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# Rebalancing growth in Asia

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ILO Regional Office for Asia and the Pacific

December 15, 2010



*Decent Work for All*

**ASIAN DECENT WORK DECADE 2006-2015**



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# Introduction

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- I. Rebalancing in diverse Asia
- II. Asia's recovery from crisis
- III. Policy implications
- IV. Conclusions

# Need for balanced growth has become more evident in wake of global economic crisis...

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**“We recognize the need to support more balanced growth within and across economies, achieve greater inclusiveness in our societies, sustain our environment, and raise our growth potential through good governance, innovation and a knowledge-based economy.”**

*ASEAN Leaders’ Statement on Sustained Recovery and Development (Ha Noi, 9 April 2010)*

**“We agreed to launch a framework that lays out the policies and the way we act together to generate strong, sustainable and balanced global growth. We need a durable recovery that creates the good jobs our people need”**

*G20 Leaders’ Statement: The Pittsburgh Summit (September 24-25, 2009)*

## Rebalancing in Asia...

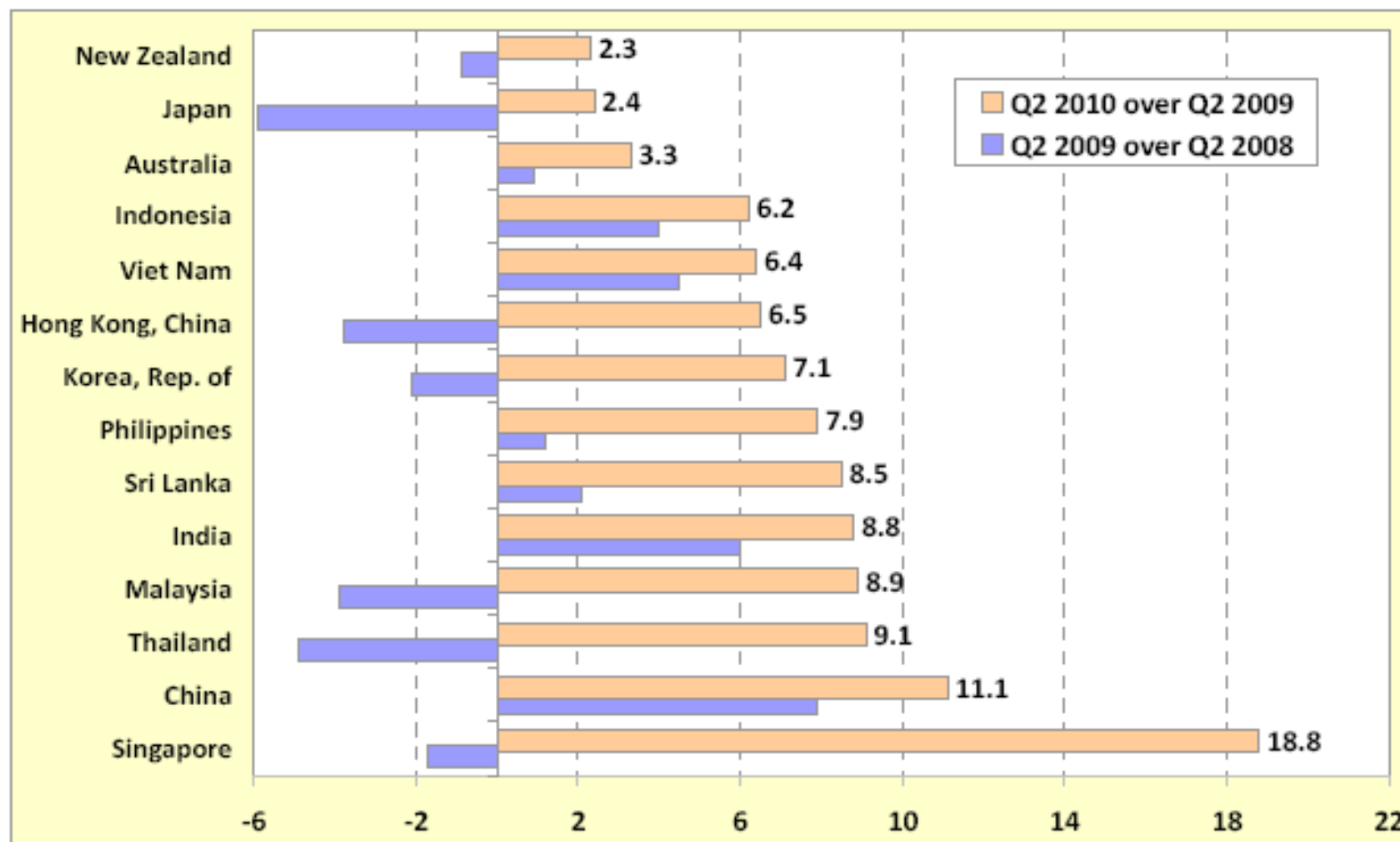
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- **Greater emphasis on domestic consumption or investment**
  - Large current account surplus economies
- **Greater emphasis on intra-regional trade / integration**
  - Lower-income Southeast Asia, South Asia and Pacific)
- **Greater emphasis on labour productivity**
  - Future economic growth will increasingly depend on labour productivity given capital stocks, demographic trends and shifts towards domestic demand (services)
  - Environmentally-friendly productivity growth

**...all will require growth in jobs and incomes**

## Strong economic recovery in developing Asia...

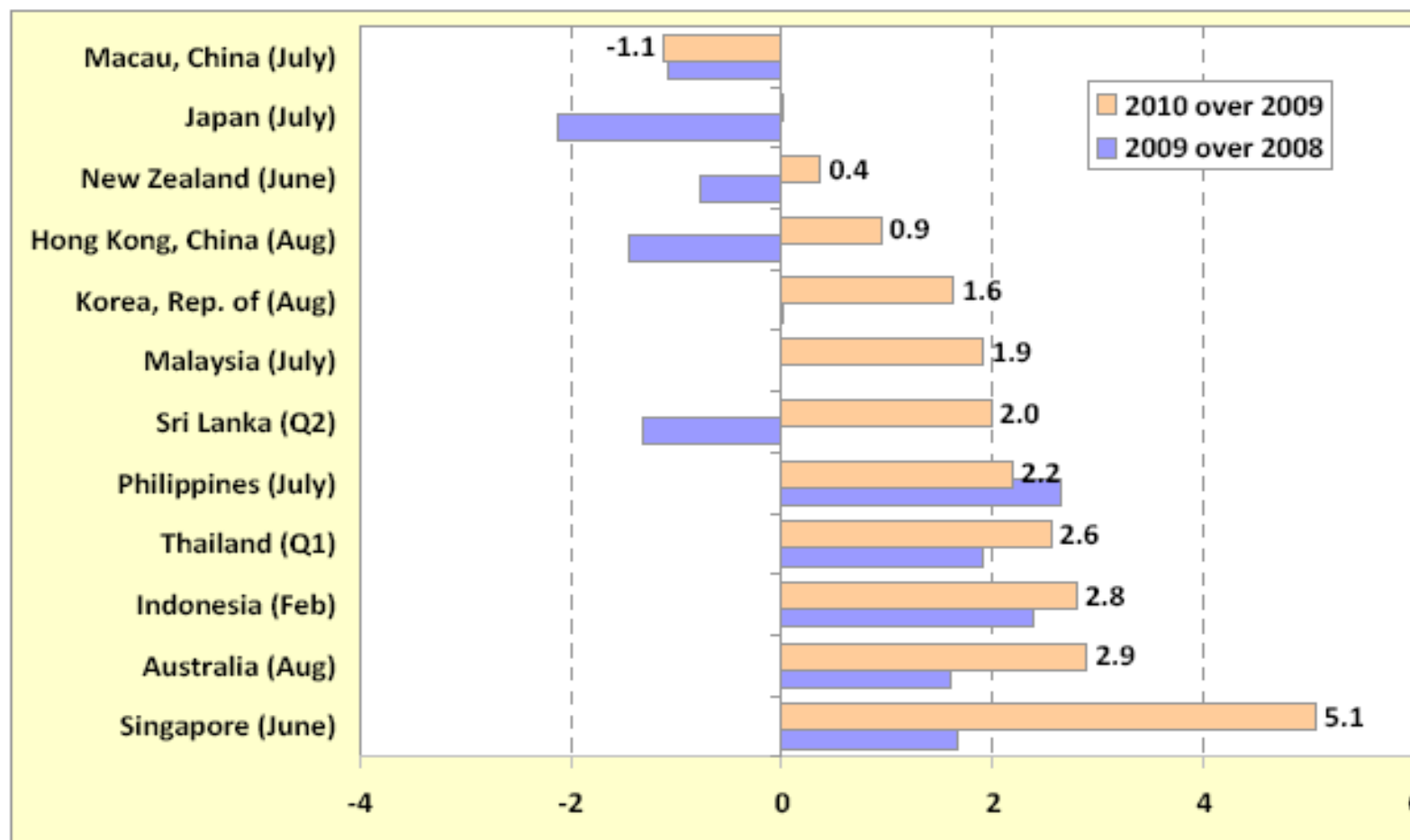
Growth in GDP (%)



Source: ILO, Asia-Pacific Labour Market Update (October 2010), based on OECD and official national sources.

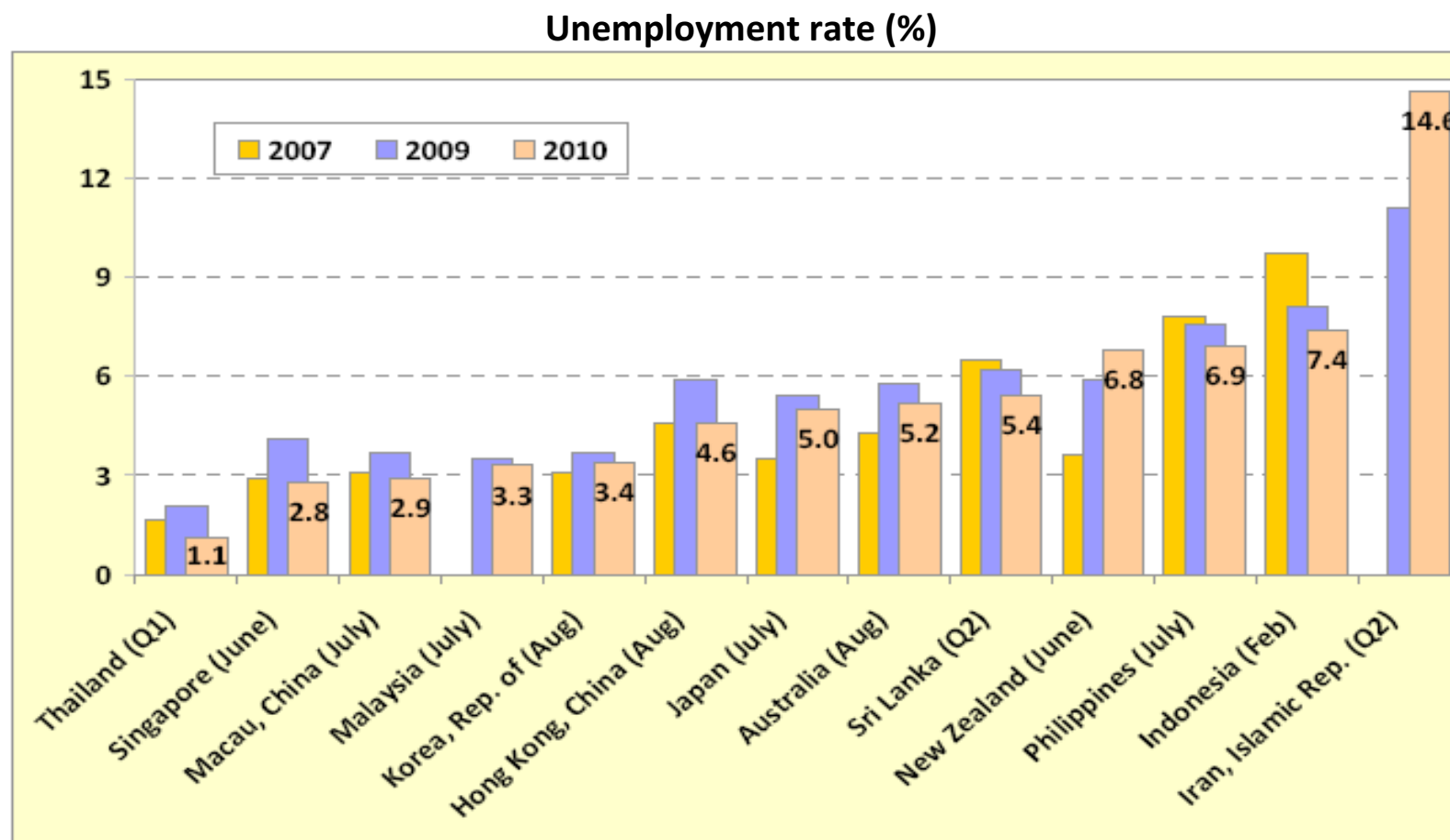
## Employment growth has also picked up...

Growth in employment (%)



Source: ILO, Asia-Pacific Labour Market Update (October 2010), based on national statistical offices.

# Unemployment has fallen...



Source: ILO, Asia-Pacific Labour Market Update (October 2010), based on national statistical offices.

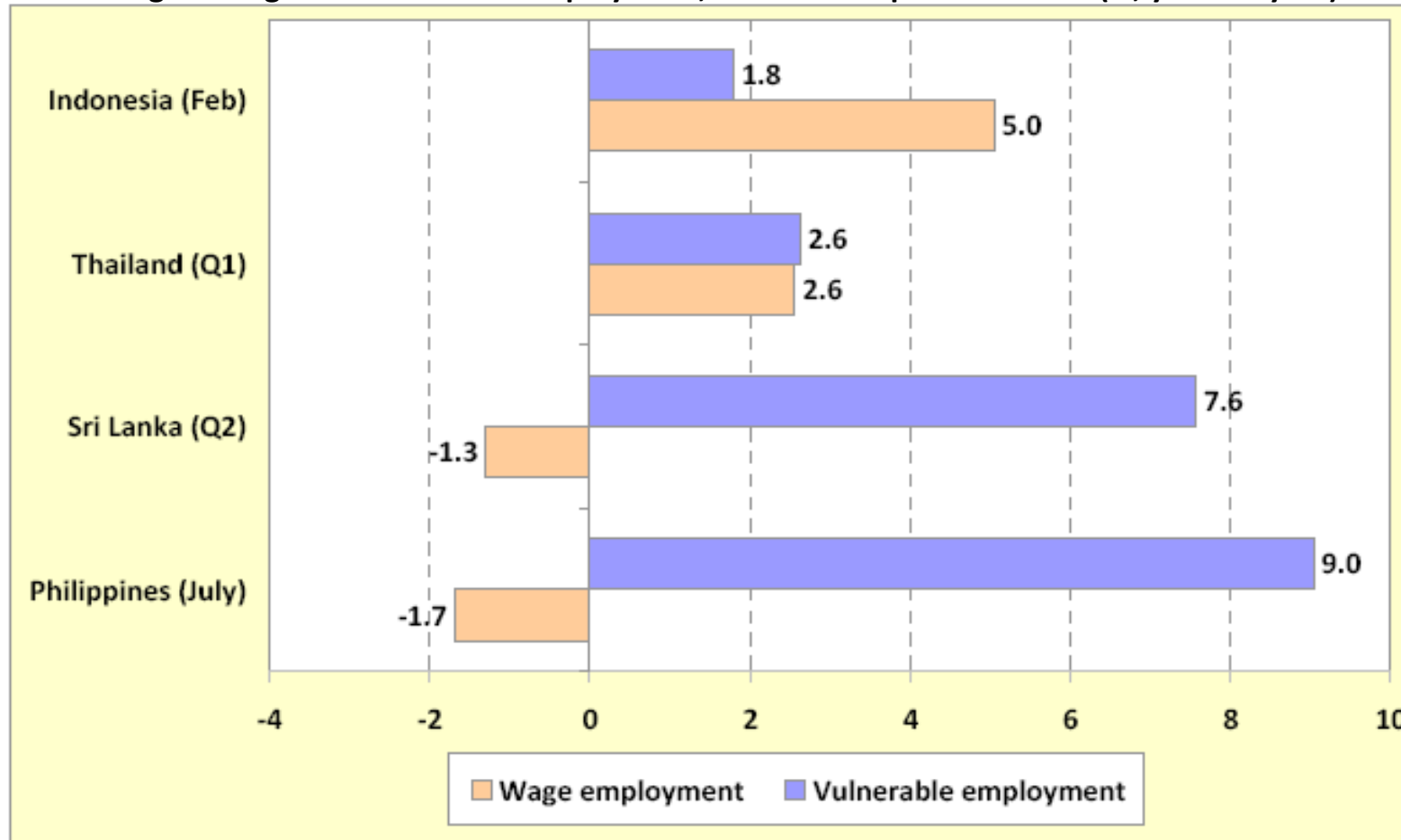
...but not always to pre-crisis levels

# And much of the employment is likely in the informal economy...



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Change in wage and vulnerable employment, most recent period in 2010 (% , year-on-year)



*Note:* Vulnerable employment is defined as own-account workers and contributing family workers.

*Source:* ILO, Asia-Pacific Labour Market Update (October 2010), based on national statistical offices.

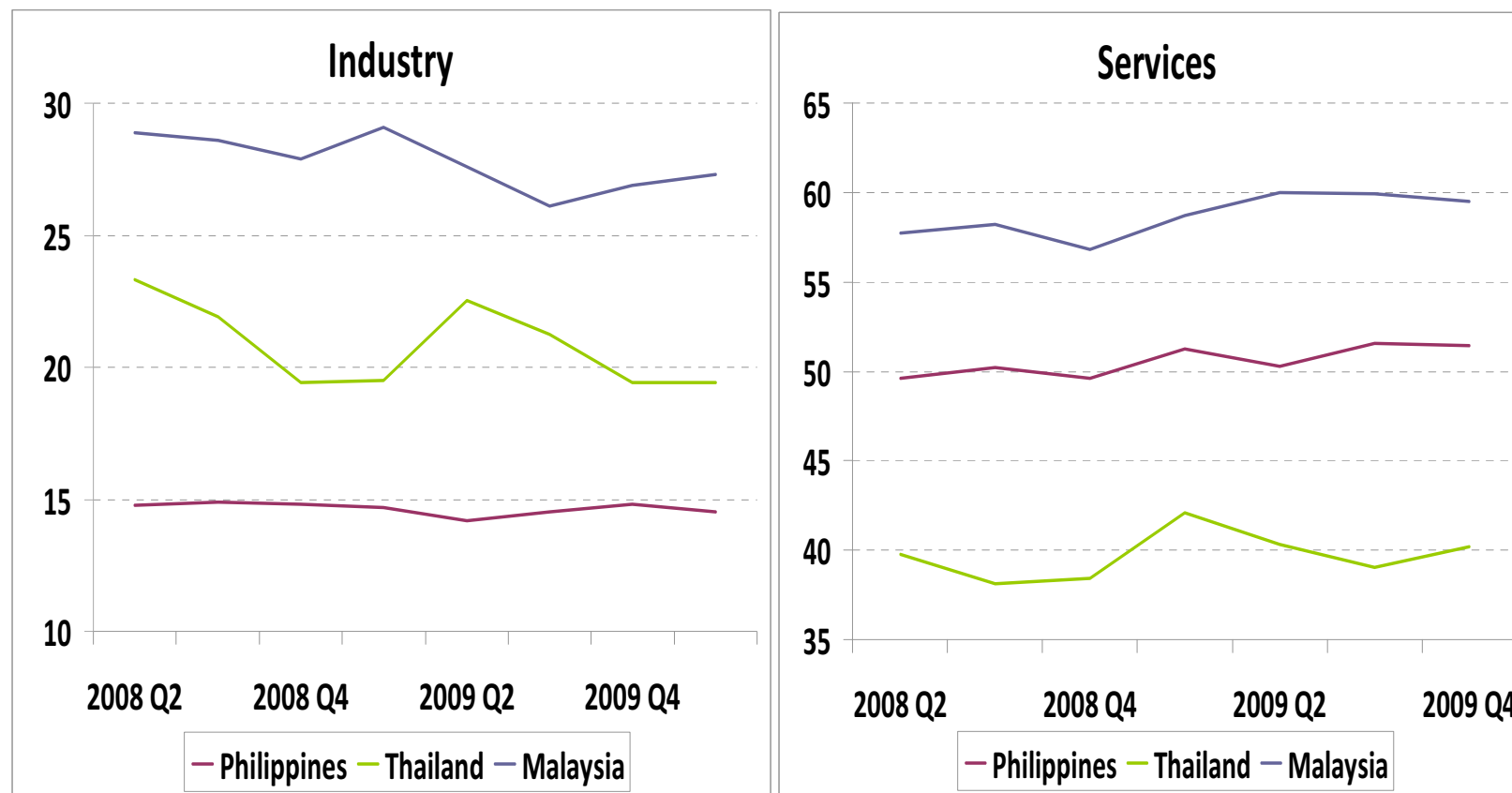




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## Share of employment in services has risen...

Share of employment in industry and services (%)



Source: ILO, *Labour and Social Trends in ASEAN 2010: Sustaining recovery and development through decent work* (2010).

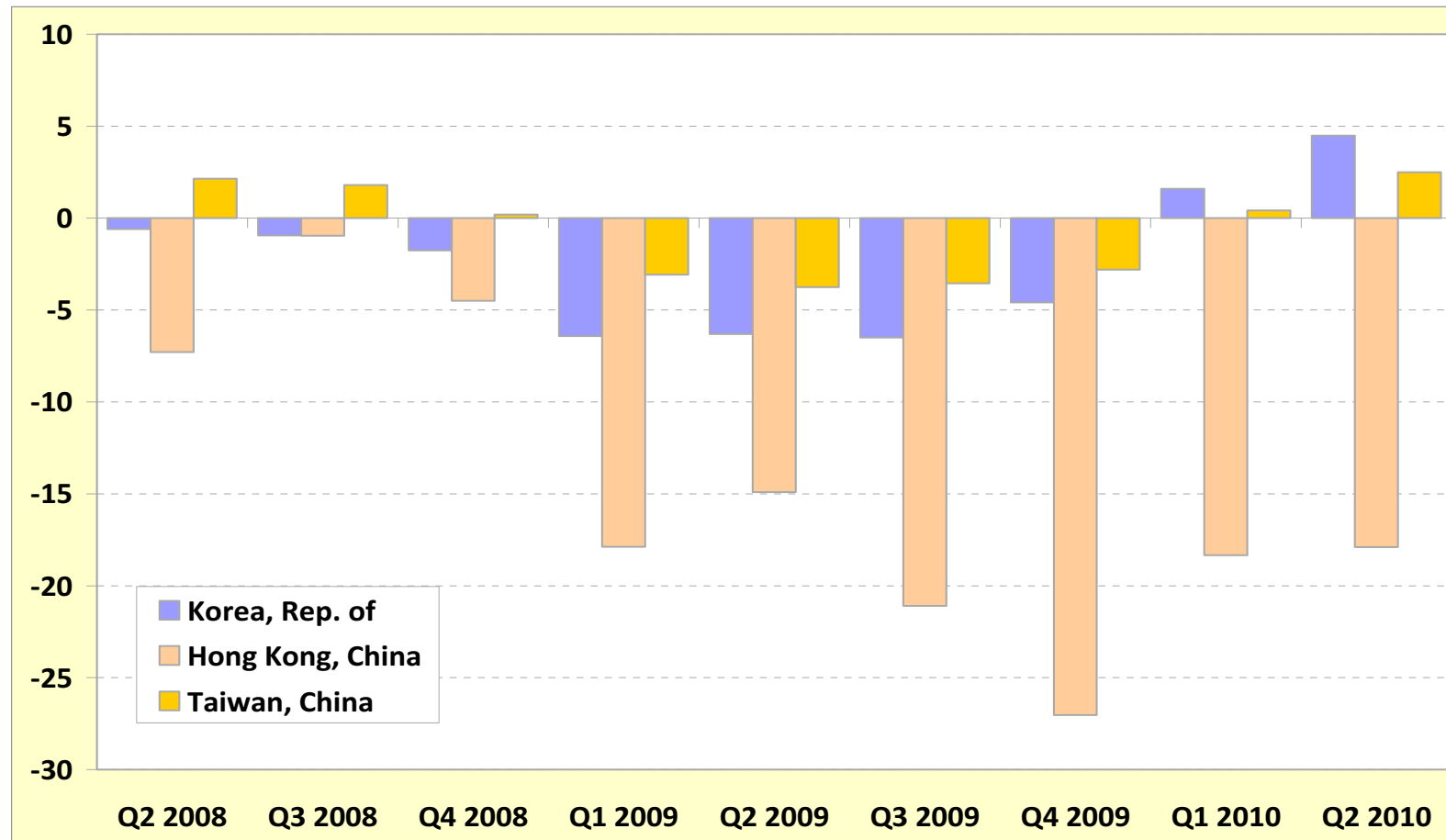
...most likely in less productive (lower paid) services jobs

# Manufacturing employment has also not returned to pre-crisis levels in other Asian countries



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Change in manufacturing employment (% , year-on-year)



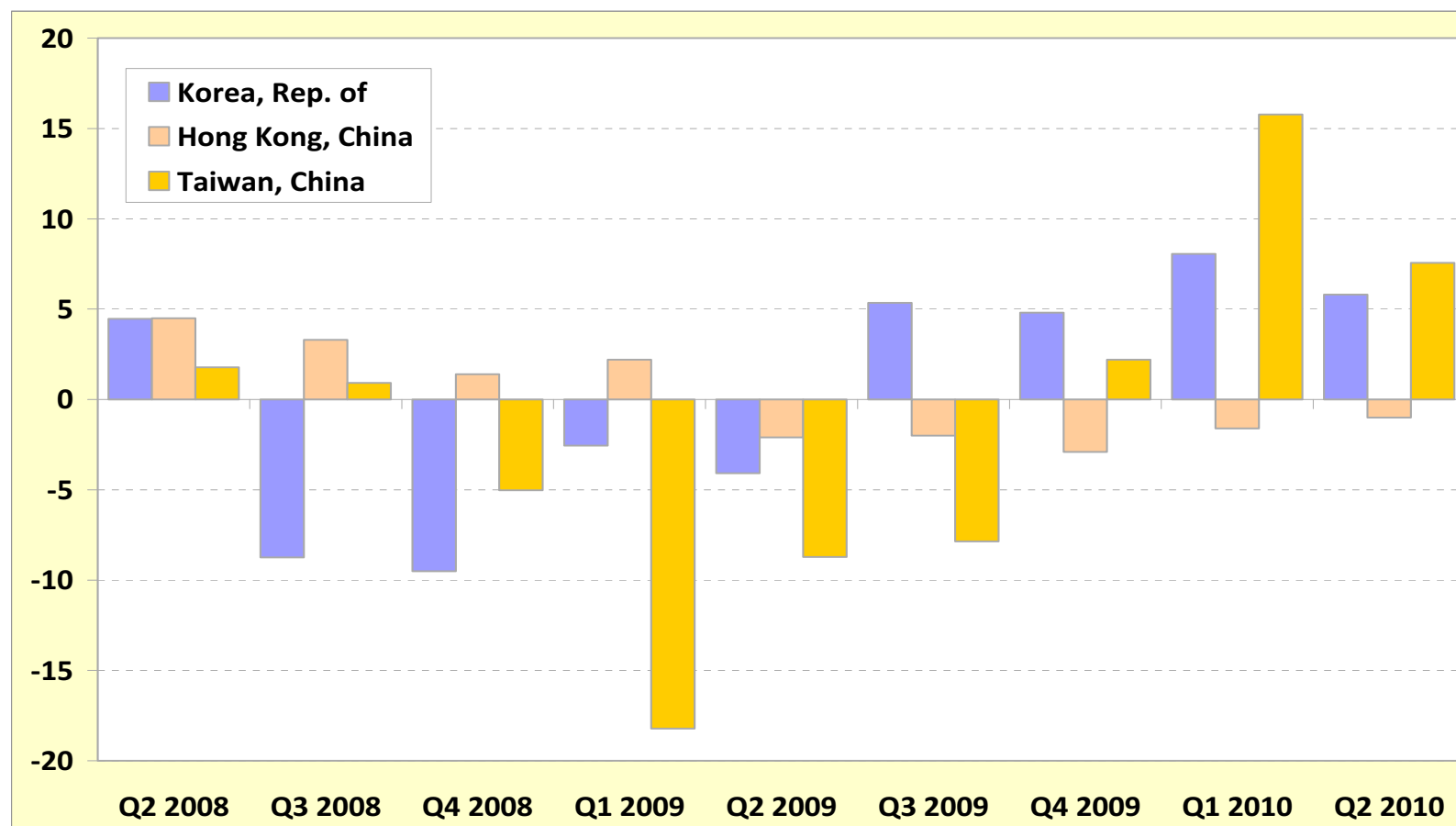
Source: ILO, Regional Office for Asia and the Pacific, based on national official sources.



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## And neither have manufacturing wages...

Change in manufacturing earnings (% , year-on-year)



Source: ILO, Regional Office for Asia and the Pacific, based on national official sources.

## So...an uneven recovery

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- Some industrialized economies still struggling
- Wages in particular have not recovered
- Developing countries - unemployment has fallen but issues about quality of jobs remains:
  - 850 million working poor (US\$2/Day), accounting for 70% of world's working poor
  - 1.1 billion workers in vulnerable employment (60% of region's workers)

**...and not necessarily in direction  
that would support rebalancing**



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## Policy implication (I): Growth in productive jobs key to balanced growth...

Annual average growth in GDP and employment (%)		
	GDP growth (2001-08)	Employment growth (2001-08)
China	10.5	0.9
India	7.0	2.4
Indonesia	5.4	1.7
Japan	1.4	-0.1
Korea, Rep. of	4.4	1.4
Malaysia	5.7	1.8
Mongolia	8.2	3.2
Pakistan	5.3	3.7
Philippines	5.3	2.8
Sri Lanka	6.0	1.7
Thailand	5.2	1.7
Viet Nam	7.6	2.0

Sources: IMF: World Economic Outlook database; ILO, LABORSTA.

**...renewed commitment to full and productive employment as core macroeconomic goal**

## Policy implication (II): Growth in incomes needed for balanced growth...



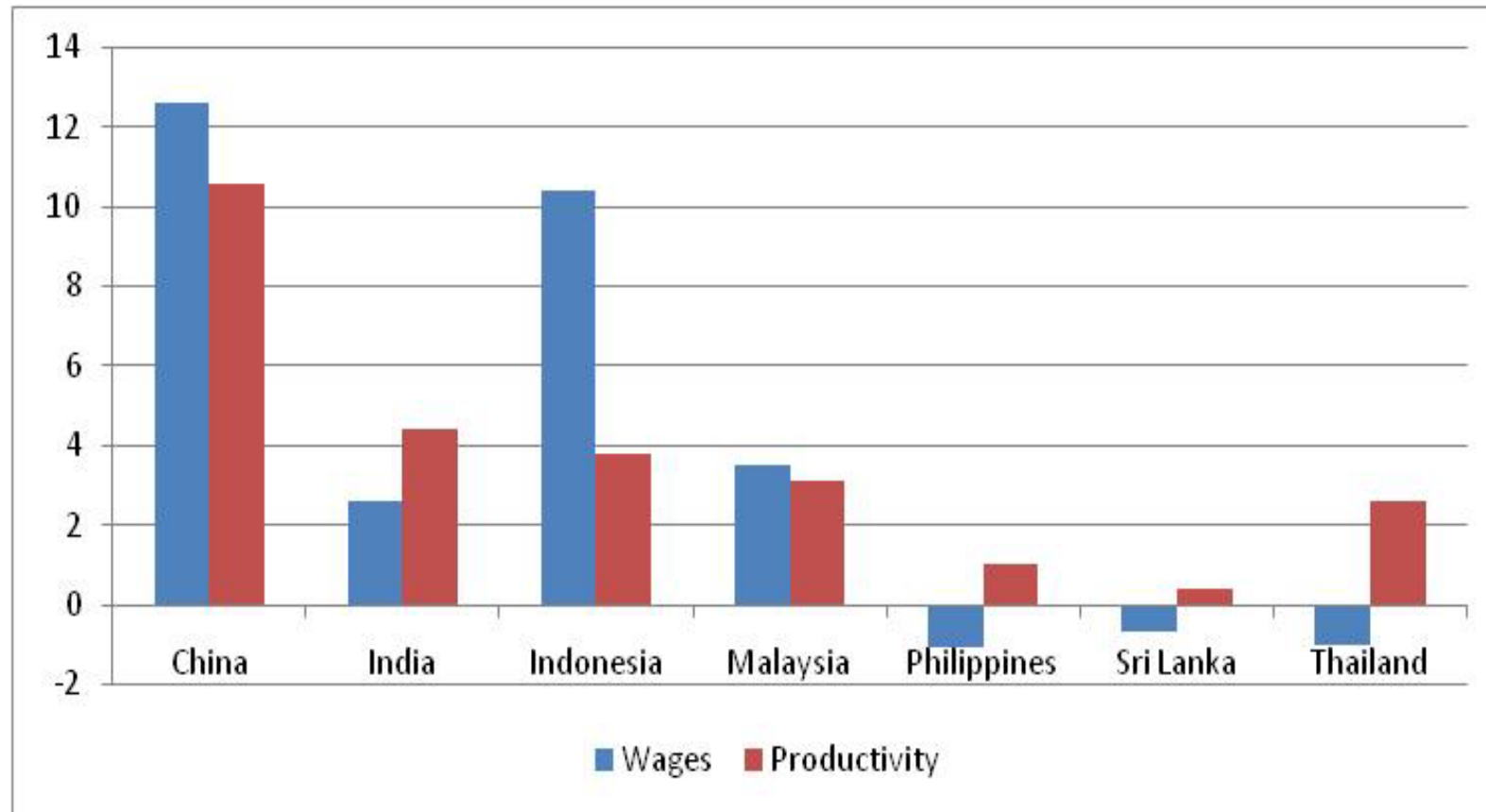
Source: ILS, *World of Work Report 2010: From one crisis to the next?* (ILO, 2010).

## ...stronger link between productivity and wages required



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Real average monthly wages and output per worker, annual growth, 2000-05

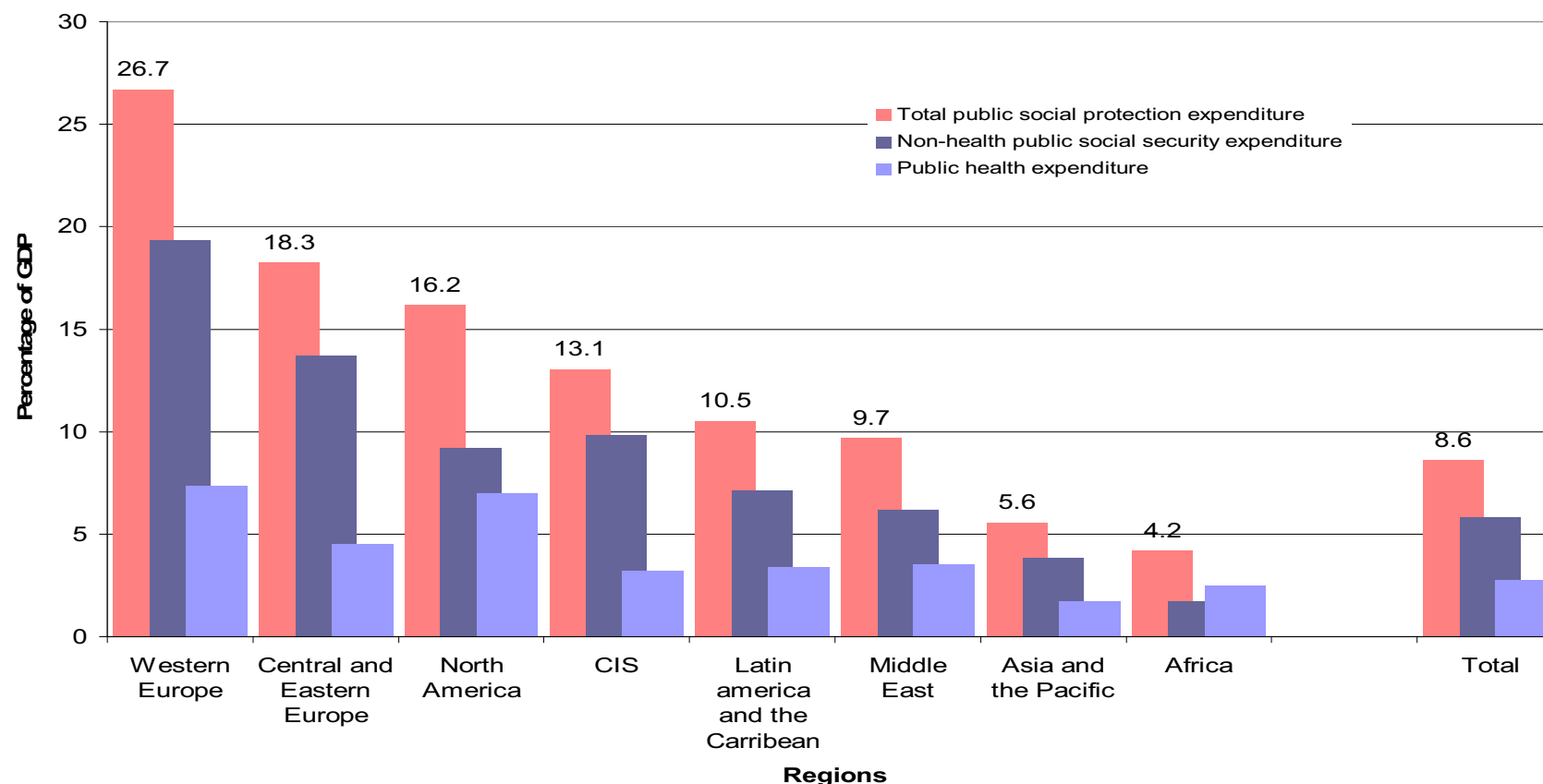


Sources: ILO: *Global Wage Report 2010/11*; Conference Board and Groningen Growth and Development Centre Total Economy Database, January 2010.



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## Policy implication (III): Strengthening the social protection floor crucial...



Source: ILO SECSOC estimates

...access to healthcare, income security for elderly and persons with disabilities, child benefits and social assistance for poor and unemployed



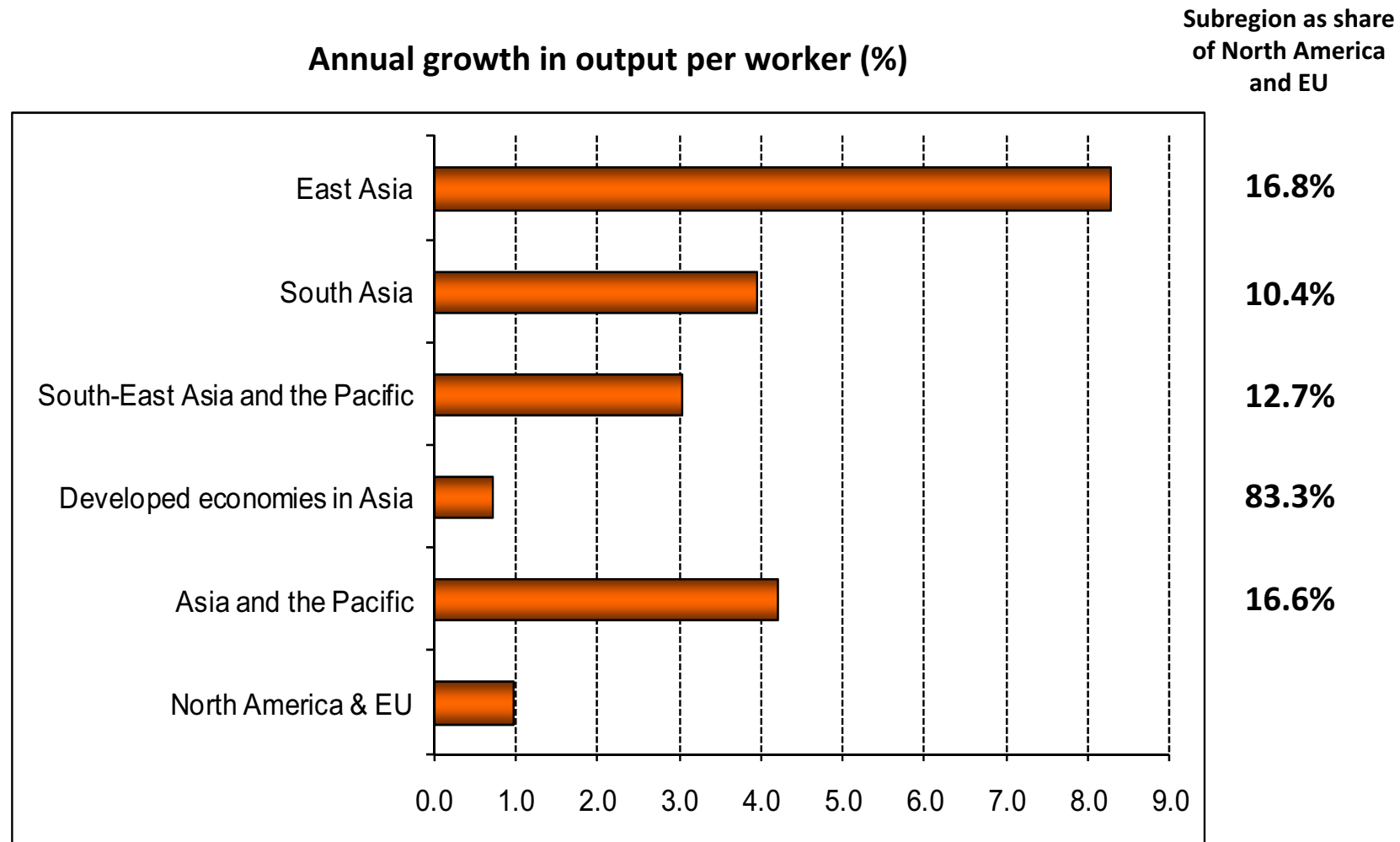
## ...simulations lend support the benefits of higher wages and improved social protection

Change in unemployment as a result of three policy options (in percentage points)

	World	Asia	China
Asia rebalancing	-0.3	-0.6	-1.4
Yuan appreciation	0.1	-0.3	1.8
US deficit cut	1.2	0.8	0.7

Source: IILS, *World of Work Report 2010: From one crisis to the next?* (ILO, 2010).

## Policy implication (IV): Sustaining/improving labour productivity critical...



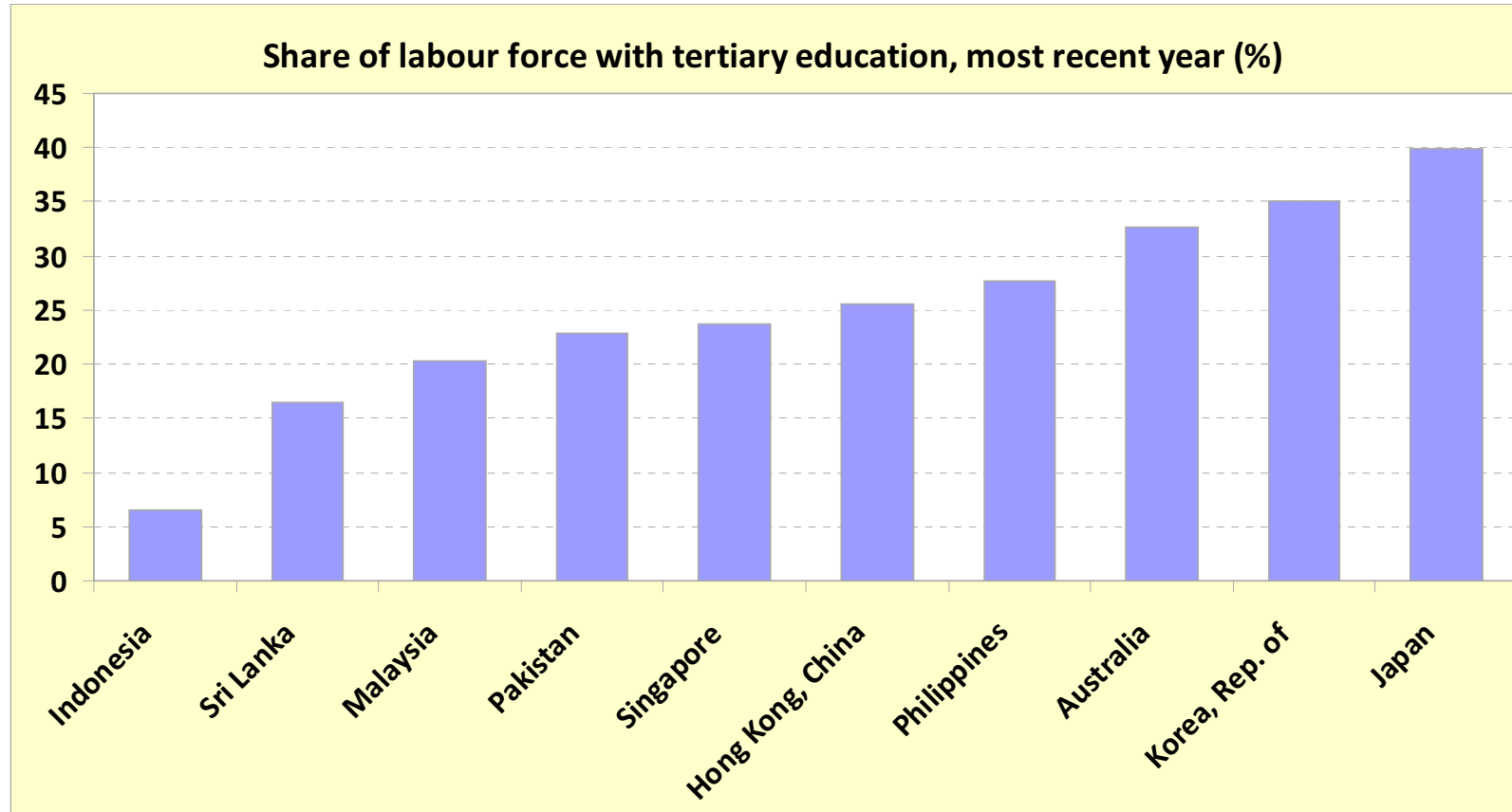
Source: ILO, Trends Econometric Models, April 2010.

...particularly given possible shifts into services

## **...education, skills and on-the-job training are important drivers of productivity growth**



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Source: ILO, Key Indicators of the Labour Market (KILM), 6<sup>th</sup> Edition.

**...as are working conditions,  
rights at work and social dialogue**



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## Conclusions

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- Economic growth provides the basis to expand decent work
- At the same time, decent work can ensure higher and more sustained labour productivity, on which Asia will need to increasingly rely on to drive future economic growth
- Region's rebalancing and future prospects will require that economic growth go hand-in-hand with the expansion of decent work



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# Thank you

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