

# Executive summary

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## Labour markets in Asia and the Pacific have only partially recovered from the COVID-19 crisis.

It has been a few rough years for governments, workers and enterprises in the Asia-Pacific region. In the two years since the 2020 edition of this report, all countries in the region continued their struggle against the global pandemic and its related economic fallout. Some countries are also reeling from various political, social and environmental crises. In the reality of continuing socio-economic uncertainties, with high inflation rates threatening millions of livelihoods across the region, countries are facing an uphill battle in their endeavour to progress towards the “human-centred recovery that is inclusive, sustainable and resilient”, to which they had pledged in their adoption of a 2021 Global Call to Action by the International Labour Organization (ILO).<sup>1</sup>

Labour market recovery in the region lags behind global levels. Job growth did occur in 2021 and 2022, recovering from the 3.1 per cent drop in employment in 2020. By 2022, employment numbers in the Asia-Pacific region were 2.0 per cent above the pre-crisis level of 2019. On the surface, the employment trends look positive. Digging deeper, there remain numerous signs that the region’s labour market is not yet back on its pre-crisis track.

- ▶ First, while employment growth was again positive, the employment-to-population ratio in 2022 remained still slightly below pre-crisis trend, at 56.2 per cent in 2022 from 56.9 per cent in 2019.
- ▶ Second, compared to where job numbers would be in Asia and the Pacific had the disruption of the COVID-19 crisis never happened, there is a continued jobs gap of 22 million (1.1 per cent) in 2022. The jobs gap is projected to increase again to 26 million (1.4 per cent) in 2023 given the headwinds to growth foreseen in current geopolitical global and regional context.
- ▶ Third, the aggregate hours of work in the region was not yet back to pre-crisis levels. The working-hour losses in the first three quarters of 2022 compared to the fourth quarter of 2019 amounted to an estimated 1.5 per cent (1.9 per cent for men and 0.5 per cent for women).
- ▶ Fourth, at nearly 105 million, the regional unemployment number was still 12 per cent higher in 2022 than in 2019 and the regional unemployment rate was still 0.5 percentage points above the 2019 rate, at 5.2 per cent.
- ▶ Fifth, the number of persons outside the labour force remains inflated above the pre-crisis level for men and women, youth and adult and across all subregions.
- ▶ Sixth, the gradual decline in the number of persons in informal employment at the regional level through 2019 was reversed during the crisis, as was the decline in vulnerable employment. As a result, the slow decline in the informal employment rate and vulnerable employment rate has stalled.

## The sectoral distribution of employment in the region highlights the continued dominance of traditional sectors.

The three largest sectors in terms of employment in the Asia-Pacific region are agriculture, forestry and fishing; manufacturing; and wholesale and retail trade. These sectors together accounted for 1.1 billion workers in 2021, or 60 per cent of the region’s 1.9 billion workforce.

These sectors are where the majority of men and women workers earn their labour income (plus the construction sector for men). But they are also sectors in which labour productivity<sup>2</sup> often remains low and that typically do not offer decent wages, good working conditions or job and income security. Most jobs

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<sup>1</sup> ILO constituents adopted the “Global call to action for a human-centred recovery from the COVID-19 crisis that is inclusive, sustainable and resilient” at the 109th International Labour Conference in June 2021.

<sup>2</sup> Measured as value added per person employed.

in the dominant employment sectors are also not covered by national social protection systems. In other words, these are not the sectors that generate positive decent work outcomes. Little has changed in terms of the dominant shares of work in low-productivity sectors and associated decent work deficits despite half a century of economic growth. In fact, where some progress was seen in increasing shares of formal employment, declining working poverty shares and other signals of decent work over the three decades of data availability, such progress was seen to stall or even reverse during the COVID-19 crisis.

The gap between the sectors with the largest number of workers and the sectors that experience the highest job growth rates over time is reminiscent of the region's labour market duality. Various "modern" sectors that absorb higher-skilled workers, like information technology (IT) and business services, have expanded their workforces at a rapid pace over the past few decades. Regardless, as a share of total employment, employment in these so-called modern sectors remains low. As an example, the region's fastest growing sector in terms of employment growth over time was the IT and other information services sector. Employment numbers in the sector grew 7.2 per cent annually between 1991 and 2021. Yet only 9.4 million persons worked in the sector in 2021, corresponding to 0.5 per cent of total employment, and three quarters of the 8 million jobs gained over time went to men. Compare this to the wholesale and retail trade sector, which added 166 million workers over the 1991–2021 period and employed 277 million men and women in the region in 2021.

## **The changing composition of sectoral employment favours men over women in terms of decent work opportunities.**

Like the IT sector, most of the other sectors of high employment growth also benefited men workers over women workers. Only one of the top ten sectors of employment growth in the Asia-Pacific region favoured employment of women, the accommodation and food service activities, where 55 per cent of added jobs between 1991 and 2021 went to women.

Among all sectors examined in the three-decade period of 1991–2021, only five experienced higher employment gains for women than men.<sup>3</sup> With the segregation of men into sectors that offer higher wage potential (like IT) and women remaining in lower-paying sectors (accommodation and food service activities, for example), progress on closing the gender wage gaps within many countries has been stalled. Making progress towards wage equity will require battling it from several fronts: (i) promoting pay equity at the enterprise level in all sectors; (ii) encouraging women to work in higher-paying sectors and occupations; (iii) educating women in fields with higher wage potential (like IT); and (iv) overcoming norms of discrimination on the hiring of women in the male-dominant sectors.

## **The Asia-Pacific region lags in its achievement of decent work objectives; this is true in booming times and through crises.**

As economies and labour markets in all regions struggle to get back on track after experiencing the most significant setbacks since the Second World War, it is important to consider what "on track" means and whether it is the right track for the longer-run transformation of countries. The decades preceding the COVID-19 crisis saw sizable economic growth rates in many Asian countries but shrinking labour income shares and only limited gains on decent work outcomes. Economic growth in the region has linked to the creation of formal jobs and, to a certain degree, wage employment. But it has not linked to the transformation of informal to formal employment for workers already in that status nor to the betterment of decent work outcomes for the majority of the region's workers. The challenge moving forward will be to increase and sustain public investment in labour market institutions to achieve decent work outcomes in all sectors, but especially those where the majority of people work.

## **Continued fiscal support is required to put labour market recovery on more solid ground.**

The experience of the COVID-19 crisis raised the red flag on many of the lingering deficiencies and shifted certain world-of-work issues towards the top of government priority lists for accelerated action. For instance, the crisis increased awareness of the importance of social protection systems and enterprise support and

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<sup>3</sup> Annex 3 explains the methodology for classification and analysis of sectoral employment.

the critical role of workers' safety and health in business continuity. Recognizing the lessons of the crisis response and sustaining the heightened investment in the policy areas needed to generate a human-centred recovery will be challenging for the region moving forward in the context of new crises and inflation that have come on the tail of COVID-19.

Because consumers in all countries will need continuing fiscal support to offset the blow to their cost of living, the hope is that governments will continue to engage in targeted economic stimulus and fiscal supports. In situations in which demand cannot be boosted through increased government spending, progressive wage policies facilitated through social dialogue will take on added importance with their capacity to sustain consumption levels.

## **Beyond recovery, to transform inclusive growth in Asia and the Pacific, governments will need to elevate labour market institutions and empower workers' and employers' groups, especially in key sectors.**

The lingering decent work deficits, including gender gaps, the stubbornly high rates of informal employment and weak labour relations have dragged down the development trajectories of the region's developing economies. With more than one billion workers in the region in agriculture, manufacturing and wholesale and retail trade, strengthening the institutions to improve decent work outcomes in these three sectors alone could elevate living standards and the spending power of a sizable (if not the majority) share of the region's population. Yet, making labour market institutions more effective remains a serious challenge for many developing countries, given the investment required, especially in the current context of global geopolitical and macroeconomic instability. Notwithstanding these difficulties, there are many recent innovations in areas of labour market governance that are being applied within particular sectors that can be scaled up in the longer term.

The pathway for a human-centred recovery in the short term and inclusive economic growth in the medium to long term is one whereby governments work together with workers' and employers' organizations to strengthen labour market institutions (the public institutions that set and enforce labour standards, that provide social protection, employment services and enterprise support and that facilitate social dialogue), particularly in the sectors with lower decent work outcomes. Specific recommendations to accelerate the achievement of decent work at sectoral levels in Asia and the Pacific, and in so doing, boosting the potential for inclusive growth in the region, include:

- ▶ support social upgrading in sectors through the design and enforcement of labour standards;
- ▶ support effective social dialogue;
- ▶ take action towards formalization;
- ▶ promote entrepreneurship and enterprise support for bottom-up growth;
- ▶ enforce good governance in labour migration;
- ▶ match supply and demand;
- ▶ target support to women-intensive sectors and increase opportunities for women to work in all sectors; and
- ▶ support digitalization to transform livelihoods within sectors.