figure 2. Unemployment rate, latest available period in 2015 and same period in 2014 (%)**

**Panel A. Total**



**Panel B. Youth**



**Note:** Total unemployment covers the labour force ages 15+ except Macau, China (ages 16+); youth unemployment covers the labour force ages 15-24 except Macau, China (ages 16-24) and Singapore (Residents ages 15-29); the Philippines excludes the province of Leyte.

**Source:** ILO estimates based on labour force survey data from national statistical offices.

By contrast, the Philippines witnessed a decrease in the youth unemployment rate to 14.9 per cent. This was helped by a fall in the youth labour force of 219,000 and a rise in those remaining in education.

In most of the industrialized economies, youth unemployment stayed unchanged or improved. In New Zealand, despite an increase in labour force

participation of young people, youth unemployment decreased to 14.1 per cent, spurred by strong employment gains among those aged 20 to 24. Considerable progress was also seen in Macau (China) and Japan, where youth unemployment rates fell by around 1 percentage point compared to 2014. However, in Japan young women accounted for only one-sixth of the total decrease in youth unemployment levels.

Millions of young people in Asia and the Pacific are facing a difficult transition from school to work. While some face challenges finding work that matches their aspirations, others have limited options and are forced to take up employment with poor working conditions. Too many graduates work in jobs that do not match

their educational qualifications, squandering potential and causing discouragement. In this regard, enhanced education, training and apprenticeship systems would help to better prepare young people for the realities and demands of business and industry (see discussion below).

### ***Mixed trends on enhancing employment quality***

Poor job quality is pervasive in developing Asia and the Pacific and hinders progress towards improving living standards. One indicative measure is the low share of workers in wage employment which typically is more productive and provides higher earnings. Conversely, the bulk of those workers not in salaried jobs are less likely to have formal employment arrangements and social protection coverage. This highlights the importance of achieving full and productive employment for all women and men, which was adopted as one of the 17 SDGs of the post-2015 global development agenda.

In the developing Asia-Pacific region, the estimated number of wage employees totalled 766 million in 2015.<sup>3</sup> While this represents a remarkable increase of 63.4 per cent since 2000, salaried workers still accounted for only two in five of the region's workforce. Taken by sub-region, the wage employment rate was lowest in South Asia (a ratio of one in four workers). In East Asia the share was around three in five and in South-East Asia and the Pacific approximately two in five.

The latest estimates from some developing economies in the region reveal uneven trends in expanding wage employment (see figure 3). In Thailand, progress in the last couple of years has been significant as the share of wage employees in total employment increased by 5.1 percentage points since 2013. The number of wage employees grew by 1.4 million (8.4 per cent) against a sharp decline of nearly 2.3 million contributing family workers.

Similarly, in Sri Lanka, the percentage of salaried employees in total employment rose from 53.8 per cent in 2013 to 57.5 per cent in 2015, although the majority of those gains were made in 2014. This upward trend was spurred by an increase in non-agricultural wage earners in the public sector (32.1 per cent) and a contraction in contributing family workers (25 per cent). Likewise, in Viet Nam the wage employment rate increased 3.1 percentage points to 37.8 per cent during the same period, as the labour market added 1.8 million salaried employees and shed 1.5 million own-account workers.

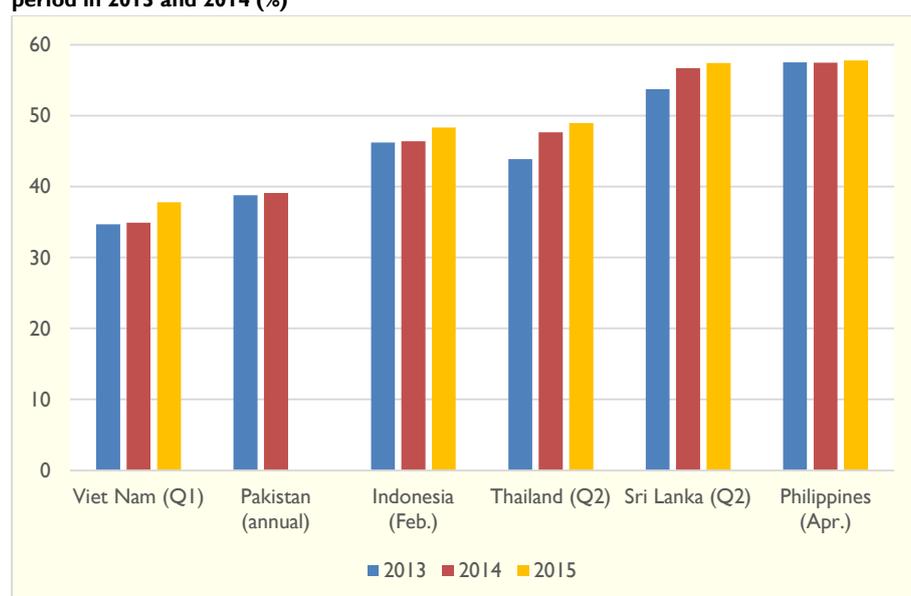
In Indonesia, the share of wage workers in total employment expanded from 46.2 per cent in 2013 to 48.3 per cent in 2015, and the number of regular salaried earners climbed by 4.6 million (10.9 per cent). While this trend is largely positive, it is worth noting that many workers in Indonesia that are officially categorized as regular employees are working on short-term rather than permanent contracts and therefore still have precarious contractual arrangements. More specifically, approximately 40 per cent of regular employees have a job tenure of 36 months or less.<sup>4</sup>

However, in other developing economies progress has been less impressive. In Pakistan and the Philippines, for example, the wage employment rate changed little in the past couple years.

Job quality is also linked to skills and education. Higher-level competencies allow workers to take up more sophisticated, high-skill occupations that are more productive and offer better wages and working conditions. In the developing Asia-Pacific region, high-skill employment totalled nearly 212 million in 2015, a substantial increase of more than 74 per cent since 2000.<sup>5</sup> Women accounted for around two in five of these high-skill

occupations, up from one in three in 2000. However, high-skill jobs made up just under 12 per cent of total employment, with the share even lower in South Asia (8.3 per cent). By comparison, the share of high-skill occupations was more than 20 per cent of total employment in Latin America and the Caribbean and around 23 per cent in the Middle East and North Africa.

**Figure 3. Share of wage employment in total employment, latest available period in 2015 and same period in 2013 and 2014 (%)**



**Note:** Ages 15+; the Philippines excludes the province of Leyte.

**Source:** ILO estimates based on labour force survey data from national statistical offices.

## Easier labour market transitions for young people requires integrated policies

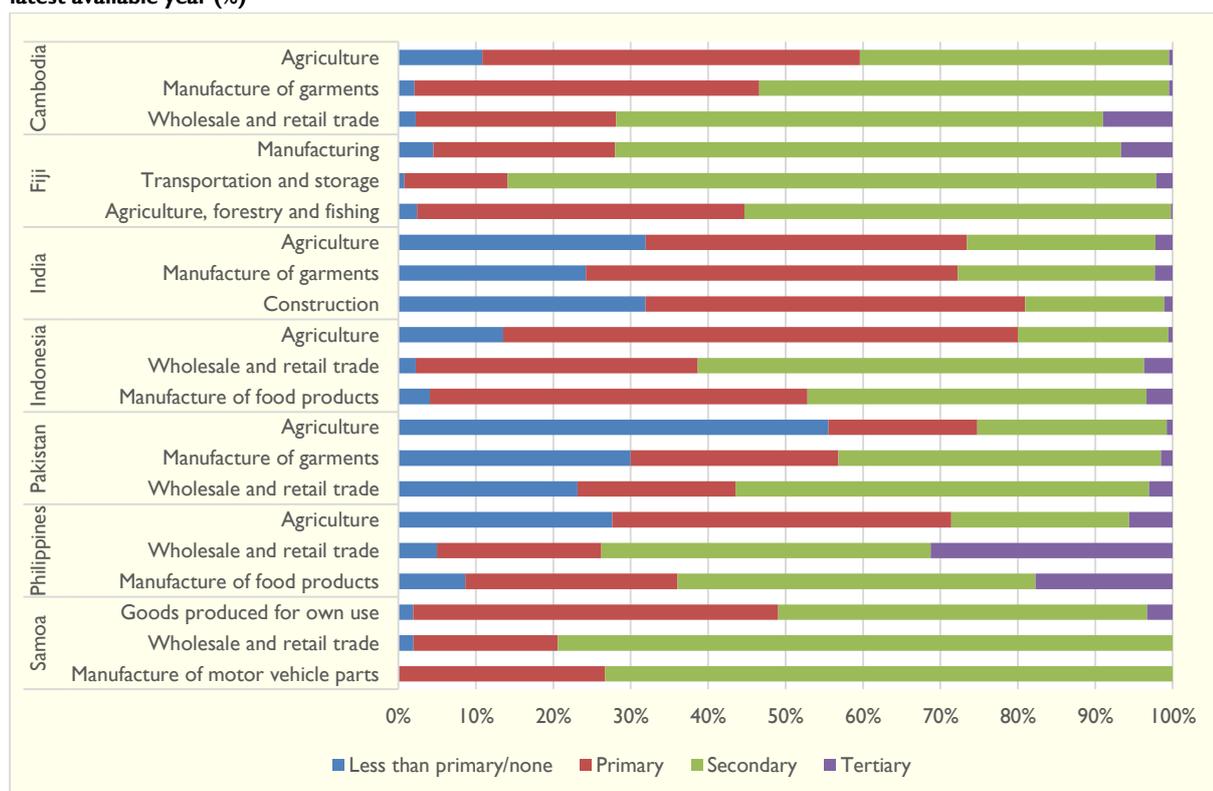
In the developing economies of Asia and the Pacific, there are 270 million working young people.<sup>6</sup> Too many, however, are stuck in low quality employment, working in vulnerable jobs with informal arrangements. Often with insufficient education and training, coupled with a lack of demand for young workers, millions of young people face a difficult transition from school to the workplace and have limited alternative options.

Despite some progress, the educational attainment of young people is relatively low across the developing Asia-Pacific region. In three of the seven countries analyzed (Cambodia, Fiji, India, Indonesia, Pakistan, Philippines and Samoa), more than one-half of youth had education equivalent to primary level or below.<sup>7</sup> Among

employed young people, levels of education are even lower. In India, for instance, nearly seven in ten employed youth had a primary education or less. In Pakistan, the ratio was six in ten.

As a result of low levels of educational attainment, poorly educated youth often find themselves in low-skill occupations in sectors such as agriculture. In the majority of the seven countries analyzed, agriculture was the predominant employer of youth. The share was highest in India, where around 44 per cent of working youth were employed in this sector. Similarly, high rates of youth employment in agriculture were observed in Pakistan (43.4 per cent), Cambodia (32.8 per cent) and the Philippines (32 per cent).

**Figure 4. Selected leading industries for youth employment by educational attainment in selected Asia-Pacific countries, latest available year (%)**



**Note:** The three selected leading industries for each country vary in terms of their share of total youth employment, ranging from 46.1 per cent (Samoa) to 75.4 per cent (India). Youth defined as ages 15-24. Industry of employment according to the International Standard Industrial Classification of all Economic Activities. Tertiary education in Indonesia and the Philippines refers to post-secondary and above.

**Source:** ILO estimates based on labour force survey data from national statistical offices.

In addition, young people were also concentrated in sectors such as light manufacturing – specifically garment production in countries such as Cambodia – and the wholesale and retail trade. In fact, manufacturing accounted for more than a quarter of total youth employment in Cambodia, and one-fifth in Indonesia.

Many young people in these leading industries are in unskilled, manual occupations with low educational requirements (see figure 4), and limited access to technical and vocational training restricts their options for career progression. In Pakistan, for instance, roughly 55 per cent of

youth working in agriculture had less than primary education. In a number of countries – such as India and Pakistan – youth working in manufacturing and construction also had notably low levels of schooling.

By contrast, the service industries are generally characterized by higher levels of educational attainment. For example, nearly 80 per cent of young people in the retail and wholesale trade sector in Samoa had received a secondary education. In the Philippines, more than 30 per cent of youth employed in that industry had post-secondary schooling.

### ***Youth often lack the right qualifications for their job***

With low educational attainment, coupled with inadequate career guidance, young people in Asia and the Pacific often leave school and enter the workforce with qualifications that do not match the needs of employers. This misalignment hinders competitiveness and fails to maximize the potential of young people.

Qualification mismatch is a significant issue across a number of developing Asia-Pacific countries (see figure 5, panel A).<sup>8</sup> For instance, in India and Pakistan, around two in three employed youth did not hold qualifications required by their job. Similarly, more than half of employed youth in Indonesia and the Philippines were found to have qualification mismatches.

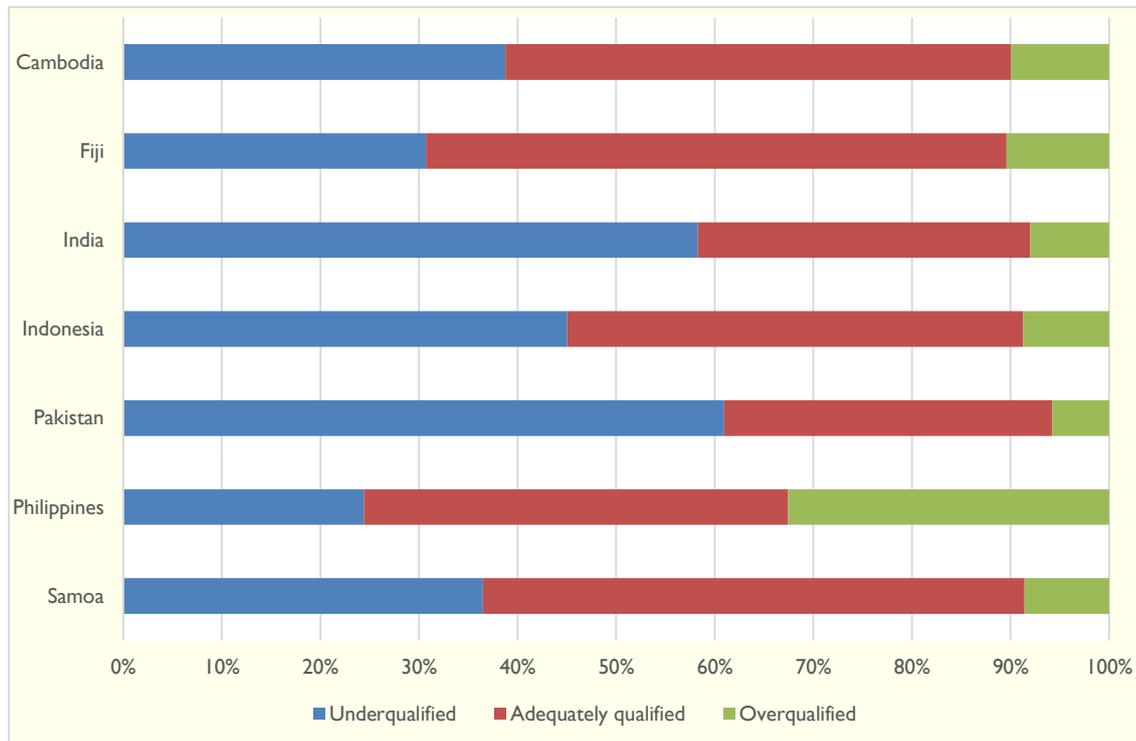
For six out of the seven countries analyzed, underqualification was the main form of qualification mismatch. In India, for instance, 58.3 per cent of employed youth were classified as underqualified. In Pakistan the share was 60.9 per cent, and in Indonesia 45 per cent of working youth were underqualified. With a large underqualified workforce, these economies are exposed to weaker productivity growth and a

slower structural transition to higher value added activities.

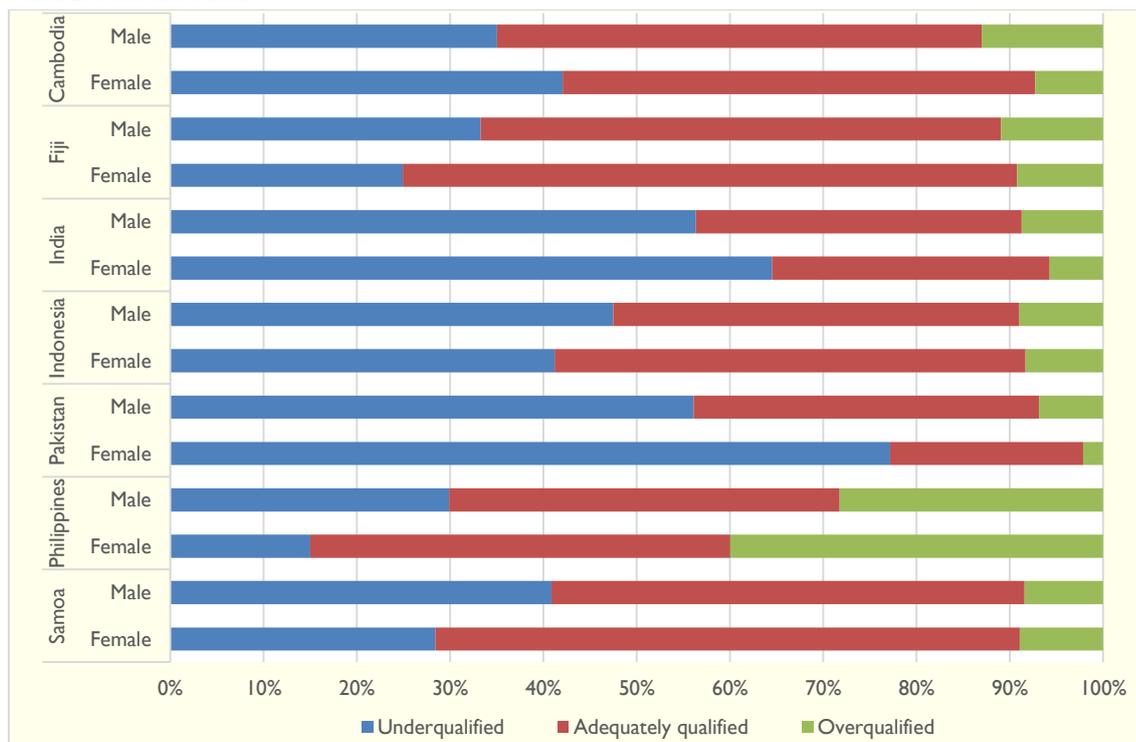
By contrast, in the Philippines overqualification was the primary form of qualification mismatch. Nearly one in three employed youth were in occupations that required lower levels of education than that which they held. Under these conditions of high incidences of overqualification, countries may be more vulnerable to skills underutilization and greater employee turnover.

In terms of mismatches by gender, there are notable variations between young women and men in all countries, but the overall picture is mixed (see figure 5, panel B). In three of the seven countries analyzed, young working women were more likely to be mismatched than their male counterparts. The difference was greatest in Pakistan, where nearly 80 per cent of females were mismatched compared to around 63 per cent of males. By contrast, in Fiji, Indonesia, Philippines and Samoa, males were more likely to be mismatched, in particular being underqualified for the work they perform.

**Figure 5. Qualification mismatch of employed youth by sex in selected Asia-Pacific countries, latest available year (%)**  
**Panel A. Both sexes**



**Panel B. Male and female**



**Note:** Youth defined as ages 15-24. See endnote 8 for the definition of qualification mismatch.

**Source:** ILO estimates based on labour force survey data from national statistical offices.

Qualification mismatches could be reduced by greater access to quality technical and vocational education and training (TVET). In five of the seven countries under analysis, qualification mismatches are significantly less common among

those working youth with some technical education. Differences are particularly stark in Indonesia and Samoa, where an employed young person without technical training is twice as likely to be mismatched as a young person with TVET.

### ***Tackling qualification mismatches would improve job quality for young people***

Despite better access to education and training in recent decades, young people in Asia and the Pacific continue to face challenges in finding decent work. Many are in vulnerable employment as an own-account worker or contributing family worker. Across the seven-country sample, the vulnerable employment rate among youth ranged from one-third in Samoa to nearly four-fifths in India. These young people typically lack the job security, better earnings and access to social protection usually enjoyed by their counterparts in wage employment.

Moreover, young workers in vulnerable employment are more prone to qualification mismatch. In six of the seven countries, the share of youth in vulnerable forms of employment who are either underqualified or overqualified exceeds the portion in non-vulnerable forms of employment who are mismatched. The exception is Cambodia, where the incidence of mismatch is similar among all employed youth.

Likewise, the prevalence of informal employment is another indication of limited formal productive

work opportunities for young people.<sup>9</sup> In Samoa, for example, informal employment accounts for seven in ten young workers. What is more, the mismatch trends for youth in vulnerable employment also hold for those in informal employment. For instance, in Indonesia, where two in five working youth are categorized as informal, the share of young people whose qualifications do not match job requirements is much higher when employed through informal (67.1 per cent) compared to formal arrangements (43.5 per cent).

Along the same vein, those with uncertain contractual employment arrangements are also found to be more likely to be mismatched. In Pakistan, for example, an estimated 96 per cent of young paid employees are in fixed-term or temporary employment. Of these, 62 per cent were found to be underqualified, compared to around 32 per cent of those in more standard forms of employment.

### Box 1: Tackling qualification mismatches in Cambodia

In Cambodia, around 60 per cent of young people aged 15 to 24 are employed, significantly higher than the subregional average of around 45 per cent for Southeast Asia and the Pacific.<sup>1</sup> Unemployment for this cohort is relatively low, less than 4 per cent compared to around 13 per cent for the subregion. But with low incomes and widespread poverty, too many Cambodian youth simply cannot afford to be in school or unemployed. In turn, this contributes to high rates of school drop outs. Estimates indicate that two in five students drop out of lower secondary school and another one in five from upper secondary studies.<sup>2</sup>

When they enter the workforce, Cambodian youth face a distinct lack of decent jobs. Consequently, a large share (approximately two in five) find themselves in vulnerable employment as own-account workers or contributing family workers, and around one in five in informal employment. However, for youth who are able to transition from school to work that is stable or satisfactory, higher educational attainment plays a critical role. Research indicates that Cambodian youth are more likely to make a successful school-to-work transition when they have higher levels of schooling.<sup>3</sup>

Qualification mismatches in the labour market are therefore a partial by-product of early exit from school and insufficient decent job opportunities, as well as perceived low returns to education. Nearly one-half of youth are in jobs where they do not hold the qualifications associated with the occupation.<sup>4</sup> Corroborating this finding, a recent ILO survey of ASEAN employers found that only 20 per cent of employers agreed the skills of secondary school graduates in Cambodia matched the needs of enterprises.<sup>5</sup>

Cambodia is taking significant steps to address these challenges, as reflected in the recently adopted National Employment Policy. For instance, non-formal education programmes across the country, which offer training in literacy, numeracy and work skills, among other areas, are helping to develop skills particularly for those who have never enrolled in education or have dropped out of school. In addition, the Government provides other incentives, including vouchers for training programmes, to encourage children and youth to remain in or return to school.

Cambodia is also focusing on employment services and is engaging with the private sector, thus ensuring that training and education match the needs of the labour market. The National Employment Agency, with technical assistance from the ILO, is providing career advice, job search assistance and labour market information to young jobseekers and raising awareness among young people of the resources and programmes available to them.

Despite some progress, substantial investments are still needed to close remaining gaps in basic education, which remains paramount to build a foundation for higher levels of skills acquisition. Furthermore, enhancing secondary education and technical vocational education and training (TVET) is equally important given Cambodia's ambitions for industrial diversification and the projected growth in transportation, construction and light manufacturing. To this end, focusing on improving secondary school retention, making the curriculum more responsive to industry, and expanding TVET access for poor and rural populations would also help prepare young people with the right skills and competencies needed in Cambodia's dynamic and emerging economy.

<sup>1</sup> ILO estimates from the Cambodia Labour Force Survey 2012 and ILO: Trends Econometric Models (Apr. 2015).

<sup>2</sup> Cambodian Ministry of Education, Youth and Sport: *Education statistics and indicators 2014/2015* (Phnom Penh, Feb. 2015).

<sup>3</sup> ILO: *Labour market transitions of young women and men in Cambodia*, Work4Youth publication series No. 2 (Geneva, ILO, 2013).

<sup>4</sup> Source: Figure 5, panel A.

<sup>5</sup> ADB and ILO: *ASEAN Community 2015: Managing integration for better jobs and shared prosperity* (Bangkok, ILO, 2014).

Measures to improve the quality of jobs for young people would go hand-in-hand with addressing qualification mismatch. To do this a renewed policy focus is needed in a few critical areas. First, improving access to and quality of education and technical training to be more responsive to industry demand would help facilitate a smoother school-to-work transition. Young people would be better equipped as they enter the labour market, and enterprises would be able to recruit from a more educated and skilled workforce.

Second, integrated active labour market policies would better prepare young people for the realities of the workplace. For instance, quality apprenticeship programmes and other work experience measures can help ensure young people gain practical and job-specific skills. Such measures could be complemented by other active labour market policies such as job matching schemes, robust and reliable labour market information and sound career guidance programmes (see box 1).

These policy interventions would require stronger cooperation between education and training institutions, employers and government. Strengthening partnerships with the private sector could help ensure education and training curricula are practical and aligned with market demand. In addition, greater engagement by employers could help to facilitate opportunities for recent graduates to access quality apprenticeships, so that workplace training can complement classroom experience. In turn, increased employer participation and investment in skills development of young people could help promote enterprise productivity, competitiveness and dynamism.

Finally, policy-makers should pursue employment-centred macroeconomic policies that support stronger aggregate demand and greater access to finance.<sup>10</sup> Other essential measures to raise the overall demand for young workers include accelerating structural transformation, investing in labour-intensive infrastructure, and promoting trade facilitation.

## For more information, please contact

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<sup>1</sup> This update was prepared by Fernanda Bárcia de Mattos, Richard Horne and Phu Huynh of the Regional Economic and Social Analysis Unit, with contributions from Emma Allen, Matthieu Cognac, Sukti Dasgupta, Sophy Fisher, Tite Habiyakare, Kee Beom Kim, Makiko Matsumoto and Sher Verick. It provides a snapshot of labour market trends for selected Asia-Pacific economies, based on official data available as of 15 September 2015. Due to variations in national definitions, data presented for different economies are not strictly comparable.

<sup>2</sup> In the Philippines, underemployment is defined as employed persons who want additional hours of work in their present job, or to have additional job, or to have a new job with longer working hours.

<sup>3</sup> Regional and sub-regional estimates of wage employment are based on ILO: Trends Econometric Models (Apr. 2015).

<sup>4</sup> The Indonesia Manpower Act No. 13/2003 specifies that short-term contracts can be provided for an initial period of two years with an option to extend for an additional 12 months at the maximum. Official employment data defines an employee to be a permanent employee if she or he has the same employer during the past month. The statistical definition of regular employees therefore includes both contract workers and permanent employees.

<sup>5</sup> Regional and sub-regional estimates of high-skill employment are based on ILO: Trends Econometric Models (Apr. 2015). High-skill employment corresponds to occupations under International Standard Classification of Occupations (ISCO) major group 1 (legislators, senior officials and managers), major group 2 (professionals) and major group 3 (technicians and associate professionals).

<sup>6</sup> Employed young people ages 15 to 24 based on ILO: Trends Econometric Models (Apr. 2015).

<sup>7</sup> The empirical analysis of young people in relation to education, employment and qualification mismatch are based on ILO estimates of official labour force survey data in seven sample countries: Cambodia (2012), Fiji (2010-11), India (2011-12), Indonesia (August 2014), Pakistan (2012-13), Philippines (October 2013) and Samoa (2013). The seven economies were selected for broad geographical representation across the developing Asia-Pacific region and due to their respective national priorities on addressing youth employment deficits. Cambodia, Fiji, Indonesia and Pakistan (in addition to China) are also represented at the regional workshop organized by the ILO on Quality Apprenticeships and Work Experience Measures to Improve the School-to-Work Transition, held from 6-7 October 2015 in Phnom Penh, Cambodia. The exclusion of China in the analysis is due to a lack of comparable survey data.

<sup>8</sup> This metric of qualification mismatch is based upon aligning educational attainment levels according to the International Standard Classification of Education (ISCED) with occupational groups according to the International Standard Classification of Occupations (ISCO). ISCO occupational groups 1, 2, and 3 are considered high-skill and align with ISCED-97 levels 5 and 6. ISCO groups 4, 5, 6, 7 and 8 are considered medium-skill occupations and align with ISCED levels 3 and 4. ISCO group 9 of low-skill occupations correspond with ISCED levels 1 and 2. Following this normative approach, workers whose occupation matches the assigned educational attainment level are considered adequately qualified. Those with a higher level of education are considered overqualified and those with a lower level are classified as underqualified. Together, the overqualified and underqualified are considered mismatched. That is, their education levels are not in line with job requirements. This approach has some limitations. For instance, it assumes all jobs with the same title have identical education requirements, and it does not account for years of experience – which are intrinsically low for youth. For further discussion on the methodology applied, see ILO: *Global Employment Trends for Youth 2013: A generation at risk* (Geneva, 2013).

<sup>9</sup> Informal employment, as defined by the 17th International Conference of Labour Statisticians, refers to poor quality, unproductive, and unremunerated jobs that are not recognized or protected by law and are characterized by the absence of rights at work, inadequate social protection, and the lack of representation and voice. Country definitions may vary according to national standards.

<sup>10</sup> For further discussion, see ILO: *The youth employment crisis: A call for action*, Resolution and conclusions, International Labour Conference, 101st session (Geneva, 2012).