

Executive summary

Strong records of economic growth in the Asia-Pacific region have benefited many workers.

In many ways, these are exciting times for Asia and the Pacific as a region. Dynamic growth and changing political winds have put the region at the threshold of a new world order. The regional gross domestic product (GDP) growth rate of 5.7 per cent in 2017 was well above the global rate of 3.8 per cent. Among the emerging and developing countries in the region (defined in [box 1](#)), growth reached a remarkable annual average of 7.6 per cent between 2007 and 2017, which was enough to propel eight countries from low-income to middle-income status. The region has also benefited from high labour productivity growth. Between 2007 and 2017, labour productivity (defined as output per worker) in the Asia-Pacific region increased by an average of 5 per cent annually, more than double the global average of 2.2 per cent.

To a certain degree, the impressive economic growth record and labour productivity gains have filtered down to the improved well-being of the region's workers and their dependants. For the majority of people in this region, it is the value of their labour that determines their income status, standard of living and well-being as well as that of their household. In fact, it is mainly through the labour market – work – that the benefits of economic growth spread to the general population and that living standards grow. The region has both the world's largest proportion of workers in the working-age population and the world's lowest unemployment rate. Nearly three in five (59.7 per cent) persons in the region were working in 2017 (compared with 58.7 per cent globally) while the share in the labour force that was unemployed – the unemployment rate – remained low at 4.1 per cent (5.5 per cent globally). The region also maintained the world's lowest youth unemployment rate in 2017 at 10.4 per cent (12.6 per cent globally).

Along with the consistently high rates of employment, the statistics also reflect some important progress in the returns from work. Most importantly, the incidence of working poverty at both the extreme and moderate levels (workers in households living on income that is less than \$3.10 per day) has remarkably reduced, resting now at one third the share of two decades earlier (23.3 per cent in 2017, compared with 64.9 per cent in 1997). Likewise, the share of workers in vulnerable employment – as own-account workers or contributing (unpaid) family workers – declined from 61.4 per cent of total employment in 1997 to 48.6 per cent in 2017.



Yet there is still a long way to go to overcome remaining decent work deficits.

Although the aggregate labour market picture is thus somewhat positive, there is still a long way to go in bringing all workers in the Asia-Pacific region closer to conditions of decent work and shared prosperity. Even with the rapid progress in poverty reduction, still one fourth (446 million) of all workers in the region lived in moderate or extreme poverty in 2017. And 930 million workers – nearly one in two (48.6 per cent) workers – remained in vulnerable employment, which is the second-largest share in the world, after sub-Saharan Africa. What's more, the declining trend in the vulnerable employment rate is expected to reverse, with the regional share rising again towards 49 per cent by 2020.

More than two in three workers in the region were in informal employment in 2016, which is closely linked to vulnerable employment. While having a paid job is generally equated to less vulnerability of workers to income instability, in Asia and the Pacific there are still millions of employees who receive a wage but lack employment benefits and have little job security. An assessment of workers' perceptions using information in the Gallup World Poll found that workers feel concerned about work quality issues in most countries in the region, rich and poor alike. Stress, due to the lack of job (and income) security, the burden of long working hours among some workers in the region and a lack of social benefits have an impact on the well-being of workers and the households that depend on them. Another indirect effect comes with the limited capacity of such workers to save or invest in housing, durable goods and services, thus limiting the potential of consumption-led growth.

In general terms, the labour market gains evident in the Asia-Pacific region in the past few years remain present but fragile. Decent work deficits persist in all countries in the region and continue to weigh heavily on development trajectories. In developing Asian-Pacific countries, workers continue to be vulnerable to household crises – injury or death of a breadwinner, loss of job, natural disaster, crop failure, etc. – that threaten to push them backwards into poverty. With few countries in the region with a fully functioning social protection system that could stabilize household income levels and ease the impact of economic shocks, a secured pathway to sustainable and inclusive economic growth for the region is not guaranteed.

The near future is unlikely to show additional improvements.

Over the coming years, economic growth is expected to remain strong in the region, with growth rates of 5.6 per cent expected for 2018 and 2019, compared with 3.9 per cent at the global level. Yet there are lingering fragilities in the foundations of growth in the region that have the potential to offset the positive forecasts. Recent threats of increased trade protectionism are already having an impact on investment in the manufacturing sector, which many workers in the region continue to rely on for their livelihoods and occasionally their first foray into paid employment. Demographic trends, and in particular the impact of ageing societies, are adding strain to the already-limited social protection systems and call into question future labour productivity gains. Ongoing adjustments to technological developments could prove disruptive to employment flows, especially for workers at the medium-skill level. Also, environmental degradation, exhaustion of natural resources and the increasing incidence of climate-related natural disasters add uncertainty to the region's future growth trajectory.

While the aggregate regional unemployment rate is projected to hold steady at 4.1 per cent through 2020, the share of persons in both the labour force and employment will continue to decline in the Asia-Pacific region, reflecting slowed population growth as well as increasing educational enrolment. The reduced productive potential of a shrinking labour force threatens to undercut the region's reputation as the world's assembly line. Also worrying are the projected trends in vulnerable employment and the gender gap in the labour force participation rate, both of which are projected to move in the wrong direction in the coming years. The gap between the male and female labour force participation rates is projected to widen between 2017 and 2020, led by Eastern Asia and Southern Asia, much to the frustration of all parties pushing regional and national agendas towards gender equality. And after years of positive trends in lowering vulnerable employment, the share is projected to creep up again towards 49 per cent by 2020.

A mixed picture emerges across subregions and among countries.

There is no one "Asia" or "Pacific", and it is important to avoid the pitfall of overgeneralizing for a region that encompasses nearly 40 countries, each of which has its own history, culture, social norms, geography, global connections, natural resources and political institutions that determine, as both cause and effect, the circumstances of the national labour market. In other words, diversity prevails across subregions, income levels, national geography, between the sexes and more. To the extent possible, this report highlights the continuing variations among labour markets in the region across diverse characteristics.

All countries stand to benefit from a strengthened focus on decent work as a driving mechanism for inclusive growth.

The development pathways taken by most countries in the region are not sufficient to overcome the decent work deficits. The emerging and upper-middle-income economies of the region have made remarkable progress in (primarily) export-led growth, yet continue to find it difficult to surpass structural compositions of labour that result in the continuing presence of vulnerable and informal employment. The emerging economies of the Asia-Pacific region have shares of workers in vulnerable employment that are three times those of the region's high-income economies. The industrializing, lower-middle-income economies that are now seeing growth rates in excess of 6 per cent still have half of their workers in vulnerable employment and more than a third of workers in extreme or moderate poverty. The stark differences in the labour market structures by income levels point to the important role to be played by labour market governance and related labour market policies. Where labour market governance is weak, decent work deficits continue to prevail despite strong economic growth.

Many middle-income countries in the region continue to favour growth strategies based on macroeconomic policy mixes with limited attention to social welfare development and labour market governance. In the absence of policy mixes that promote growth that is sustainable and inclusive in nature, millions of workers in developing Asian-Pacific countries remain precariously balanced just above the poverty threshold. And the high-income countries in the region and some of the larger middle-income countries, such as China, India and Indonesia, are now experiencing a growing disconnect between growth and inclusiveness, measured in income inequality.

When viewed in the context of the 2030 Agenda for Sustainable Development, this report highlights numerous shortcomings in the outcomes that link to the ILO's Decent Work Agenda, most specifically, the many targets in Sustainable Development Goal (SDG) 8 on "sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all". Most countries in the region are well behind the SDG targets set for extending social protection, eliminating child labour and forced labour, engaging young persons in productive activities (either in education or in employment), supporting the transition from informal to formal economy, reducing gender equality in all occupations and other target areas that link to decent work. With so many key elements of decent work still missing or weak, countries in the region are limited in their capacity to translate economic growth to inclusive growth. There is thus genuine reason for concern when it comes to the region's potential to achieve SDG 8 by 2030.

National commitments to the 2030 Agenda offer a renewed opportunity to advance decent work for sustainable development.

The region's future prospects will require that economic growth go hand in hand with a further expansion of decent work. The commitment of countries to the 2030 Agenda offers an important opportunity to refocus attention on decent work as an accelerator of inclusive growth, but a significant amount of work remains to translate commitments to positive achievements towards SDG 8.

The evidence on labour market trends in the report highlight the continuing vulnerabilities of persons on the lower rungs of the income ladder, with the lack of stable jobs and social benefits among the culprits. Productivity growth in the region has been strong, as has employment growth and even pro-poor growth, but the growth trajectories of many countries have not proven to be inclusive. To make the equation in SDG 8 work – to expand decent work opportunities to promote sustainable and inclusive economic growth – this report defines a framework for combining the policy elements already embedded in SDG 8 (targets linked to the productivity growth, the promotion of decent work and labour rights) to those intending to counteract inequalities that are included in SDG 10.

In the context of growth built on fragile foundations, a refocus is warranted on the stabilizing elements that are embedded in the four pillars of the International Labour Organization's (ILO) Decent Work Agenda – promoting decent jobs, guaranteeing rights at work, extending social protection and promoting social dialogue. As the Asian-Pacific countries move further towards implementation of the 2030 Agenda, they will be well placed to give priority to the expanded "SDG 8+" that is proposed in this report and, to take bolder action in the policy areas that will keep decent work front and centre in the development agenda.

Structure of the report

This report pulls together the most recent labour market statistics to take stock of developments in the world's most populous and dynamic region while also drawing attention to the policy challenges that threaten to inhibit inclusive growth. Chapter 1 of this report highlights the latest labour market trends in the region, including total employment, employment by age and sex, labour force participation, unemployment, working poverty, vulnerable employment, informal employment, sector-based employment, contract types, non-standard forms of work and working

hours. The chapter provides an aggregate picture of the current labour market situation in the region but goes into more detail, analysing where the decent work deficits continue to persist. The chapter includes also a summary of projected trends through 2020.

Chapter 2 aligns the portrait of labour market trends to the current global context of the SDGs. The chapter provides governments and social partners with an approach for, first, articulating decent work as an accelerator of economic growth and sustainable development and, second, mapping the elements of decent work in the SDGs with the existing empirical evidence to back up the story of decent work-led acceleration. Finally, Chapter 3 summarizes the region's principal labour market trends from an income-level perspective, with a focus on future challenges and policy implications for consideration by governments and social partners as they strive to make further progress towards decent work and inclusive growth, hopefully using the SDG framework and focusing on SDG 8+ as a mechanism to accelerate progress.

Key labour market trends

- **Asia and the Pacific as a region (globally) has the most people working, relative to the working-age population.** Indeed, the employment-to-population ratio remains higher than in any other region of the world, at 59.7 per cent (compared with 58.6 per cent at the global level). The regional employment-to-population ratio is mainly driven by South-Eastern Asia and the Pacific and by Eastern Asia. Despite strong employment growth, driven by a rapidly expanding working-age population, Southern Asia's employment-to-population ratio remains below the global average, pushed down mainly by a female labour force participation rate, that is among the weakest globally.
- **Labour force participation rates among the older population and youth are high in Asia and the Pacific.** The region's labour force is ageing rapidly, and the labour force participation rates are high among the older population, especially in low- and lower-middle-income countries, where the economic circumstances often force older persons to work to make a living. The labour force participation rates among youth are also particularly high in low-income countries. However, in many countries of the region, a substantial proportion of youth – especially young women – are not in employment, education or training (NEET). In 14 of 26 countries of the region with available data, more than one in five women are NEET.
- **While the regional unemployment rate remains low, unemployment among youth and among workers with secondary and tertiary education remain as challenges.** The Asian-Pacific unemployment rate stood at 4.1 per cent in 2017, which was 1.4 percentage points below the global average and corresponded to nearly 81 million persons unemployed. While the global unemployment rate held steady for the past two years, the rate in the Asia-Pacific region increased slightly, by 0.1 percentage point. The youth unemployment rate was 10.4 per cent, with no change from 2015. While the composition of unemployment has become less youthful in recent years, still 35 per cent of the region's unemployed were youth aged 15–24, although youth made up only 20 per cent of the working-age population. In many emerging economies, unemployment is particularly pronounced among persons with secondary education, indicating a “hollowing out” of middle-skill jobs in these countries. But unemployment among tertiary graduates also remains a serious problem in a number of countries.

- **Many workers remain close to poverty or are in vulnerable employment, and access to decent jobs remains a challenge for many persons.** While the Asia-Pacific region has experienced rapid progress to substantially reduce extreme poverty, one third of all workers in the region lived in moderate or near poverty in 2017, corresponding to 656 million workers. Vulnerable employment remains more common in the Asia-Pacific region than elsewhere, affecting 930 million workers, which is every second worker. These workers are either own-account workers or contributing family workers, whose employment situation, on average, tends to be less secure and more vulnerable to poverty. More than two in three workers were in informal employment in 2016, which is closely linked to vulnerable employment. The informal employment rate is particularly high in Southern Asia, where almost 88 per cent of workers were informally employed.
- **Not all wage and salaried employment in the Asia-Pacific region is decent work.** In some developing and emerging economies of the region, a substantial percentage of employees do not benefit from a written contract. In other countries, use of temporary employment contracts is extensive, or there is a high incidence of occasional and daily work, with little job or income security. Holding multiple jobs is also not uncommon for some workers in the region and excessive working hours continues to be an area of concern. The average hours worked in Southern Asia and Eastern Asia in 2017 were the world's highest, at 46.4 and 46.3 hours per week, respectively. In Eastern Asia, almost one in five workers worked in excess of 60 hours per week. Many workers in the region have indicated their willingness to change jobs, mainly in search of better wages, better career prospects or better working conditions, including better hours of work. Also, gender inequality at work is perceived to be a major issue in some countries.
- **Gender inequality in the world of work remains an issue of primary concern.** The gender gap in the labour force participation rate has hardly improved since 2000. In the Asia-Pacific region, the male participation rate exceeded the female rate by 30 percentage points in 2017, a decrease of only 1 percentage point since 2000. The gap was lowest in Eastern Asia (14 percentage points), rising to 25 points in South-Eastern Asia and the Pacific and to as high as 51 points in Southern Asia. At 27.9 per cent, the female labour force participation rate in Southern Asia is among the world's lowest (behind only the Arab States and Northern Africa). What's more, the rate has shown a downward trend since the early 2000s, demonstrating the firmly embedded structural blockage to women's work in the subregion.
- **Structural transformation has been fast in the region, with employment moving from agriculture mainly into services and only to some extent into industry.** With regard to the sector distribution of employment, Asia and the Pacific has experienced a remarkable shift away from employment in agriculture over the past decades. Between 2000 and 2017, the share of persons working in agriculture had decreased by 58, 36 and 28 percentage points in Eastern Asia, South-Eastern Asia and the Pacific, and Southern Asia, respectively. Most of the loss in agriculture work was taken up by the increase in employment in the services sector, where 740 million jobs were gained since 2000. In South-Eastern Asia and the Pacific and in Southern Asia, industrial employment also increased, causing an overall gain of 108 million jobs in the whole region, most of which were in the construction sector.