

ECOSOC Annual Ministerial Review
Regional Preparatory Meeting for Asia and the Pacific
Kyoto, Japan, 7 December 2011

“Promoting productive capacity, employment and decent work in Asia and the Pacific: a regional approach to sustained, inclusive and equitable growth and achieving the MDGs”¹

Background Note

Executive Summary

Building a Sustainable Future with Decent Work in Asia and the Pacific

Recent events underscore the imperative of moving to a model is decent work: growth underpinned by broad-based investment in human capital and social protection, respect for labour market institutions.

The region’s formidable economic performance over the past decades has lifted millions of people out of poverty, but has been accompanied by increasing inequality, persistent vulnerability and pockets of poverty. In part, these deficits are a result of the insufficient generation of productive and quality jobs in the region. This is a particular concern for youth, who on average are more than three times as likely as adults to be unemployed, as well as women, who continue to face tremendous barriers in the labour market.

An untapped source for increasing productivity and quality jobs are micro, small and

Inclusive labour markets based on fundamental principles and rights at work and social dialogue would help ensure that the benefits of the region's economic prosperity are shared broadly. Moreover, stronger regional cooperation would create a tremendous opportunity

I. Building a Sustainable Future with Decent Work in Asia and the Pacific ²

Recent events (where?) underscore the importance of moving towards new, more sustainable patterns of growth with social justice. This requires a multi-layered strategy embracing both policy development and action “on the ground”, founded on the dynamism of markets, the power of social dialogue and, fundamentally, on the dignity of work.

- During this period, income inequality (as measured by the Gini coefficient) either remained high or increased in many countries, including in China and India where income disparity widened despite high economic growth.⁴
- Gender pay gaps persist, with women's wages ranging anywhere from 55 to 90 per cent of those of men.⁵

The countries of Asia and the Pacific, especially East and Southeast Asia, have made huge strides in reducing the proportion and number of workers living in severe poverty.⁶ However, hundreds of millions of workers remain vulnerable to falling back into poverty in the event of an external economic shock, accident, ill health or family emergency. Equally, vulnerability is more than simply an income issue:

- Some 1.1 billion people (60 per cent of the region's workers) are in vulnerable employment, typically involving poor quality, low-paid jobs with poor working conditions and intermittent or insecure work arrangements.⁷
- An estimated 114 million children were working in 2008, 48 million of whom faced hazardous conditions on the job.⁸

Maintaining the momentum of strong growth requires broad-based productivity growth as well as a more equitable sharing of its benefits. Ensuring that wages keep pace with productivity gains would allow domestic consumption to act as a stronger engine of growth.

b) Social protection: promoting efficient growth by investing in people

Social protection is an investment in both human capital and social

perception that universal protection is unaffordable, but there is evidence that this is not necessarily the case:

- In India, for instance, a basic social protection package covering over 300 million informal economy workers could be provided for less than 0.5 per cent of GDP¹⁰
- In Viet Nam, meanwhile, the results of an “Assessment Based National Dialogue” exercise show that an additional 2 per cent of GDP would be needed to establish a social protection floor for all.

Many countries in the region have already made significant progress in extending social protection through both contributory and non-contributory schemes, such as China, Indonesia, Nepal, Pakistan, Thailand and Viet Nam, among others. It is thus vital to build upon these initiatives and support the gradual introduction and extension of a social protection floor across the entire Asia-Pacific region.

c) Promoting inclusive labour markets that meet international standards

Upholding fundamental principles and rights at work provides a basic framework for market forces to operate efficiently and fairly. It ensures that the benefits of the region’s economic transformation are shared broadly. However, progress in the ratification of labour standards has been modest, and in some cases is even in retreat.

- Globally, ILO member States have on average ratified 42 Conventions, while member States in Asia and the Pacific have ratified 24 and Pacific Island countries 12 (although several of these states are new ILO members with a small number of more recent ratifications).¹¹
- Worldwide, more than 73 per cent of ILO member States have already ratified the eight fundamental Conventions, compared with less than one-third in Asia and the Pacific.¹²

In order to secure a better balance between labour market flexibility and employment security – especially pertinent in times of structural change – governments need to pay more attention to, and invest more in, labour law reforms. Social dialogue, including collective bargaining, should be one of the key tools for negotiating and agreeing on labour law reforms and flexibility at the workplace.

effective tripartite dialogue between workers' and employers' organizations, and government, along with effective collective bargaining.

The challenges of improving productivity and employment quality are perhaps no more acute than in agriculture, which remains the predominant source of employment for vast swathes of Asian workers. Increased investment in agriculture, agro-industries and rural enterprises is thus crucial in advancing decent work, reducing poverty and narrowing the growing rural-urban income divide across the region .

If countries are to better foster productive employment growth, sound macro-development strategies must be combined with structural reform —

industries to more knowledge-based ones and (iii) address labour shortages by expanding

II. Promoting Productive Capacities

A new multi-layered strategy for sustainable development should pay special attention to building productive capacity. This has been recognized by the United Nations as a top priority for least developed countries in order to fully benefit from globalization, increase resilience, sustain growth and poverty eradication, achieve structural transformation, and generate full and productive employment and decent work for all. ³²ESCAP has argued that if countries are to boost their productive capacity, they must do more than simply produce more of the same; instead, they will need to produce and trade new and more sophisticated products and services.³³

ESCAP's productive capacity index,³⁴ based on measures of country's export diversification and competition, shows that (except for the region's developed countries and emerging developing economies), the majority of the countries in the Asia-Pacific region have levels of productive capacities strikingly below the world average.

Asian success stories like China, India and others increased their productive capacity in the past quarter-century by narrowing the gap with wealthier nations. Meanwhile, Asian nations with below-average productive capacity have, however, fallen further behind. This strongly suggests that the policies pursued by such countries were seriously flawed.³⁵

Strategy for increasing productive capacities³⁶

Economies build their productive capacities through a path-dependent diversification process that expands their production bases by including products that are increasingly more complex, thus facilitating even further diversification in the future. One strategy for countries to build their productive capacities is to let them be generated or acquired as part of strategic diversification led jointly by the State and private sectors. Importantly, throughout this process, the potential for employment creation and the ecological sustainability of the production process should be given weight.

One practical way to look for new products is, of course, by emulating the production pattern of countries with higher productive capacities. Ideally, the model country should not be too far ahead, so that emulating it does not entail too great a leap. Trade, for that matter, helps in discovering new possibilities. Products imported from countries with similar levels of productive capacity show the frontier of possibilities available for the use of the capacities that domestic firms already have. This then increases the chances for new combinations of productive capacity, replacing certain imports and, even, creating new products altogether. Such strategic diversification calls out for the selective promotion of certain economic activities over others through the use of industrial policy.

As in any entrepreneurial venture, some of these new activities will fail. Ideally, clear market-based benchmarks for success should be set. One clear, practical benchmark of success is progress in foreign markets (a measure first used by East Asian countries during their industrialization process in the 20th Century). In the case of import-substitution, though, the State clearly needs a “sunset plan” for the gradual removal of protection. An important element of the selection process is choosing the time frame for the assessment of performance. The greater the jump in complexity from existing to new products, the longer it will take the private sector and the State to ac

Technological upgrading should be supported via national and international institutions and programmes. It is time to consider setting up a “technology bank” for least developed countries, which could promote the transfer of key technologies, including pro-poor, green, agricultural and renewable energy-related technologies. In addition, it is vital to take

- Improving cooperation to respond effectively to natural disasters, including livelihood-centred and employment-focused rebuilding and recovery measures.
- Providing evidence of the economic contribution made by migrant workers to the national economies of both origin and destination countries, and supporting improvements in the governance of labour migration, including better dialogue and protection of migrants' rights.
- Strengthening the voice of workers and employers in the relevant work of regional organizations.

Strong regional institutions can provide a platform to consolidate and enhance the region's global influence in promoting economic prosperity and social cohesion. This would include influencing international financial and trading systems and the climate management framework. Existing institutions such as ASEAN+3, SAARC and PIF might also be strengthened to serve as regional forums for policy dialogue on employment and social issues.

(iv) Promote productive capacity and achieving the MDGS?

In the outcome document of the 2010 Millennium Meeting

(ii) Coordinating macroeconomic, employment and social policies...

- What experiences and lessons can participants share on implementing a macroeconomic