



▶ 17th Asia-Pacific Regional Meeting

6–9 December 2022 | Singapore

Thematic Plenary Session 4 | Information Note

Revitalizing productivity growth and skills for more and better jobs

Key points

- ▶ The pandemic struck as the regions face a variety of long-term challenges shaping the future of work, notably accelerated technological advancement, demographic change, decarbonization and greening. Regardless of changes to come, major concerns remain in the regions regarding job quality and equality.
- ▶ In recent years, the importance of placing productivity growth at the centre of development strategies has regained ground, fuelled by a consensus that productivity increases, accompanied by improved working conditions and wages, lead to an improved standard of living over time.
- ▶ As the primary source of job creation, supporting micro, small and medium enterprises to develop business skills, access finance and boost productivity and working conditions is inseparable from national aims of economic growth.
- ▶ The two regions have experienced a mixed performance in productivity growth. Most Arab States have faced a consistent decrease in labour productivity growth since the late 1970s. On the contrary, many Asian countries have had more positive results.
- ▶ Skills development of the workforce is a key element underpinning accelerated productivity growth and economic diversification that can spur the creation of more rewarding and productive jobs. Skills development needs a lifelong perspective for better matching of the supply and demand of skills and for workers to secure and maintain quality jobs in the changing world of work.
- ▶ Accelerating productivity growth and creating more productive jobs are key to a human-centred recovery that is inclusive, sustainable and resilient. Effective participation of industry and social partners in skills development, productivity planning and employment policy making and implementation is critical and needs to be accelerated.



Annual average growth rate of labour productivity

(2010-2021)

4.4%

in Asia-Pacific

-0.8%

in Arab States



Youth unemployment rates

(2021)

15.5%

in Asia-Pacific

25.9%

in Arab States



Share of employment held by those who are underqualified

(2020)

33%

in Asia-Pacific

25%

in Arab States

► Background

1. Economic impact of COVID pandemic

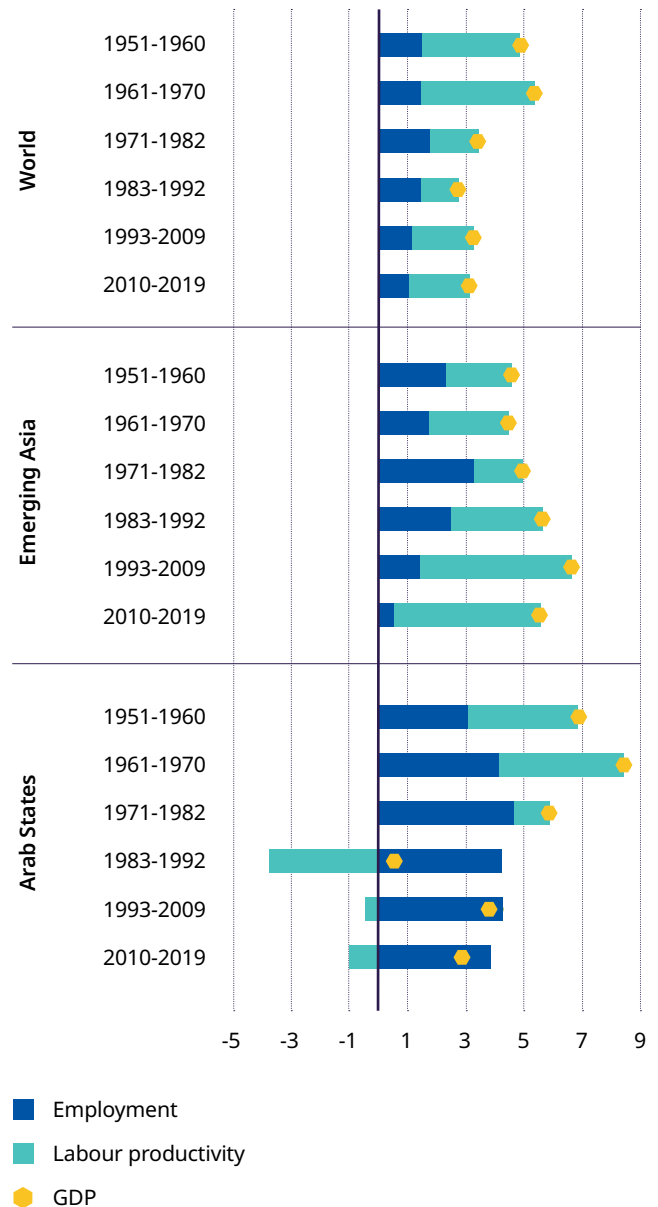
COVID-19 has had a profound impact on economies, severely affecting businesses, jobs and livelihoods. The pandemic struck while economies in both the Asia-Pacific and Arab States regions were grappling with the many challenges shaping the future of work, notably accelerated technological advancement, demographic change, shifting globalization and greening. The crisis has further illuminated the numerous structural challenges in the two regions that continue to result in decent work deficits and inequalities.

The regions are characterized by struggling small and medium enterprises, dominant informal economies, insufficient social protection coverage and gender inequality, all of which have contributed to increasing working poverty since the crisis.

2. Mixed performance on labour productivity in the last 20 years

Increasing productivity is a shared concern of ILO constituents who view it as a catalyst for driving enterprise sustainability, creating decent work, and fostering inclusive growth and shared prosperity. The two regions have experienced a mixed performance in productivity growth in the last 20 years. Most Arab States have faced a consistent decrease in labour productivity growth since the late 1970s. On the contrary, certain Asian countries have had more positive results. Accelerating productivity growth and creating more productive jobs are considered to be key elements of a human-centred recovery that is inclusive, sustainable and resilient.

► **Figure 1. Contribution of labour productivity growth and employment growth to GDP growth, 1950-2019 (%)**



Source: ILO, *Productivity growth, diversification and structural change in the Arab States*, 2022.

3. Alarming youth unemployment rates signal skills mismatches

While COVID-19 has impacted all persons, young people were hit especially hard in both regions. In the Arab States, the youth unemployment rate of women is double that of young men, demonstrating the persistent challenge of gender discrimination facing young women in their job search in the region. The disruption to education and withdrawal of so many young people from the labour market has brought increasing attention to TVET reform, future skills needs assessments and enhanced employment services in the two regions, focusing on the need to improve the transition from education and training to the labour market and address skills mismatch.

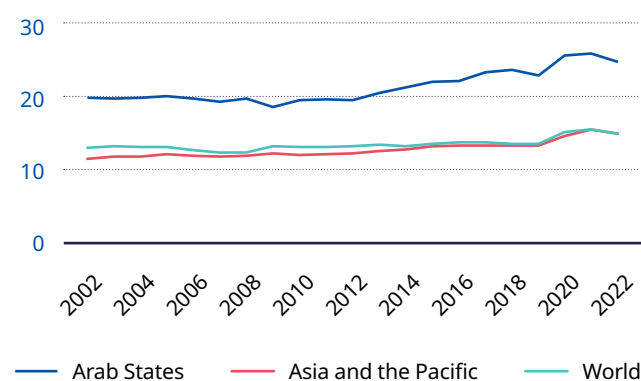
4. Support to micro, small and medium enterprises (MSMEs) is critical to job creation and productivity gains in the regions

Governments across the two regions have been working to stimulate private sector growth and job creation. They have promoted investment-friendly macroeconomic conditions and taken initiatives to improve business environments, streamline regulations and expand access to credit. However, their efforts to promote free and fair competition, critical elements for firm growth, have been only partially successful. MSMEs continue to face sizable challenges to compete against larger enterprises. Such difficulties are heightened in the current atmosphere of rising prices for the intermediate inputs needed for production and increasing operational costs.

More than two-thirds of job creation in both regions occur in enterprises with five to 99 employees. Supporting MSMEs to develop business skills, access finance and boost productivity and working conditions is thus inseparable from national aims of economic growth. Strengthening value chains and supply chains,

in which MSMEs are key players, is critical for fostering a growth-oriented business environment for enterprises. Understanding how enterprise productivity is shaped by a wider “ecosystem” is essential if the full potential of MSMEs to support business growth and the creation of decent jobs is to be unlocked.

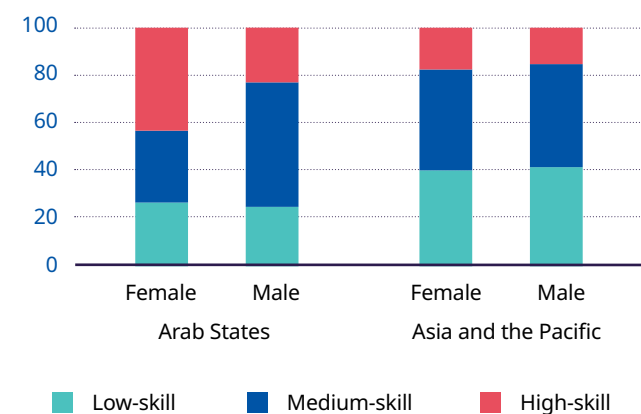
► Figure 2. Youth unemployment rates (%)



Note: Youth are defined as persons aged 15–24 years.

Source: ILO modelled estimates, November 2021, available in ILOSTAT.

► Figure 3. Employment by occupation-based skills level, 2020 (%)



Source: ILO modelled estimates, November 2021, available in ILOSTAT.

5. Skills development as a key factor in driving productivity gains when pursued with a lifelong perspective

Skills development of the workforce is a key element underpinning accelerated productivity growth and economic diversification that can spur the creation of more rewarding and productive jobs.

At all stages of a career, skilling, reskilling and upskilling with job matching support are prerequisites for workers to secure and maintain quality jobs while adapting to the changes in the world of work. More rewarding and productive jobs, in turn, further motivate workers to engage in their skilling and lifelong learning.

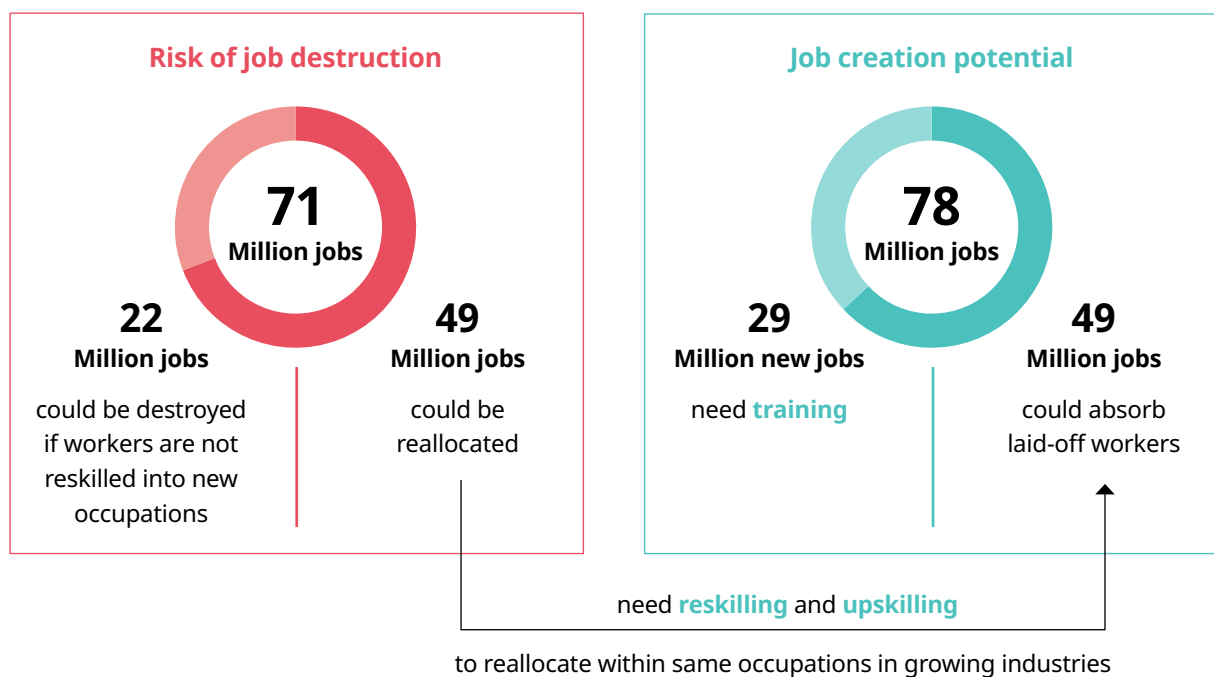
Countries are expected to support a just transition of workers whose employment is adversely affected by climate and environment linked shifts in production,

technological change and digitalization, globalization, demographics and other aspects of industrial and societal transformation. Skills development systems and employment services are the mechanisms required to support such transitions.

6. Renewed call for effective participation of social partners in skills development and productivity promotion

Effective participation of industry and social partners in skills development and employment policy making and implementation is critical and needs to be accelerated. To maximize the impact of public investment on business performance and creation of better jobs, it is critical that skills development and enterprise support are made integral elements in the pursuit of the human-centred recovery that is inclusive, sustainable and resilient.

► Figure 4. Potential job growth and reskilling needs in transition to a circular economy by 2030



Note: ILO calculations based on the input-output analysis of 44 countries across 5 regions, including Asia and the Pacific and Arab States regions.

Source: ILO, *Skills for a greener future*, 2019 (infographic).

► Session objectives

The session aims to seek solutions for revitalizing productivity growth and skills pathways as a means of creating better jobs and promoting a human-centred recovery that is inclusive, sustainable and resilient. The discussion will highlight challenges and opportunities, suggest innovative policy measures, and provide lessons learned to build partnerships for improved communication and coordinated actions on supporting productivity growth and skills development within enterprises, particularly MSMEs. It will also look at linking productivity growth and skills development to broader aims of inclusive growth and the just transition towards environmentally sustainable economies and societies for all.

Specifically, the session will cover some of the following topics:

- Placing productivity growth at the centre of inclusive growth strategies;
- Integration of skills development as part of business and sector productivity growth, including sectoral and enterprise-level human resource planning;
- Understanding the “ecosystem” needed to support enterprise development, productivity and the creation of decent jobs;
- Effective industry and social partner participation in labour policies, including enterprise and skills development policy making and system reforms;
- Policy measures to ensure access to lifelong learning for all, and to support work transitions, including from low-wage to high-wage jobs, from informal to formal employment and from “dirty” (or non-green) to “green” jobs;
- Harnessing the workforce for the accelerated digitalization of the economy.

► Possible points for discussion

1. How can countries work towards stimulating investment and job creation in higher value-added (sectoral upgrading) without neglecting labour-intensive sectors where most jobs are concentrated, for example, agriculture and retail?
2. What policy measures, mechanisms and support are needed to foster productivity growth and translate productivity growth into improved job quality and working conditions in all sectors?
3. Which targeted efforts are required to support women, youth, persons with disabilities as well as other marginalized groups to promote sustainable enterprises in job-rich growth sectors?
4. What are the continued challenges in skills development (or TVET) that limit its impact on improving productivity and creating more productive jobs?
5. Despite the importance of industry’s active participation in TVET, the skills and TVET system remains largely government driven. What are some effective approaches to industry engagement that have broadened the scope for social partners’ participation in skills planning? What are issues and challenges from the practical perspective? Which TVET governance systems seem to be more effective?
6. How can governments and social partners promote and incentivize workers to engage in reskilling, upskilling and lifelong learning (for example, improved working conditions, including career progression, recognition and pay)? In other words, how do we recognize (and reward) workers’ improved skills?
7. What is the potential of technology to assist governments and social partners in overcoming some of the challenges related to the skills development and enterprise support, including with a focus on marginalized groups (including, for instance, women, youth, ethnic minorities and persons with disabilities?)