

A decorative border surrounds the page, featuring various icons and shapes. At the top, there are icons for a gear, a brain, a hand, a hammer, and a person. Below these are a red and white checkered pattern, a blue rectangle, and a white outline of a person. On the right side, there is a red gear icon. At the bottom, there are icons for a truck, a blue rectangle, a red and white checkered pattern, and a green oval. The background is a solid blue color with white dashed lines and various colored shapes (yellow, red, blue, green) scattered throughout.

Chapter 2

The need for more and better jobs

The vast majority of workers in the region are in informal jobs. This leaves the workforce exposed to life cycle contingencies as well as systemic shocks, be they economic, health-related or climate-induced. Megatrends are increasing the demand for green and digital jobs. This demand is likely to constitute a considerable share of decent job creation in the future. To better match this demand with existing and future supply of labour, the skill set of all the workers in the region requires upgrading. There is a strong role for Active Labour Market Policies (ALMPs) to equip the workforce with the requisite skills prioritizing those who are already left behind with timely and tailored programmes.

Decent jobs are necessary to raise living standards, reduce poverty and inequality, protect people from life contingencies and promote inclusive growth. It is through well-functioning labour markets that the benefits of economic growth can spread to the whole population.³⁶ In Armenia, for example, improved job opportunities and increasing labour incomes contributed significantly to reducing poverty between 2004 and 2017.³⁷ Keeping the same pace of inclusive development requires higher shares of total employment to transition into decent jobs, particularly in the formal sector. With the majority of workers in informal jobs, upgrading skills and extending protection to informal workers is urgent. In countries such as Thailand and Viet Nam, extending social protection to informal sector workers is proving effective to expand coverage to the working poor and those in vulnerable employment.³⁸

Increasing the share of the workforce in decent employment strengthens social insurance contributions, increases tax revenue, and reduces the pressure on non-contributory or tax-financed social protection schemes. It also responds to the demands of the private sector and enables it to grow and take advantage of technological change. Moreover, increasing women's labour force participation and the quality of their jobs and fostering the transition to formal employment are key policies to ensure the sustainability of social

protection systems. In India, the International Labour Organization (ILO) estimates show that reducing the 2018 gender gap in labour force participation by 25 per cent by 2025 would decrease the old-age dependency ratio in the short term, while contributing to better social protection for pensioners in the medium and long term. Increasing the share of individuals in formal employment ensures better pension coverage, promotes higher levels of productivity and contributes to inclusive growth.³⁹

2.1 Workforce productivity lags the global average

The workforce in Asia and the Pacific is not sufficiently productive. The sector, status and type of employment that prevails in most labour markets across the region drive these results. Labour productivity, as measured by output per hour worked,⁴⁰ lags the world average and that of other developing regions except Africa. Countries in the region reveal mixed developments of labour productivity, with a significant dip in productivity in 2020, partly as a result of the COVID-19 pandemic. Across subregions, labour productivity is particularly low in many countries in South and South-West Asia and South-East Asia (figure 2.1). Nevertheless, equipped with the right policies, significant progress can be attained in the productivity of the workforce. The experience of China is notable as output per hour worked more than doubled from 2010 to 2020, albeit from a relatively low level. In India, Myanmar, Uzbekistan and Viet Nam, a substantial increase of at least by 75 per cent was observed during the same period.

Another indicator of labour productivity is output per worker. Annual growth in this indicator is an SDG indicator measuring progress toward target 8.2 of inclusive and sustainable growth and full, productive and decent employment. Out of 48 countries with available data,⁴¹ annual labour productivity growth was high and positive, increasing by at least 2 per cent per year

36 Sarah Elder, Phu Huynh and Christian Viegelah. (2020). *Asia-Pacific employment and social outlook 2020: navigating the crisis towards a human-centered future of work*. ILO, Thailand.

37 Maddalena Honorati, Sara Johansson de Silva and Florentin Kerschbaumer (2019). *Work for a better future in Armenia*.

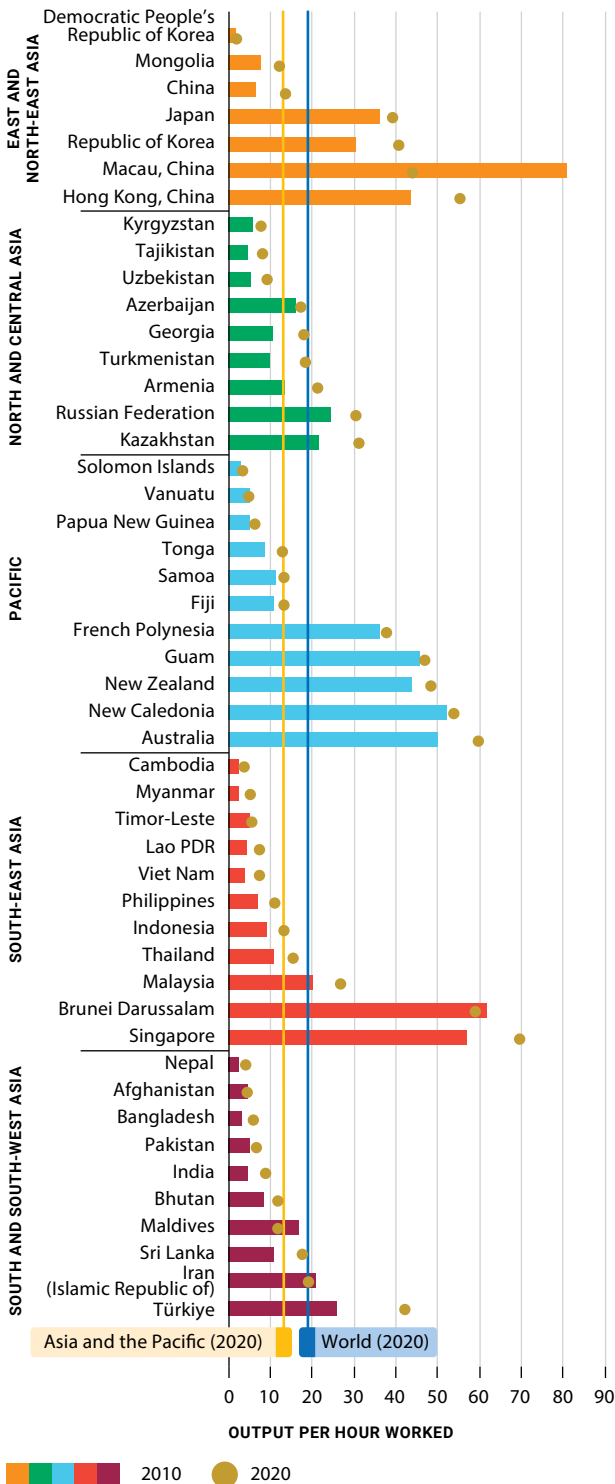
38 Santosh Mehrotra (2020). *From Informal to Formal: A Meta-Analysis of What Triggers the Conversion in Asia*. International Labour Organization. ILO.

39 International Labour Office (ILO) (2019). *Promoting Decent Employment for a Sustainable Social Security System*. ILO.

40 An alternative indicator of labour productivity is output per worker. Since this indicator is closely linked to GDP per capita and does not take into account full-time and part-time employment differences between countries, output per hour worked is preferred for a regional overview.

41 ESCAP elaborations based on ILO (2022), ILOSTAT. Accessed on 6 July 2022.

FIGURE 2.1 Labour productivity in the Asia-Pacific region is below the global average



Source: ILO (2022), ILOSTAT. Available at www.ilo.org (accessed on 6 July 2022).

Note: ILO modeled estimates for 48 countries in Asia and the Pacific in 2020 are presented by ESCAP subregions. Labour productivity is measured by output per hour worked where output is GDP in constant 2017 international dollars at purchasing power parity.

in 19 countries between 2015 and 2021. It was negative in 13 countries and remained stagnant in 16 countries. Countries in East and North-East Asia experienced the largest growth in labour productivity. The Pacific is falling behind with negative growth in many countries. Climate-change related shocks are partly standing in the way and reversing the gains made in the past.

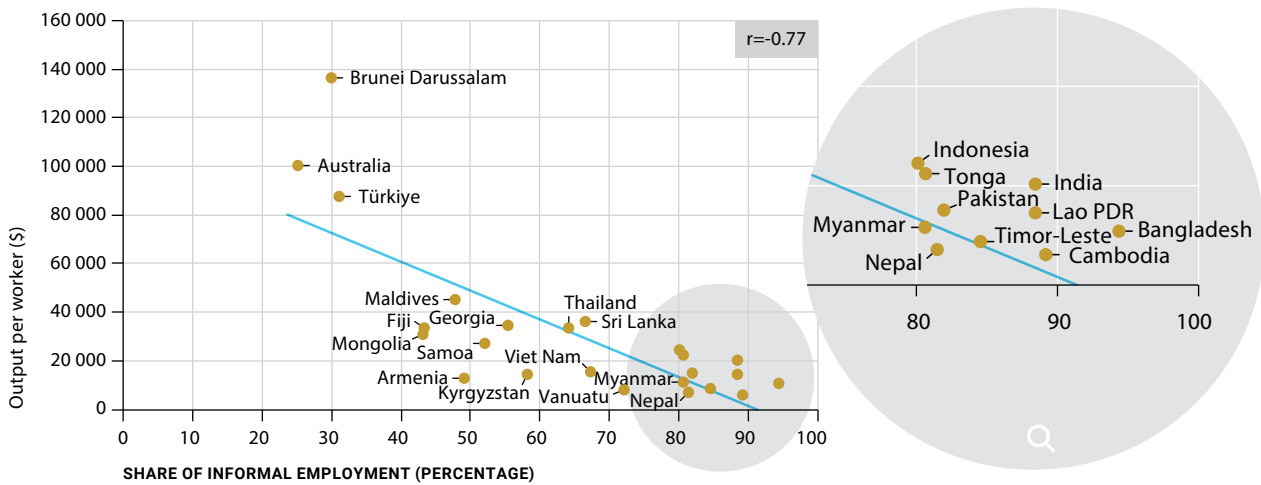
Low productivity is particularly common in countries with a high share of informal labour. Informality covers a wide range of employment types and arrangements. These include the self-employed, domestic workers or migrant workers in formal or informal enterprises or households, as well as non-standard forms of employment such as temporary work, part-time work, home-based work or platform work.⁴² There is a strong negative correlation between countries' share of informal employment and labour productivity (figure 2.2).⁴³ Overall, informality is high in the region, reaching beyond 60 per cent in many countries. It is more evident in South and South-West Asia where around 80 per cent of those with a job are employed informally. Only in a handful developing countries, such as Brunei Darussalam, Maldives and Türkiye do the majority of workers have a formal contract.

Throughout the region, productivity is notably lower in the agricultural sector, which is also dominated by informal employment. Out of 26 countries with sex and sector disaggregated data in the region, informal employment in agriculture is over 90 per cent reaching virtually 100 per cent in Bangladesh and India. The climate change induced green transition will affect the agriculture sector and rural economies significantly, requiring tailored policy responses to re-skill these workers, increase their productivity and ensure a just transition. Improving working conditions in the agricultural sector is critical. Outside agriculture, informal employment is still high, particularly in the services sector, at above two thirds of total employment in 9 out of the 26 countries. This is particularly the case in South and South-West Asia and South-East Asia, notably so in Bangladesh, Cambodia, India and Myanmar.

42 International Labour Office (ILO) (2004), Statistical definition of informal employment: Guidelines endorsed by the Seventeenth International Conference of Labour Statisticians (2003), 7th Meeting of the Expert Group on Informal Sector Statistics (Delhi Group) New Delhi, 2–4 February 2004. Ralf Hussmanns.

43 The relationship between informality and productivity is highly complex and requires a formal empirical analysis beyond the scope of this Report. The negative association depicted in figure 2.2 is descriptive in its nature and should not evoke a causal interpretation. The results are qualitatively similar when output per hour worked is used as a proxy for labour productivity.

FIGURE 2.2 As informality increases, labour productivity decreases in the Asia-Pacific region



Source: ILO (2022), ILOSTAT. Available at www.ilo.org (accessed on 22 April 2022)

Note: There are 24 countries in the Asia-Pacific region with available data. The latest year of available data for SDG 8.3.1 is on the x-axis representing the proportion of informal employment in total employment mostly in 2017–2021 period. Output per worker is measured by constant 2017 international dollars at PPP. Both indicators are matched by year.

Informality also has a gender bias. Over half of employed women are in informal jobs in 16 out of 27 countries.⁴⁴ Relative to men, women are also more likely to occupy an informal job in 15 of the countries. This gap is particularly high in Türkiye, the Marshall Islands, Nepal and Pakistan. Women’s overrepresentation in the informal economy is also independent of whether they work in agricultural and non-agricultural sectors. Achieving decent employment requires tailoring policies to place women at the center, with additional support for transitioning to formal and decent work, particularly in the garment sector. Impact evaluations from India⁴⁵ and Nepal⁴⁶ show that vocational training programmes can improve skill accumulation and productivity among women and lead to improved labour market outcomes.

Persons with disabilities are overrepresented in informal employment. Across 11 countries in Asia and the Pacific, the median percentage of adults in informal work was 80 per cent for persons with a functional difficulty compared with 66 per cent for persons without difficulty.⁴⁷ This is at stark odds

with the first goal of Incheon Strategy to “Make the Right Real” for Persons with Disabilities in Asia and the Pacific which aims to reduce poverty and enhance work and employment prospects during the Asian and Pacific Decade of Persons with Disabilities.^{48, 49}

Informal employment is most prevalent among own-account workers and contributing family workers. These two forms of employment are often referred to as vulnerable employment. Recent data from the ILO suggest that across developing countries in Asia and the Pacific, half of all workers are in vulnerable employment, reaching more than three quarters of total employment in Afghanistan, Lao People’s Democratic Republic, Democratic People’s Republic of Korea, Nepal and Papua New Guinea. Across subregions, South and South-West Asia leads the way with 66 per cent of all workers in vulnerable employment followed by the Pacific (excluding Australia and New Zealand) at 64 per cent, South-East Asia at 53 per cent and East and North-East Asia with 44 per cent. With around 15 per cent of workers in vulnerable employment,

44 There are 27 countries with available data on SDG 8.3.1 which measures the share of informal employment in total employment. There are however 26 countries for which data are available at sex and sector disaggregated level for informal employment based on different sources harmonized by ILO.

45 Pushkar Maitra and Subha Mani (2017). Learning and earning: Evidence from a randomized evaluation in India. *Labour Economics*, 45, 116–130.

46 Shubha Chakravarty, Juliane Zenker, Plamen Nikolov, Juliane Zenker. (2019) Vocational training programs and youth labor market outcomes: Evidence from Nepal. *Journal of Development Economics*, 136, 71–110.

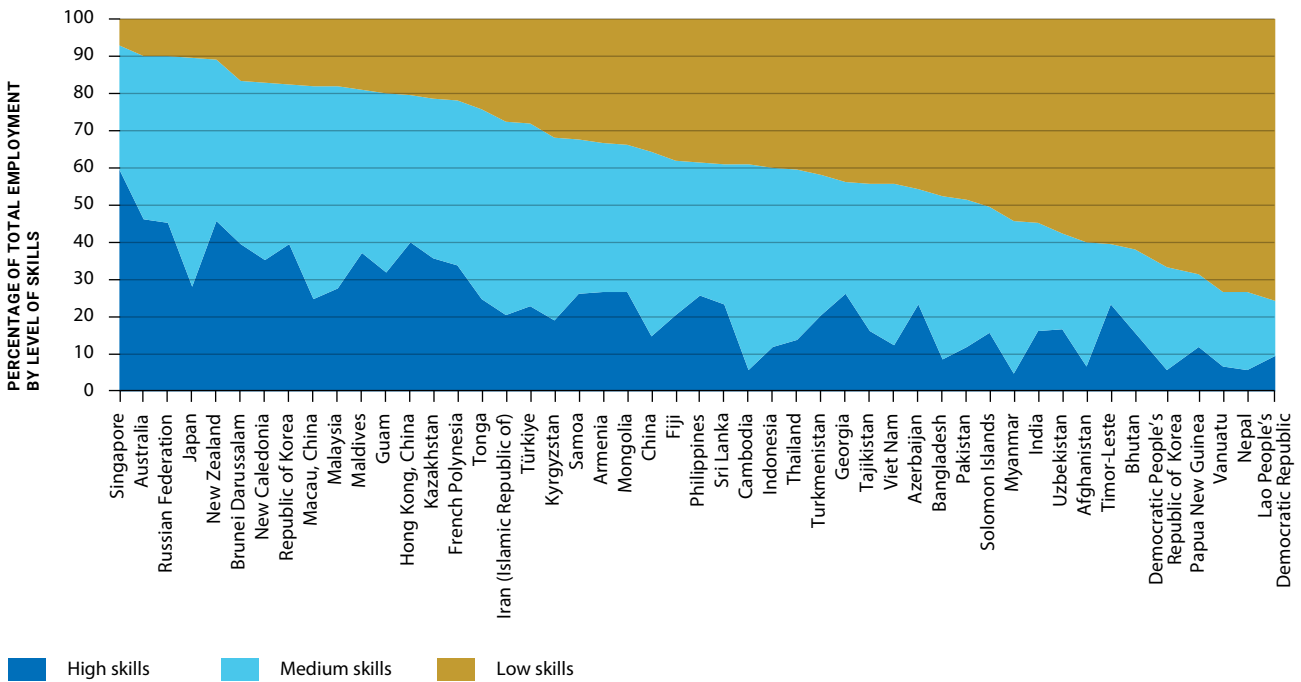
47 United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) (2021). *Disability at a Glance Report: The Shaping of Disability-Inclusive Employment in Asia and the Pacific*. ESCAP, Bangkok.

48 The Asian and Pacific Decade of Persons with Disabilities (2013–2022) was proclaimed during the 68th session of the Economic and Social Commission for Asia and the Pacific in Bangkok on 17–23 May 2012.

49 United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) (2012). *Incheon Strategy to “Make the Right Real” for Persons with Disabilities in Asia and the Pacific*. ESCAP, Bangkok.

FIGURE 2.3 Broad skill levels of the workforce across the Asia-Pacific region

Share of total employment by level of skills



Source: ESCAP elaboration based on ILO modelled estimates from 2020. Available at www.ilo.org (accessed in May 2022).

Note: According to the ILO, employment comprises all persons of working age who during a specified brief period, such as one week or one day, were engaged in any activity to produce goods or provide services for pay or profit, irrespective of formality. Following the International Standard Classification of Occupation (2008), occupations such as managers, professionals, technicians and associate professions are categorized under broad skills levels three and four (high). Occupations such as clerical support workers, service and sale workers, skilled agricultural, forestry and fishery workers, craft and related trades workers, plant and machine operators and assemblers are categorized under broad skill level two (medium). Finally, elementary occupations are categorized under broad skill level one (low).

North and Central Asia is the subregion doing significantly better compared to other subregions. Informal jobs and vulnerable employment often go hand in hand, characterizing a large section of the workforce without access to decent employment and in low productivity sectors.

Currently, the region's workforce in lower-middle income and low-income developing countries is largely employed in occupations that require lower levels of education,⁵⁰ skills and specialization (figure 2.3), justifying the need for more investments in active labour market programmes (ALMPs). Distinguishing between education and skills is important when it comes to employment, as the latter is much more complex and less hierarchical than the former. ALMPs are particularly helpful in building skills for those outside the formal general or vocational education system. Countries must

also ensure that the future workforce receives a relevant and high quality education and that skills are developed through lifelong learning.

ALMPs around the world have been instrumental in supporting women into self-employment through skills development, particularly in entrepreneurship. Yet ALMPs cannot change structural barriers faced by women including the persistence of social norms which impact on how women are able to use their time. Compared to men, women in the region spend more than four times as long and up to 11 hours a day on unpaid care work, which is higher than global averages. This is a formidable barrier to accessing and securing decent employment and thereby economic empowerment.⁵¹ Recognizing this burden disproportionately shouldered by women, highlights the importance of affordable child and elderly care services.

50 ESCAP elaborations based on ILOstat for the indicator of employment by level of education shows a very similar picture to that shown in figure 2.3. Since International Standard Classification of Occupations (2008) explicitly categorizes occupations by broad skill levels, this Section kept the narrative with a focus on occupations.

51 United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) (2021). *Covid-19 and the Unpaid Care Economy in Asia and the Pacific*. ESCAP, Bangkok, Thailand.

2.2 The slow progress of decent job creation

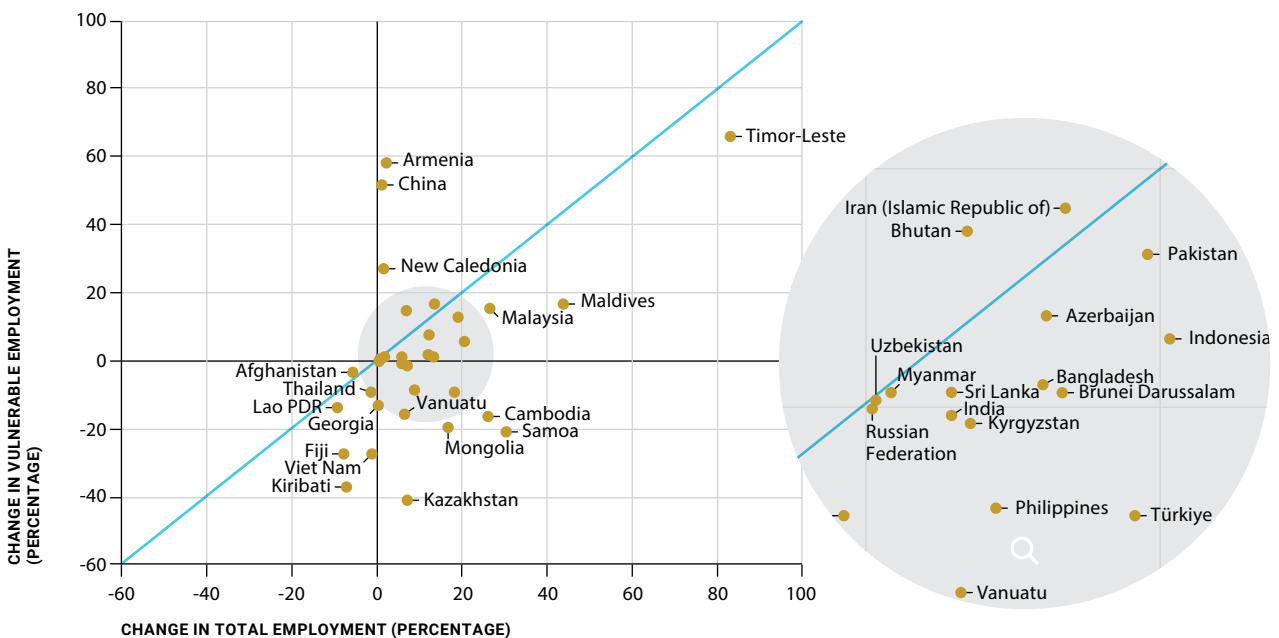
Decent employment is a luxury available to a minority of workers in the region. To reduce unemployment, underemployment and inadequate employment, there is an urgent need for the creation of more decent jobs along with skills development of the workforce. The role of governments is first and foremost to introduce and enforce a conducive legal, policy and macroeconomic environment in which the private sector can generate decent jobs. In this context, labour laws together with tripartite social dialogue⁵² play a key role through incentives and enforcement measures in ensuring that quality jobs are created with rights, decent wages and working conditions and that informal jobs are increasingly formalized.

Despite significant growth in GDP over the past 15 years, total employment grew only moderately and in some countries even fell. Jobless growth has been observed in many countries in the region. The challenge is greatest in South Asia with a need to

generate millions of decent jobs.⁵³ Without adequate social protection coverage, unemployment is not a luxury the majority of workers can afford. As a result, many have to accept informal jobs often without a contract and characterized by inadequate earnings, irregular working hours and a hazardous work environment. As such, informal jobs undermine workers' fundamental rights, including that of freedom of association and the right to collective bargaining. They defy the effort to guarantee safe and healthy working environments to all workers and to eliminate all forms of forced or compulsory labour, child labour and discriminatory practices at work.⁵⁴

Despite the importance of creating more decent jobs, vulnerable jobs continue to grow in the region (figure 2.4). Vulnerable jobs, a proxy for quality of jobs particularly in developing countries comprising of own account workers and contributing family workers, increased in 13 countries, including in some of the most populous countries in Asia and the Pacific such as Bangladesh, China, Indonesia and Pakistan. The growth in vulnerable jobs outpaced total job growth in five out of the

FIGURE 2.4 Change in total employment and vulnerable employment, 2010–2021



Source: ILO (2021), ILOSTAT. Available at www.ilo.org. (accessed in April 2022).
 Note: Data on employment status by sex (in thousands) is harmonized by ILO using HIES and LFS data across 33 developing countries in the Asia-Pacific region. Employment status follows definitions used in ICSE-93. Data availability determined the period in which change in vulnerable and total jobs are computed, with early years largely reflecting early 2010s and latest years from early 2020s. In countries below the diagonal line, but above the horizontal dotted line, overall employment increased faster than vulnerable employment. Since vulnerable employment in developed countries is not comparable to that in developing countries, seven high-income countries with available data are excluded in figure 2.4.

52 See ILO's flagship publication entitled "Social Dialogue Report 2022" for a demonstration of how social dialogue has played a crucial role during the pandemic and how it can further help tackling future challenges.

53 United Nations (UN) (2016). *Decent Work and Economic Growth: Why It Matters*. UN.

54 International Labour Office (ILO) (2022). *ILO Declaration on Fundamental Principles and Rights at Work*. ILO, Geneva.

13 countries, particularly in Armenia, China and Timor-Leste where vulnerable jobs grew by more than 50 per cent. Vulnerable jobs remained stable in five countries including most notably India where about three quarters of workers are in vulnerable employment. On a positive note, overall job growth exceeded vulnerable job growth in nine countries most notably in Kazakhstan, the Republic of Korea and Samoa. In six countries, both vulnerable jobs and total jobs decreased, particularly in South-East Asia. Nevertheless, the absolute number of vulnerable workers in Asia and the Pacific increased by a net 25 million during the 2010–2021 period, with an overrepresentation of women.

Informal jobs followed a similar pattern. The share of informal employment increased in 14 out of 19 countries with longitudinal data, especially in Timor-Leste and Samoa. The absolute number of informal jobs increased in many countries across the region from 2010 to 2020, according to ILO data. Countries in South and South-West Asia and South-East Asia dominated the growth in informal jobs including India at over 35 million informal jobs followed by Bangladesh, Indonesia and Pakistan where over 20 million informal jobs were created jointly in the same period. There is a dire need to implement the ILO Recommendation 204 to transition the workforce from the informal to formal economy.

2.3 Who has access to good quality jobs?

To explore gaps in access to good quality jobs⁵⁵ and the characteristics of those who are left behind, Labour Force Surveys from Georgia, Mongolia, the Philippines and Türkiye (2020) have been used. In addition to identifying those excluded from good quality jobs, differences in income and productivity have been explored to assess overall gains of a productive workforce. Profiling access to good quality jobs requires accounting for demand-side, supply-side and institutional barriers reflecting the realities of the labour market in each country. Against this background, an indicator of “good quality jobs” in the form of a composite index has been developed (table 2.1).⁵⁶ It measures the share of the employed population with a job that guarantees: (1) a fair income; (2) a secure form of employment and safe working conditions; and (3) access to social protection for the workers and their families.⁵⁷

According to the above definition, only 56 per cent of the employed population in Georgia has a good quality job. The share is lower for workers in Mongolia, the Philippines and Türkiye, where only 40 per cent of them have a good quality job. These results reflect a variety of country-specific barriers.

TABLE 2.1 Characteristics of a good quality job by country based on Labour Force Surveys

	GEORGIA	MONGOLIA	PHILIPPINES	TÜRKIYE
Adequate earnings	Earns more than low pay rate (less than $\frac{2}{3}$ of median earnings)	Earns more than minimum wage	Earns more than minimum wage	Earns more than minimum wage
Decent hours	Not working more than 48 hours per week; Not time relatedly underemployed.	Working at least 40 hours or work per week	Working at least 40 hours per week	Working at least 40 hours per week
Stability and security	Formally employed; Not in vulnerable employment; Not in precarious/casual employment.	Formally employed; Permanent job or without limit of time; Employer pays contribution to a pension fund, or health/unemployment insurance.	Formally employed; Full-time and permanent job; Not in vulnerable employment.	Formally employed; Full-time and permanent job; Not in vulnerable employment; Registered in a social security institution.

Note: Only employed persons with a wage or salary are considered.

55 In spite of containing a wealth of information, Labour Force Surveys do not lend themselves to the measurement and analysis of decent employment which is a concept defined by ILO Decent Work Agenda across 10 dimensions and 42 indicators. As such, this section follows a narrower approach covering only three dimensions of “Decent Work Indicators”.

56 This index is close in spirit to the four pillars of the ILO Decent Work Agenda: “Promoting jobs and enterprise, guaranteeing rights at work, extending social protection and promoting social dialogue”. However, it misses the remaining six pillars and therefore does not capture decent work.

57 Data availability and comparability are major constraints on creating a composite indicator for good quality jobs. Further research and data collection is needed to capture all aspects of good quality and decent jobs.

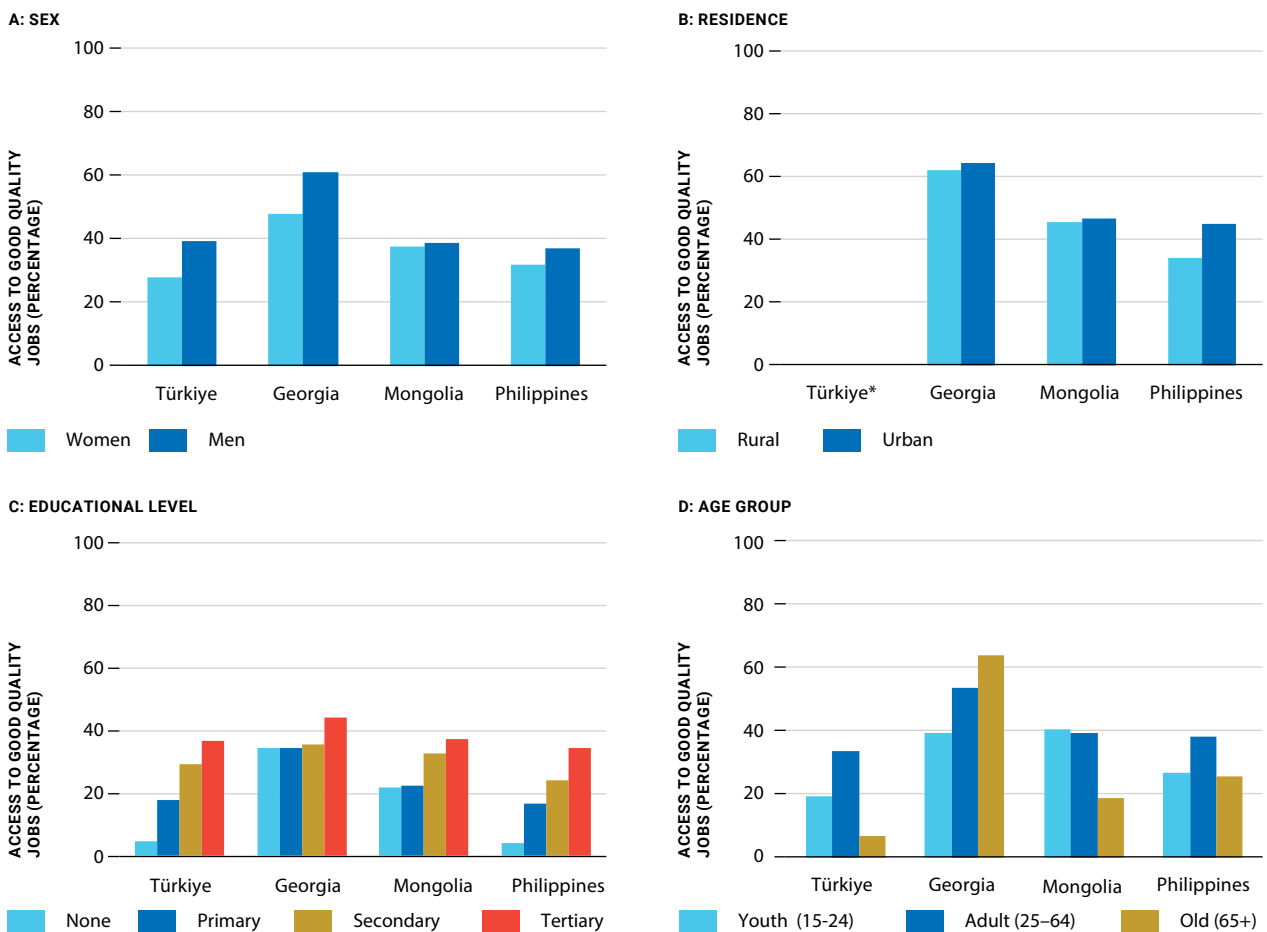
When disaggregating the share of those with good quality jobs by characteristics such as sex, place of residence, age group and educational level, the analysis reveals big gaps. In Türkiye, men are 41 per cent more likely to have a good quality job than women of which only around one in four have a good quality job (figure 2.5, Panel A). A similar picture is seen in Georgia where women are more likely to be unpaid family workers and work in the agricultural sector.⁵⁸ In contrast, differences are small in Mongolia and the Philippines. In Türkiye, sectoral and occupational differences play a critical role in accessing good quality jobs. According to the ILO and TURKSTAT this gender gap further widened during COVID-19.⁵⁹

Access to good quality jobs is also determined by location. Urban residents are generally better-off than their rural counterparts in the Philippines,

while there are almost no differences in Georgia and Mongolia (figure 2.5, Panel B). In the Philippines, 43 per cent of workers in sectors with a strong urban component such as electricity, gas, steam and air conditioning supply, are found in good quality jobs, compared to only 6 per cent of rural workers in the agriculture, hunting, forestry and fishing sectors.

Higher education is positively linked to good quality jobs. In the Philippines and Türkiye, individuals with secondary and tertiary education are four to five and eight to ten times more likely to have a good quality job than those with no education (figure 2.5, Panel C). In Georgia and Mongolia, these results are much less pronounced. Across the four countries, good quality jobs are more prevalent in occupations that are categorized as having higher and broader skill levels such as professionals, managers, technicians and associate professionals.

FIGURE 2.5 Access to good quality jobs among key socioeconomic groups



Source: ESCAP elaborations based on Labour Force Surveys (2020).

Note: The Labour Force Survey of Türkiye does not identify the location of individuals. Age groups are defined in the following brackets: Youth (15–24), Adult (25–64) and Old (65+).

58 UN Women (2020). *Analysis of the Gender Pay Gap and Gender Inequality in the Labor Market in Georgia*. UN Women, Tbilisi, Georgia.

59 International Labour Office (ILO) (2020). Gender Wage Gap is 15.6 per cent in Türkiye, according to the joint study by ILO Turkey Office and TURKSTAT. ILO.

In Georgia, 80 per cent of individuals working in the intermediation sector have a secure form of employment with fair remuneration.

Young and old workers in the Philippines and Türkiye are less likely to have a good quality job (figure 2.5, Panel D). Conversely, in Mongolia young workers appear to be better off than other age groups in terms of access to a good quality job, while in Georgia older workers are better off than other age groups. Moreover, two thirds of all young workers in Georgia receive a lower wage, work excessive hours or are in vulnerable employment. In response, the government of Georgia launched a youth entrepreneurship training and support programme to assist them set up their own business.⁶⁰

This analysis demonstrates that access to good quality jobs is a privilege enjoyed by a few, depending on sex, age, education and location, a situation similar across the region. Among the four countries analyzed, good quality jobs are enjoyed by around half of the employed population, but this can easily fall to levels of 4 to 7 per cent for those with lower education or in older ages. Too many groups are left behind and in urgent need of better jobs that protect them from life contingencies and allow them to fulfil their potential.

This brief assessment of Labour Force Surveys of selected countries highlights the importance for the region to provide more and better jobs that promote well-functioning labour markets and

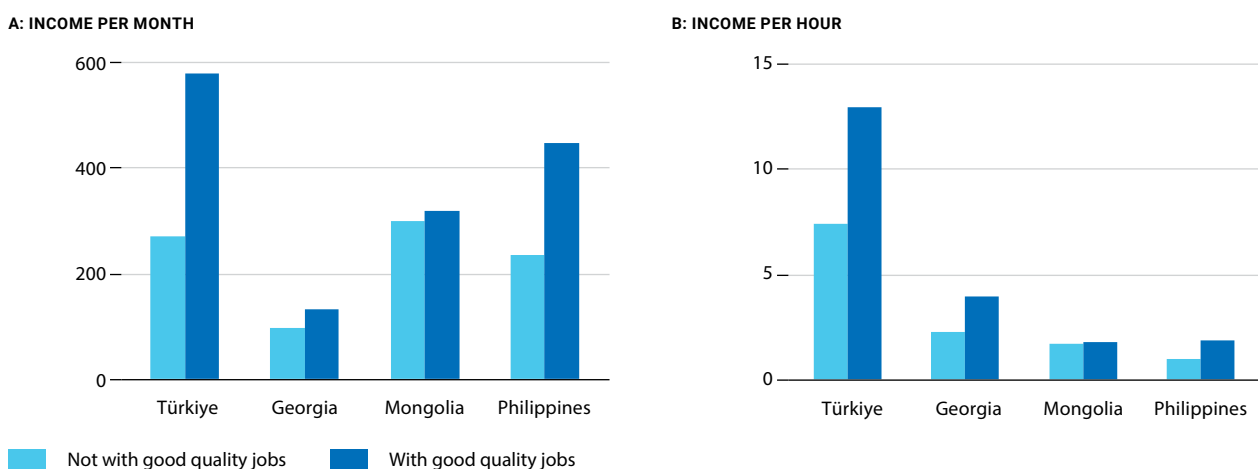
guarantee a protected and productive workforce. It highlights that supporting particularly vulnerable groups in accessing good quality jobs can help lower inequalities in outcomes within the workforce, which has far-reaching implications for society as a whole. In addition to short-term labour policies, the results speak to the important role of education in achieving labour market outcomes. With green and digital transitions already penetrating most economies, the role of education is expected to become more prominent if we are to leave no one behind.

2.4 The life-changing impact of good quality jobs

Good quality jobs help boost access to basic opportunities, improve household consumption choices and improve livelihoods and welfare of other household members. Workers holding good quality jobs in the Philippines and Türkiye earn, on average, more than twice the monthly income of workers without such jobs (figure 2.6, Panel A). Income per hour shows similar gaps, except for Mongolia, where wage gaps are driven by premiums across sectors (figure 2.6, Panel B). Workers in the mining and quarrying industry and the real estate sector, for example, have the highest average monthly incomes in the country.⁶¹

Good quality jobs provide social protection and access to healthcare, ensuring that negative coping strategies are avoided in the event of job loss or

FIGURE 2.6 Good quality jobs pay higher wages



Source: ESCAP elaborations based on Household Labour Force Surveys (2020). Note: Wage rates standardized in USD \$ as of December 2020.

60 International Labour Office (ILO) (2017). *Inclusive Labour Market for Job Creation*. ILO.

61 Results computed from last month payment for all employed persons who receive a wage or salary.

sickness. For the households left furthest behind in their access to basic opportunities, the impact of a modest household income increase of 10 per cent (as a consequence of holding a good quality job)⁶² is simulated using Household Income and Expenditure Surveys from Armenia, Cambodia, Mongolia, Kiribati and Türkiye. The simulation follows ESCAP’s Leaving No One Behind Methodology based on a classification and regression tree analysis (CART) (see Box A2 and A3 in Appendix for more details).

In all three countries, a 10 per cent increase in disposable income would generate clear benefits for the groups furthest behind (figure 2.7, Panel A). Cash flow, housing conditions and other living standards would register marked improvements. For example, the share of furthest behind households reporting good living standards would increase from 18 to 44 per cent in Kiribati. Making ends meet would become easier in Türkiye among the furthest behind, increasing from 40 to 63 per cent. In many cases, improvement among groups furthest behind would outperform improvement among average households.

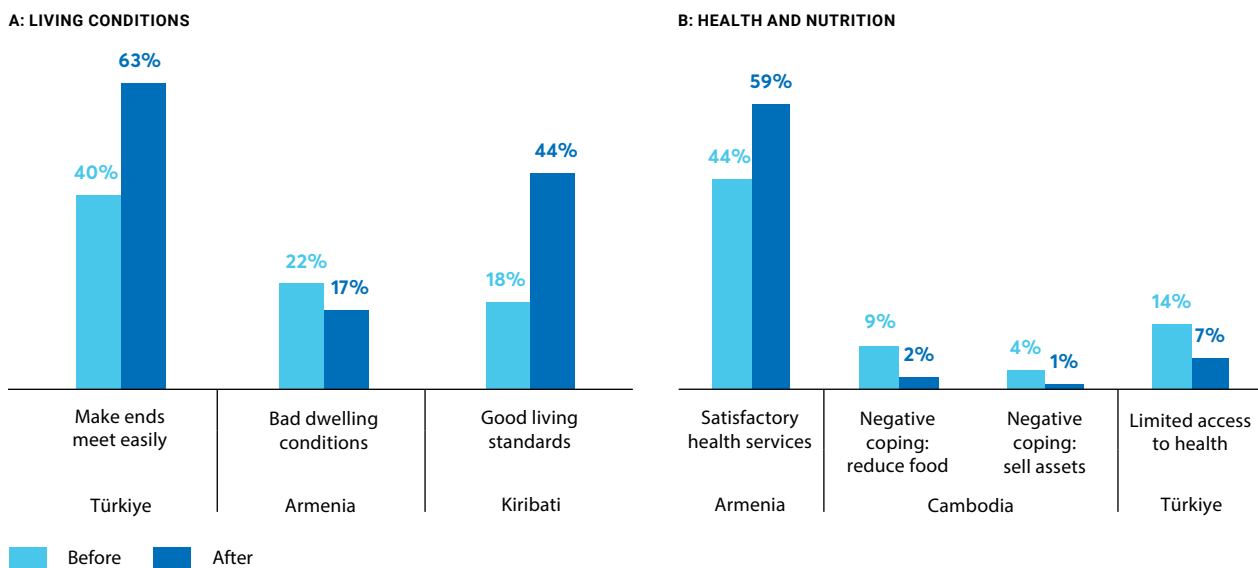
Access to essential services would increase. In Kiribati, for example, access to clean water would increase from 54 to 76 per cent. In Mongolia, chances

of having a bank account would double from 10 to 21 per cent and access to Internet at home would increase over sevenfold from 4 to 29 per cent.

Beyond these positive impacts, good quality jobs could improve health outcomes within households left furthest behind (figure 2.7 Panel B). For instance, in Armenia, a 10 per cent increase in total monthly expenditures would increase households ratings of health services as satisfactory from 44 to 59 per cent among furthest behind. In Türkiye, the prevalence of limited access to health services among the furthest behind groups would halve, from 14 to 7 per cent. In Cambodia, a 10 per cent increase in total monthly household expenditures would place the furthest behind groups in a situation where negative coping strategies such as reducing food intake or selling productive assets would fall from 9 to 2 per cent and from 4 to 1 per cent, respectively.

Household welfare, measured by monthly income, expenditures, or stock of assets, is only one of the drivers of inequality in access to opportunities. The groups furthest behind are mostly identified through a combination of individual and household circumstances which interact in country-specific ways to systematically leave certain population groups behind. While household welfare is

FIGURE 2.7 How a 10 per cent increase in household income can improve welfare among the furthest behind



Source: ESCAP elaborations based on selected HIES (2018–2020).

Note: The simulation takes household expenditures as a more reliable measure of household welfare. All additional income in this case accruing from decent employment is assumed to be consumed.

62 The simulation exercise does not take into account potential general-equilibrium effects of an increase in total disposal household income driven by access to good quality jobs. In addition to household income, the simulation includes location, highest level of education in the household and age and sex of household head. See Box A2 and A3 for more details.

a critical determinant for many outcomes, other factors are more pertinent to others. Therefore, while a monetary boost from social protection or good quality jobs can improve access to most opportunities, access to the Internet in Mongolia and Türkiye depends more on age and educational background than income. Policies should therefore be informed by rigorous “Leaving No One Behind” (LNOB) analysis to understand the key determinants of inequality in access to opportunities.

2.5 Active Labour Market Policies for decent jobs

A key policy tool in boosting access to decent employment is Active Labour Market Policies (ALMPs).⁶³ In Asia and the Pacific, ALMPs date back to the 1980s when micro-credit schemes were extensively implemented in South Asia to generate self-employment.⁶⁴ The 1997 Asian Financial Crisis saw a boost in ALMPs in Eastern and South-East Asia. Since the adoption of the 1999 ILO Decent Work Agenda, ALMPs have gained traction, involving public and private employment services, training and higher education institutions, central and local governments, and civil society organizations. These actors play a critical role in the provision of skills training services, job search assistance and entrepreneurship support. The profile of people who lack decent employment in the region, means it is crucial that different types of ALMPs (see Table A1 in Annex for details of these measures), such as skills training programmes, public works programmes, wage subsidies or job assistance services must prioritize women, youth and people with lower education and equip them with the relevant skills in demand. For the workforce of the next generation, educational systems and curricula need to be modernized to meet modern labour market demands. The skills needed in the labour market are evolving and becoming much more specialized than those currently imparted by general education systems or ALMPs.

With the regional average of annual spending below 0.2 per cent of GDP, ALMPs have a limited impact in Asia and the Pacific, despite their potential.⁶⁵ The scale of coverage of ALMPs in the few countries for which information is available shows a significant variation. In Kyrgyzstan and Viet Nam, on average 10 per cent of the population participates in an ALMP every year.⁶⁶ In countries such as Armenia, Azerbaijan, Bangladesh, Cambodia, India and Myanmar, participation is much lower.⁶⁷ Most countries, however, do not use these measures effectively, if at all.

Most countries spend very little on training schemes despite the large share of low-skilled workers in the region, particularly among female workers in the South Asian region. Expanding this support is particularly important given that in many countries in the region more than 20 per cent of the employed population are engaged in low-skilled occupations, often in the informal economy.⁶⁸

Digital technologies are accelerating a premature deindustrialization in developing countries, which is likely to disproportionately impact low- and medium-skilled workers. Developing well-functioning ALMPs, in combination with higher education and social protection systems, is key to continuously upgrade the skills of the labour force and improve the job-matching mechanisms between workers and employers. In this respect, there is a strong role for technical and vocational education training (TVET) and lifelong learning in digital skills. While upgrading skills, they can also tackle digital exclusion.⁶⁹

In the context of developing countries, social protection and ALMPs are complementary policies. For example, unemployment insurance benefits—often based on contributions by employers and employees—provide income security and prevent unemployed workers and their families from falling into poverty. Beneficiaries are often required to enrol in labour market services, training schemes

63 The discussion on ALMPs here and the policy recommendations in Chapter 5 are based on ESCAP Social Development Division Working Paper as a technical background paper prepared by Niño-Zarazúa and Torm (2022).

64 Mathilde Maitrot and Miguel Niño-Zarazúa (2017). Poverty and Wellbeing Impacts of Microfinance: What do we know? WIDER Working Paper No. 190/2017. UNU-WIDER.

65 Clemente Pignatti and Eva Van Belle (2021). Better together: Active and passive labor market policies in developed and developing economies. *IZA Journal of Development and Migration*, 12(1).

66 ESCAP elaborations based on the World Bank ASPIRE database. Note that the figures represent the annual average of the percentage of the entire population participating in ALMPs (includes direct and indirect beneficiaries) based on household surveys in the 2006–2019 period. The extent to which information on specific programmes is captured in the household surveys can vary significantly across countries. Often household surveys do not capture the universe of ALMPs in the country, at best only the largest (public) programmes.

67 ESCAP elaborations based on ASPIRE (2021) database including only 11 countries for which information was available.

68 ESCAP elaborations based on ILOSTAT (2022) accessed online on 15 April 2022.

69 Organization for Economic Cooperation and Development (OECD) (2019), *Economic Outlook for Southeast Asia, China and India 2020: Rethinking Education for the Digital Era*, OECD Publishing, Paris, <https://doi.org/10.1787/1ba6cde0-en>.

and even entrepreneurial support programmes to find employment while at the same time facilitating job search and retraining.

Public works are more common and can be seen as part of both no-contributory social protection schemes and public employment programmes, often in combination with training schemes. In Nepal, the Rural Community Infrastructure Work Programme offers job opportunities to unskilled workers along with skills development and training. In the Philippines, the Integrated Livelihood and Emergency Employment Programme provides temporary emergency jobs to disadvantaged seasonal and displaced workers, together with training in entrepreneurship.

Evidence indicates that public expenditure on ALMPs correlates positively with the perception of employment security and job quality,⁷⁰ suggesting that such policies may have a positive impact on access to decent jobs. The necessity of reinforcing the links between social protection and ALMPs has become even more pertinent in light of current green and just transition, demographic transitions and a rapid digitalization of the economy and the COVID-19 pandemic. These will further exacerbate unemployment and underemployment, working poverty and labour market informality.⁷¹

2.6 Skills needed to face mega trends

Asia and the Pacific is currently undergoing three main transitions: the green and just transition associated with climate change; the demographic transition associated with rapid population ageing; and the digital transition associated with rising digital technologies. Each transition requires the development of specific skills. Supporting job growth in decent employment should be shaped by the green and digital sectors and skills development through ALMPs, combined with access to social protection.⁷² Building a productive, dynamic and resilient workforce depends on this policy priority.

People in the region need to be upskilled to cope with the green transition. A global transition towards a greener economy, including the adoption of sustainable practices in the energy and agriculture sector, higher use of electric vehicles, increased energy efficiency of manufacturing processes, and stronger incentives given to reuse and recycle, would create about 24 million new jobs globally.⁷³ At the same time, it is estimated that about 6 million jobs will be lost as countries scale back their carbon-intensive and resource-heavy industries and introduce new measures to produce and use energy efficiently. A major shift is expected in employment in the agricultural sector across regions as less labour-intensive conservation agriculture and organic farming practices that promote biodiversity and deter environmental degradation are adopted. Although a net increase in jobs across the world is expected, implications differ across regions and industrial sectors.

In Asia and the Pacific, the sectors that will be most affected by measures needed to support the green and just transition employ about 52 per cent of the workforce (figure 2.8). These sectors are agriculture, forestry and fishing; mining and quarrying; manufacturing; electricity gas, steam and air conditioning supply; water supply, sewerage, waste management and remediation activities; constructions, and transportation and storage. As a key contributor to greenhouse gas emissions, the energy sector will see major challenges. However, the employment share in this sector accounts for less than three per cent of the region's workforce. Conversely, agriculture employs a large portion of the workforce in many subregions, particularly in South and Southwest Asia, where 43 per cent of the population is employed in agriculture.⁷⁴ A green transition in the agriculture sector could lead to up to 100 million job losses in the region.

The agriculture sector is often characterized by its highly informal and vulnerable employment. In the region, close to 90 per cent of those who work in agriculture are informally employed compared to only 50 per cent in non-agriculture sectors.⁷⁵ Among workers in the agricultural sector, over

70 Sandrine Cazes and Alena Nesporova (2004). Balancing flexibility and security in Central and Eastern Europe. Transfer: European Review of Labour and Research, 10(2), 332–334.

71 International Labour Office (ILO). (2021). *Extending social health protection: Accelerating progress towards Universal Health Coverage in Asia and the Pacific*. ILO, Geneva.

72 International Labour Office (ILO) (2022). *World Employment and Social Outlook: Trends 2022*. ILO, Geneva.

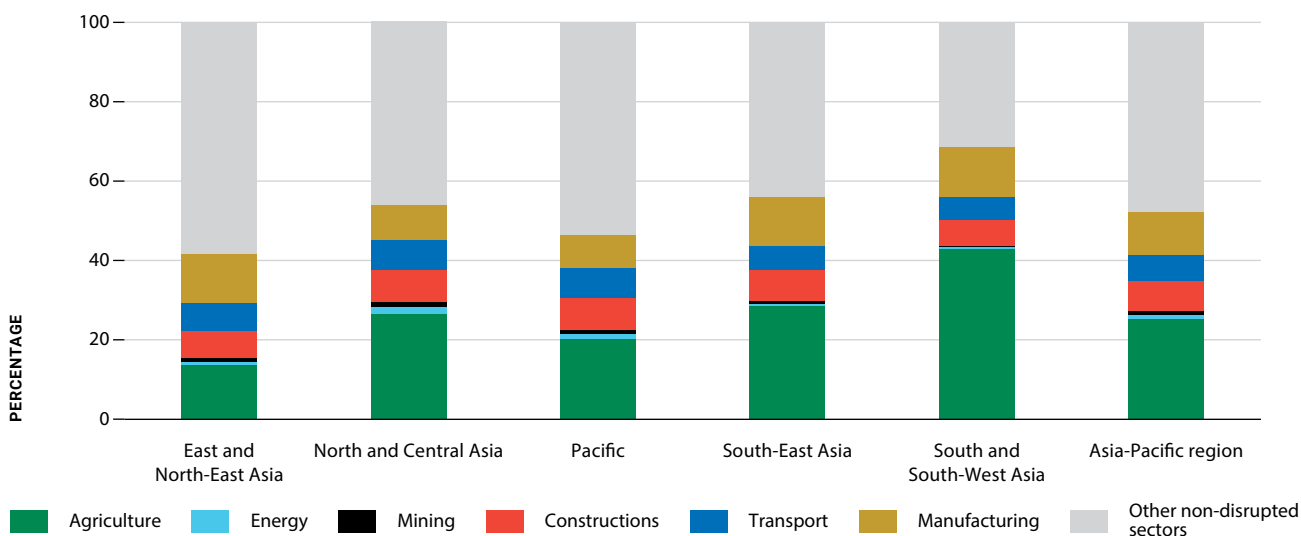
73 International Labour Office (ILO) (2018). *World Employment and Social Outlook 2018: Greening with jobs*. ILO.

74 ILO modelled estimates, November 2020.

75 ILO latest figures, Informal employment rate by sex and economic activity (per cent), annual.

FIGURE 2.8 Sectors expected to be disrupted during the green transition employ the majority of workers in Asia-Pacific

Share of total employment by sector

Source: ILO (2022). ILOSTAT database. Available at www.ilo.org. (accessed on 6 April 2022).

Note: ILO modelled estimates in 2019 from 45 countries for employment by economic activity (thousands) at annual frequency.

three quarters have a basic or less than basic level of education which can be a barrier to adopting greener technologies and acquiring relevant skills.⁷⁶ Without targeted policies and support systems, the green transformation in agriculture could be severely unjust and leave a quarter⁷⁷ of the region's workforce in a precarious situation.

As jobs are created and destroyed across sectors, it is imperative to reduce skills mismatches by anticipating and monitoring future labour market demands. The Labour Force Surveys from the four countries discussed reveal a worrisome picture as less than 2 per cent of all workers in some countries had participated in any on-the-job training in the four weeks preceding the survey. Those in the sectors that are expected to go through a significant transition are about half as likely to have participated in a training.⁷⁸ Many firms across the region identify an inadequately educated workforce as a major constraint, reaching up beyond 30 per cent of firms in the 2019–2020 period in Armenia, Georgia, Kazakhstan and Kyrgyzstan.⁷⁹

A green transition does not only require environmental policies but also reskilling and upskilling of the workforce for it to be a just transition, as well. ALMPs can help equip the workforce accordingly. ALMPs can also help improve the productivity of the agriculture workforce and support diversification into alternative jobs. Equally important is the region's rapid demographic transition. Efforts are needed to ensure that older workers can prolong their working lives and fully participate in the transition.

The increasing use of ICT in many sectors and occupations requires digital skills development. One of the key mechanisms through which digitalization will widen inequalities in opportunities and outcomes is through the transformation of labour markets. As efficient as they are, digital technologies are likely to widen inequalities in the workforce given existing disparities in ICT skills (figure 2.9). Even among high-performance countries, up to 40 per cent of the population lack basic ICT skills measured

76 ILO latest figures, Employment by sex, economic activity and education (thousands), Annual. 'Less than basic' level of education includes: no schooling and Early childhood education in ISCED-11 standards and no schooling and Pre-primary education in ISCED-97 standards. 'Basic' level of education includes: primary education and lower secondary education in ISCED-11 standards and primary education or first stage of basic education and lower secondary or second stage of basic education in ISCED-97 standards.

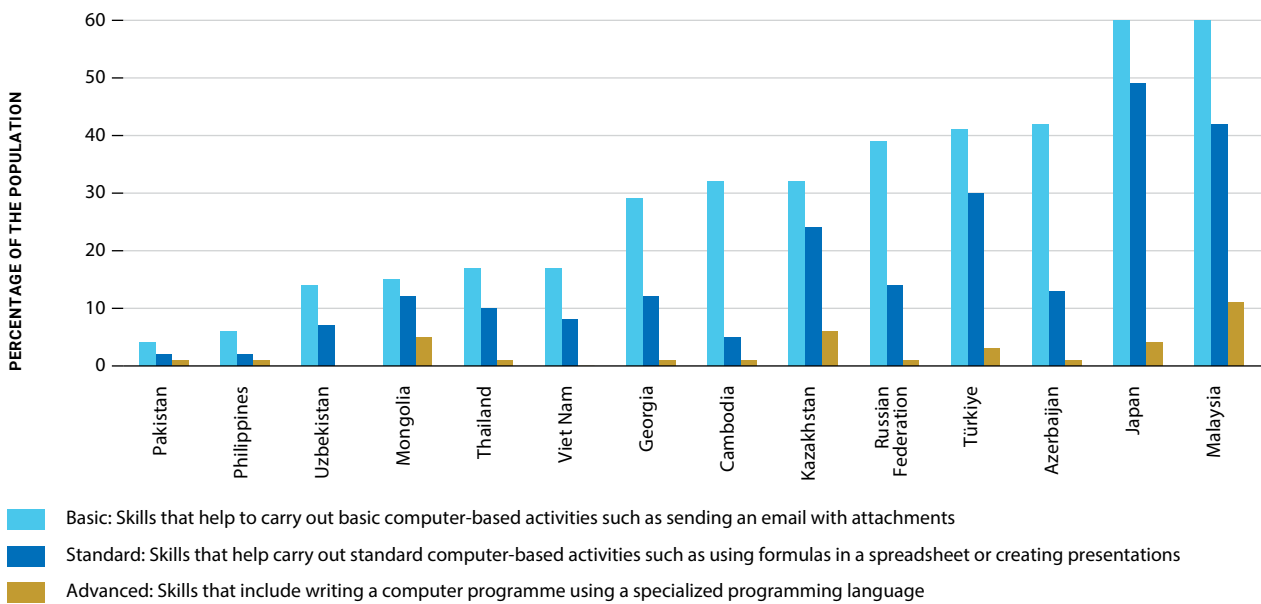
77 ESCAP elaborations based on ILO data on employment by education and economic activity from 37 countries in Asia Pacific (latest years).

78 The sectors that are categorized to be most affected by the green transition in Asia Pacific include: agriculture, constructions, energy, manufacturing, and mining, based on ILO 2018.

79 ESCAP elaborations based on World Bank Enterprise Surveys accessible online at www.enterprisesurveys.org.

FIGURE 2.9 The majority of people is lacking basic and standard ICT skills

Share of population by different levels of ICT skills, per cent, 2021



Source: International Telecommunication Union (ITU) (2021). Measuring digital development: Facts and Figures 2021. ITU, Geneva.

by computer-based activities such as copying and moving files or folders, sending emails with attachments, and moving files between devices. This figure reaches beyond 90 per cent in Pakistan and the Philippines. Surviving the digital transition and participating effectively in the labour market will require standard ICT skills, especially for women who suffer from pervasive gender employment gaps among ICT specialists.⁸⁰

Globally, an estimated 1.8 billion jobs in developing countries are susceptible to automation.⁸¹ However, forecasting the impact of labour-saving technologies such as automation, artificial intelligence and adoption of robots remains elusive. In developed countries, mass-scale unemployment and underemployment is anticipated particularly for low- and medium-skilled workers in the manufacturing sector.⁸² Beyond losing their jobs, workers may also find it difficult to get new ones. Retrospective studies suggest that labour saving technologies may not

lead to massive unemployment.⁸³ This is consistent with the expectation that less than 10 per cent of all occupations would be fully automated and that for 60 per cent of all occupations less than one third of tasks would be automated.⁸⁴

Digital technologies are set to widen inequalities in labour income, at least in the short-to-medium term. As automation increases demand for skilled labour and raises wage premiums for skilled workers, medium- and low-skilled workers are left behind.⁸⁵ In addition to the demand for higher skills, certain competencies in line with non-cognitive tasks and non-specialized skills will be demanded.⁸⁶ Yet as newly created tasks by digitalization get standardized, low-skilled workers may also be able to perform more complex tasks.⁸⁷ Investing in skills development of the workforce with particular emphasis on vulnerable workers and workers that are directly impacted by digitalization is urgently needed to ensure that the workforce is equipped for the future world of work.

80 Organization for Economic Cooperation and Development (OECD) (2019), *Economic Outlook for Southeast Asia, China and India 2020: Rethinking Education for the Digital Era*. OECD Publishing, Paris. <https://doi.org/10.1787/1ba6cde0-en>.

81 World Bank (2016). *Digital Dividends. World Development Report*. World Bank, Washington, DC.

82 United Nations (UN) (2020). *Report of the UN Economist Network for the UN 75th Anniversary: Shaping the Trends of Our Time*.

83 Mariagrazia Squicciarini and Jacopo Staccoli (2022). Labor-Saving Technologies and Employment Levels: Are Robots Really Making Workers Redundant? *OECD Science, Technology and Industry Policy Papers*, January 2022, No. 124. OECD.

84 MGI Global Automation Impact Model: McKinsey Global Institute Analysis.

85 Jun Wang and Zhiming Zhang (2021). Skill-biased technological change and labor market polarization in China. *Economic Modelling*, 100(105507), 1-12.

86 Roman Chinoracký and Tatiana Čorejová (2019). Impact of Digital Technologies on Labor Market and the Transport Sector. *Transportation Research Procedia*, 40, 994-1001.

87 Daron Acemoglu and Pascual Restrepo (2017). *The Race Between Man and Machine: Implications of Technology for Growth, Factor Shares, and Employment*.

Digitalization and the digital economy do not automatically create decent jobs. For instance, the bulk of jobs created by digital platforms does not entail direct employment. These platforms act as an intermediary which can blur the distinction between wage and self-employment. Workers in this context face major challenges in accessing decent employment with regular work and income, good working conditions and access to social protection. Particularly with application-based platforms, informal and non-standard forms of work are on the rise with lower job security. A recent survey confirms these challenges among workers dependent on online web-based digital platforms as well as application-based taxi and delivery sectors.⁸⁸ The survey also finds that the most dominant worker profile for jobs created by such platforms is urban young men with a relatively high level of education.

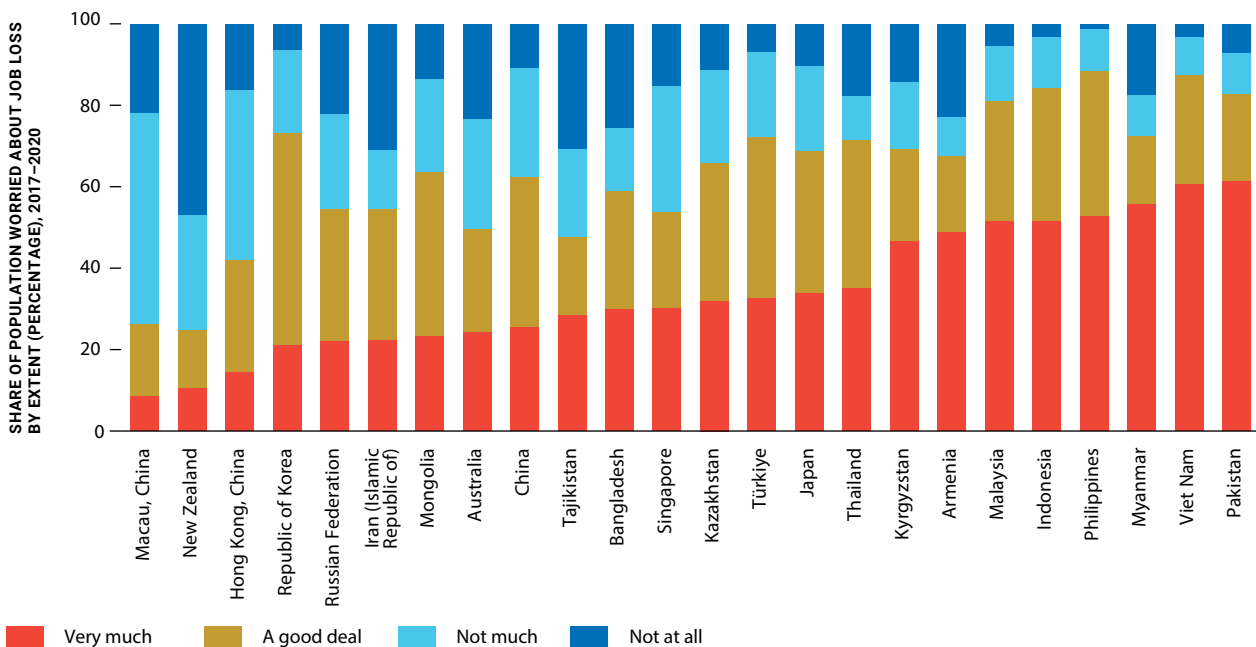
Almost two thirds of people in the region worry about losing their job or not finding one. There has been no significant change from 2010–2014 period (figure 2.10). People in South-East Asia are relatively

more worried about job loss than people in other parts of the region. Across the region, almost three quarters of youth aged 16–24 are worried about losing their job, or not finding one.

While there is no significant difference between men and women, the level of education and income, as well as location of residence, creates significant differentials between people. Among employed people, job loss worry is significantly higher among semi-skilled workers, unskilled workers and agricultural workers. Climate change is also contributing to worries about the future world of work, particularly in agriculture and energy sectors.

The region’s rapid population ageing is likely to push retirement ages forward. Ensuring a healthy and skilled population of older persons is therefore intrinsically important. In the past two decades, labour force participation rates of older persons increased in a majority of the region’s countries with the exception of high-income countries.⁸⁹ This increase has been much more pronounced for men than for women and is driven by a necessity. At the

FIGURE 2.10 A majority of people in the Asia-Pacific region are worried about losing their jobs or not finding one



Source: World Values Survey (WVS) (2020). Wave 7 (2017–2020). Available at: WVSA (2022). World Values Survey, Wave 7. Available at <https://www.worldvaluessurvey.org/> (accessed in January 2022).

Note: Data are available for 27 countries in the Asia-Pacific region from various years between 2017 and 2020.

88 International Labour Office (ILO) (2021). *World Employment and Social Outlook 2021: The role of digital labour platforms in transforming the world of work*. ILO, Geneva.

89 United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) (2021) Population Data Sheet 2021.

same time, quality of employment for older people remains weak. The recent increase in participation rates is characterized by informal employment.

Lack of social protection plays a key role. Major gaps in old-age pension coverage and benefit adequacy persist in the region. Excluding China, only about half of the population above statutory retirement age receive some form of pension. While non-contributory old-age pension schemes help increase pension coverage, by targeting only the poorest among older people, they leave a substantial portion of the population with no pension at all which will continue to push seniors and near-seniors (55–64) to remain active in the labour force.

As Asia and the Pacific is driving the ageing of the world's labour force,⁹⁰ it is of paramount importance that older people are equipped with the requisite skills to survive the green and digital transitions. ALMPs will need to pay attention to older people

as much as they focus on youth. Given the wide disparity in access to Internet by age, digital skill development will undoubtedly form a critical aspect of ALMPs for older people willing and able to work. At the same time, there is an opportunity to boost employment in the long-term care sector, which could help formalize informal care work. Several countries in the region have a sizable share of long-term care workers operating overseas whose return would elevate the level of skills and experience needed to deliver long-term care.⁹¹ Labour migration from lower-middle income and low-income countries, particularly in the Pacific, is a critical constraint on maintaining a cadre of skilled health care workers. Equally important is the need to increase the number of health care workers equipped with specialized skills to support older persons. In addition to skills development, the transition to aged societies in the Asia-Pacific region also elevates the importance of the health of the workforce.

90 International Labour Office (ILO) (2018). *What about seniors? A quick analysis of the situation of older persons in the labor market*. ILOSTAT Spotlight on Work Statistics. ILO, Geneva.

91 According to Asian Development Bank (2022), Indonesia has some 540,000 long-term care workers operating overseas.