Overview

Recent trends in Asia and the Pacific indicate uneven progress in the labour market. Job growth has been moderate overall while a few economies witnessed employment contraction as a result of ageing demographics and weak demand. Despite some gains in reducing unemployment, the situation for young people remains a major challenge. Millions of youth remain unemployed, and even more are working but earning too little to help their families escape poverty. Moreover, in spite of some improvements in job quality, more than half of all workers in the region still do not earn a wage or salary and are often trapped in unproductive and informal work arrangements.

Improving labour market prospects in the region requires concerted policy action on a number of fronts. As outlined in The Bali Declaration, adopted at the 16th Asia and the Pacific Regional Meeting in December 2016, creating more and better jobs necessitates not only macroeconomic policies for inclusive growth but also an enabling environment for sustainable enterprises, investment in education and skills development, facilitating transition to the formal economy and closing workplace gender gaps. Also critical are measures to promote fundamental principles and rights at work and priorities to strengthen wage setting mechanisms based on robust social dialogue.

Employment trends varied overall, with contraction in some economies

In 2016, employment growth in Asia and the Pacific was modest but remained steady at 1.1 per cent in comparison to the previous year (figure 1). However, employment trends across the region varied widely, spurred by differences in economic and demographic factors.

Among developing Asia-Pacific economies, employment expansion was strong in the Philippines, reaching 4.7 per cent annually. This increase of 1.9 million reflected robust demand for associate professionals and sales workers. In Indonesia, employment increased year-on-year by 3.1 per cent (3.6 million), with the community and social service sector accounting for more than two-fifths of that growth.

By contrast, employment growth in Viet Nam was more moderate, reaching 1.3 per cent in 2016 after contracting by 0.6 per cent in 2015. The employment expansion of 709,000 was driven heavily by manufacturing and construction, which offset a considerable decline in agriculture. In Malaysia, employment growth decelerated to 0.7 per cent in 2016 and did not keep pace with labour force expansion of 0.8 per cent.

In Sri Lanka and Thailand, employment levels declined by 0.9 per cent. In Sri Lanka, a fall in agricultural jobs of 314,000, or a contraction of 13.8 per cent, negated the employment gains in industry and services. In Thailand, the decrease in employment was prompted by both a shrinking labour force and waning demand in agriculture and manufacturing.
In the industrialized economies, employment trends in 2016 were weaker than in 2015, with only a few exceptions. In New Zealand, employment increased by 6.1 per cent, up from 1.4 per cent in the previous year, as formidable demand in agriculture and wholesale trade helped counter a decline in manufacturing jobs.

Conversely, in Australia, Hong Kong (China), Japan, the Republic of Korea, Singapore and Taiwan (China), the pace of employment expansion ranged from just 0.6 per cent to 1.1 per cent, shaped in part by modest labour force growth. In Japan, the majority of job gains were concentrated in manufacturing and medical and health services. In the Republic of Korea, the year-on-year slowdown in employment growth was partly driven by a 2.5 per cent decrease in manufacturing jobs. In Singapore, small gains in the service sector marginally outweighed the contraction in manufacturing and construction employment.

By comparison, Macau (China) witnessed minor shrinking in its employed population, in particular of men. Moreover, strong job gains in hotels and restaurants and the transportation sector did not compensate for weak demand in construction.

In Asia’s two largest economies, economic trends are having a mixed impact on employment. In China, the labour market continues to adjust to slower growth and structural rebalancing in the economy. While in India, the recent policy of demonetization has created short-term uncertainty in the labour market but could help address informality in the longer term.

Figure 1. Change in employment, latest available period in 2016 and same period in 2015 (per cent, year-on-year)

Note: Non-seasonally adjusted; ages 15+ except Macau, China (ages 16+); regional figures are annual estimates; People’s Republic of China, India, and the Pacific Island countries are not included due to a lack of comparable survey data.

Uneven progress in lowering unemployment, with youth still facing disadvantages

In 2016, Asia and the Pacific showed some progress, although uneven, in reducing unemployment. General unemployment for the region was estimated at 4.2 per cent, down slightly from 4.3 per cent in 2015 (figure 2, panel A). By comparison, the global average was significantly higher at 5.7 per cent in 2016. In total, Asia and the Pacific accounted for an estimated 84.4 million unemployed women and men.

In the industrialized economies of the region, some notable improvement in lowering unemployment was evident in recent survey data for 2016. For example, Japan recorded an unemployment rate of 2.9 per cent in October, down from 3.1 per cent a year earlier. In New Zealand, unemployment of 4.8 per cent in the third quarter marked a decrease of 0.7 percentage point from the previous year and resulted from robust job growth. In comparison, Australia recorded 5.4 per cent in October, a drop from 5.7 per cent in the prior year, with gains for both women and men.

Likewise, some major emerging economies also witnessed declines in unemployment. In Indonesia, the rate fell year-on-year by 0.6 percentage point to 5.6 per cent in August, spurred by strong employment expansion. This trend included notable progress in lowering unemployment for both women (decrease of 0.9 percentage point) and for men (decrease of 0.4 percentage point). In the Philippines, the unemployment rate was recorded at 4.7 per cent in October, down from 5.6 per cent a year earlier, despite a year-on-year increase of 1.5 million women and men in the labour force. In comparison, Viet Nam exhibited a marginal decrease to 2.1 per cent in the second quarter, from 2.2 per cent in the same period of the previous year.

In the remaining eight economies with available data, the general unemployment rate either stayed the same or increased only marginally. The largest rise was observed in the Republic of Korea, where unemployment increased to 3.4 per cent in October, compared to 3.1 per cent a year earlier.

Conversely, the unemployment situation for young people in Asia and the Pacific is rather different. In 2016, youth unemployment for the region as a whole was 11.8 per cent, representing 32.9 million young women and men. In a number of countries in the region, youth unemployment remained stubbornly high and exceeded the regional average. In six of the 13 economies with recent data, youth unemployment was above 12 per cent (figure 2, panel B).

Sri Lanka registered the highest rate at 22.2 per cent in October, with the rate for young women (30.5 per cent) considerably higher than the male equivalent (17.7 per cent). In Indonesia, 19.5 per cent of young people in the labour force were unemployed, although this signalled substantial progress compared to 22.6 per cent in the previous year. Likewise, in the Philippines youth unemployment fell by 0.5 percentage point year-on-year to 14.4 per cent. At the other end of the scale, youth unemployment rates were lower than 6 per cent in Japan (4.8 per cent), Singapore (4.5 per cent) and Thailand (5.6 per cent).

In the Pacific Island countries, creating jobs for young people is a prominent challenge. For example, in Fiji, the youth unemployment rate was 18.2 per cent in 2014, nearly five times the adult rate of 3.9 per cent. Young women, who have an unemployment rate of 26 per cent or nearly double the rate of male youth, are particularly disadvantaged.
Figure 2. Unemployment rate, latest available period in 2016 and same period in 2015 (per cent)

Panel A. Total

Panel B. Youth

Note: Total unemployment covers the labour force ages 15 and above except Macau, China (ages 16 and above); youth unemployment covers the labour force ages 15-24 except Macau, China (ages 16-24) and Singapore (Residents ages 15-29); regional figures are annual estimates; People’s Republic of China, India, and the Pacific Island countries are not included due to a lack of comparable survey data. Source: ILO estimates based on labour force survey data from national statistical offices; ILO: Trends Econometric Models (Nov. 2016).
In a number of developing economies in the region, high youth unemployment rates are compounded by challenges with regard to the quality of jobs of youth who are working. In 2016, nearly half of all employed young people in South Asia were living below the moderate poverty threshold, defined as US$3.10 per day, with more than a quarter in South-East Asia and the Pacific, and nearly one in seven in East Asia. As such, while many youth are struggling to find work, others are forced into poor quality employment, with little prospects to earn enough to lift themselves and their family out of poverty.

Accordingly, with millions of youth unemployed or trapped in working poverty, there is a need to scale up the effectiveness of youth employment interventions. For example, a global systematic review of youth employment policies found that entrepreneurship programmes were likely to be associated with positive labour market outcomes in low and middle income countries by providing access to finance, business training and mentorship programmes.

Some improvements in job quality, but sizeable deficits remain

As outlined in the Sustainable Development Goals, achieving full and productive employment for all women and men is critical to sustainable and inclusive development. In Asia and the Pacific, however, poor quality employment remains widespread. One revealing metric to track trends in job quality is the share of own-account workers and contributing family workers in total employment. These workers typically are employed under informal arrangements, lack sources of stable income, and are not covered by legal and social protection. Conversely, employment for wage employees is commonly more productive and provides better earnings.

In 2016, 959 million women and men across the region were employed as an own-account worker or contributing family worker. This was equivalent to 50.1 per cent of total employment, or a year-on-year decline of 0.4 percentage point. By sub-region, the ratio was considerably higher in South Asia (around three in four workers) but lower in East Asia (approximately three in ten workers). Women were more likely than men by a considerable margin to be an own-account worker or contributing family worker with the gender gap ranging from 5.2 percentage points in East Asia to 9.3 percentage points in South Asia.

The most recent survey data in 2016 of some developing economies in the Asia-Pacific region indicate mixed progress in enhancing employment job quality as signalled by reducing the share of own-account and contributing family workers and increasing the percentage of wage employment (figure 3).

In Viet Nam, a notable achievement was recorded as the share of wage employment increased year-on-year by 2.4 percentage points to 41.3 per cent in the second quarter. This positive trend resulted from the labour market adding 1.6 million salaried employees while employment of own-account workers contracted by 957,000.

In the Philippines, improvements in the labour market were seen not only in the quantity but also the quality of jobs. In October, the share of own-account and contributing family workers in total employment fell on an annual
basis to 36.1 per cent while the portion of wage employment increased to 60.8 per cent. Likewise, in Thailand the share of wage employment continued to rise in the second quarter to 49.6 per cent, compared to 49.0 per cent a year earlier. This positive trend was helped by a decrease of 157,000 male own-account workers and 247,000 female contributing family workers. By comparison, Sri Lanka witnessed smaller gains as the share of wage employment increased slightly to 57.7 per cent, helped by a decline of 282,800 own-account workers in agriculture.

Conversely, in Indonesia, impressive job growth did not result in better job quality overall if measured by a higher share of wage employment. In August, the portion of wage employees decreased on an annual basis by 0.4 percentage point to 49.2 per cent, driven in part by a sizeable increase in own-account and contributing family workers. Moreover, of the 58.3 million wage employees, more than one in five were casual wage earners working under precarious contract arrangements.

Other indicators of job quality such as the share of informal employment also reveal considerable challenges across the region. In Fiji and Samoa, for instance, the latest available data indicate that informal employment accounts for 60 per cent and 68.3 per cent, respectively, of all employment.9 Likewise, in India and Pakistan, around four in five non-agricultural workers are informally employed.10

Progress in enhancing job quality and achieving sustainable development is also contingent on strong real wage trends. In the Asia-Pacific region, real wage growth remained relatively robust at 4.0 per cent in 2015.11 In contrast, global real wage growth has decelerated since 2012, decreasing from 2.5 per cent to 1.7 per cent in 2015, its lowest level in four years.

By sub-region, wage dynamics varied widely. In East Asia, real wages increased by 4.6 per cent in 2015, spurred by significant gains in China.12 South Asia witnessed real wage growth of 4 per cent, while South-East Asia and the Pacific recorded an increase of 1.9 per cent. Sustaining robust real wage growth in the region calls for stronger investment in minimum wage and collective bargaining systems and renewed commitment to social dialogue.
Figure 3. Employment by status of employment, latest available period in 2016 and same period in 2015 (per cent)

Note: Ages 15 and above; regional figures are annual estimates.
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4 ILO: Fiji Labour Market Update (Suva, 2016).


7 Nevertheless, it is important to note that non-standard employment, including for wage employees in temporary work, part-time work, temporary agency work and other multi-party employment arrangements, is becoming a growing challenge in Asia and the Pacific and around the world. See: ILO: Non-standard employment around the world: Understanding challenges, shaping prospects (Geneva, 2016).


10 ILO: Key Indicators of the Labour Market, 9th edition (Geneva).


12 Sub-regional real wage growth estimates based on ILO: Global Wage Database.