

Employment, Trade and Inclusive Growth:
Sustaining a Dynamic Asia

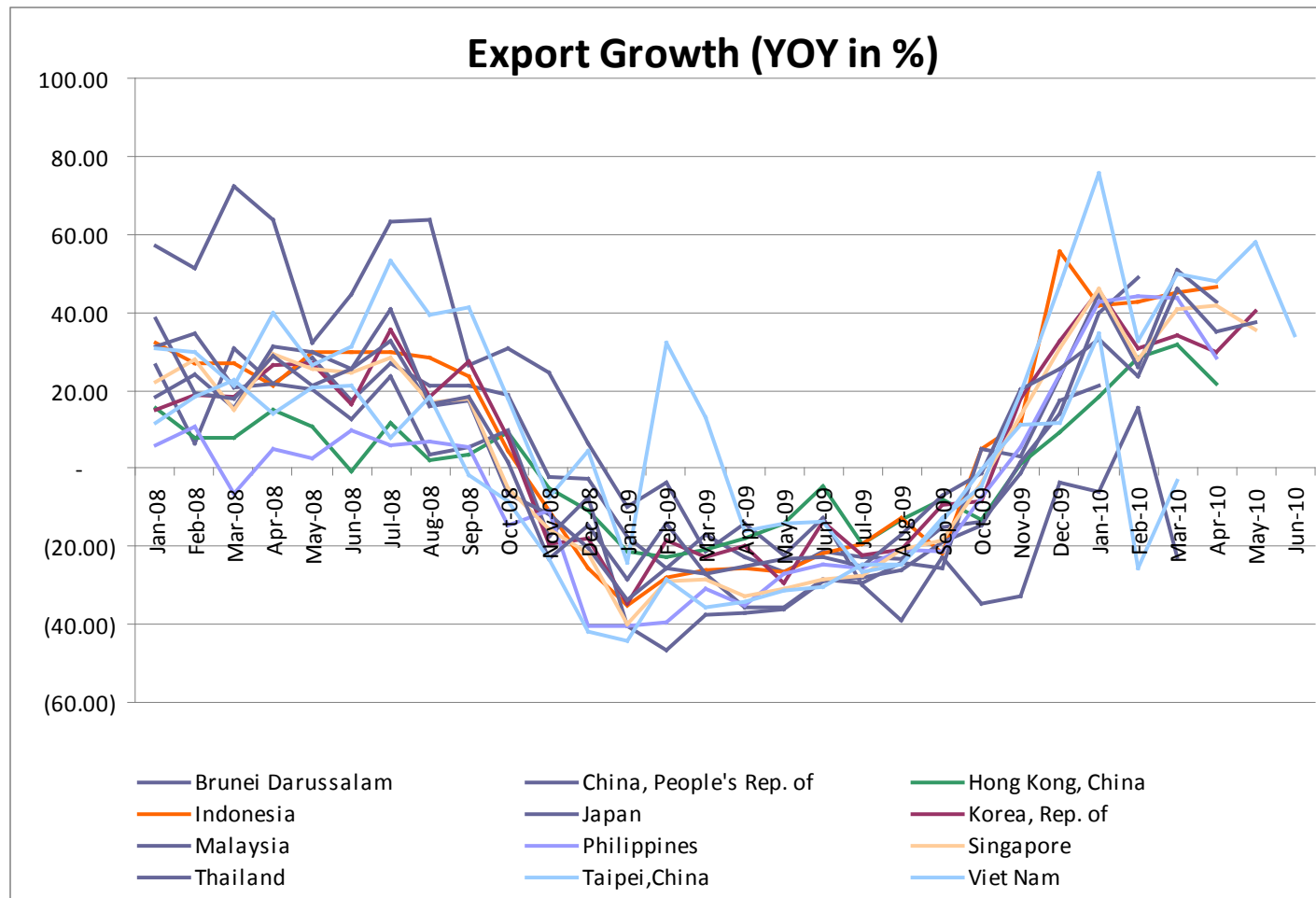
Economics and Research Department
Asian Development Bank

ICITE Santiago, Chile, June 2011

Summary of ADB-ICITE (18-19 April)

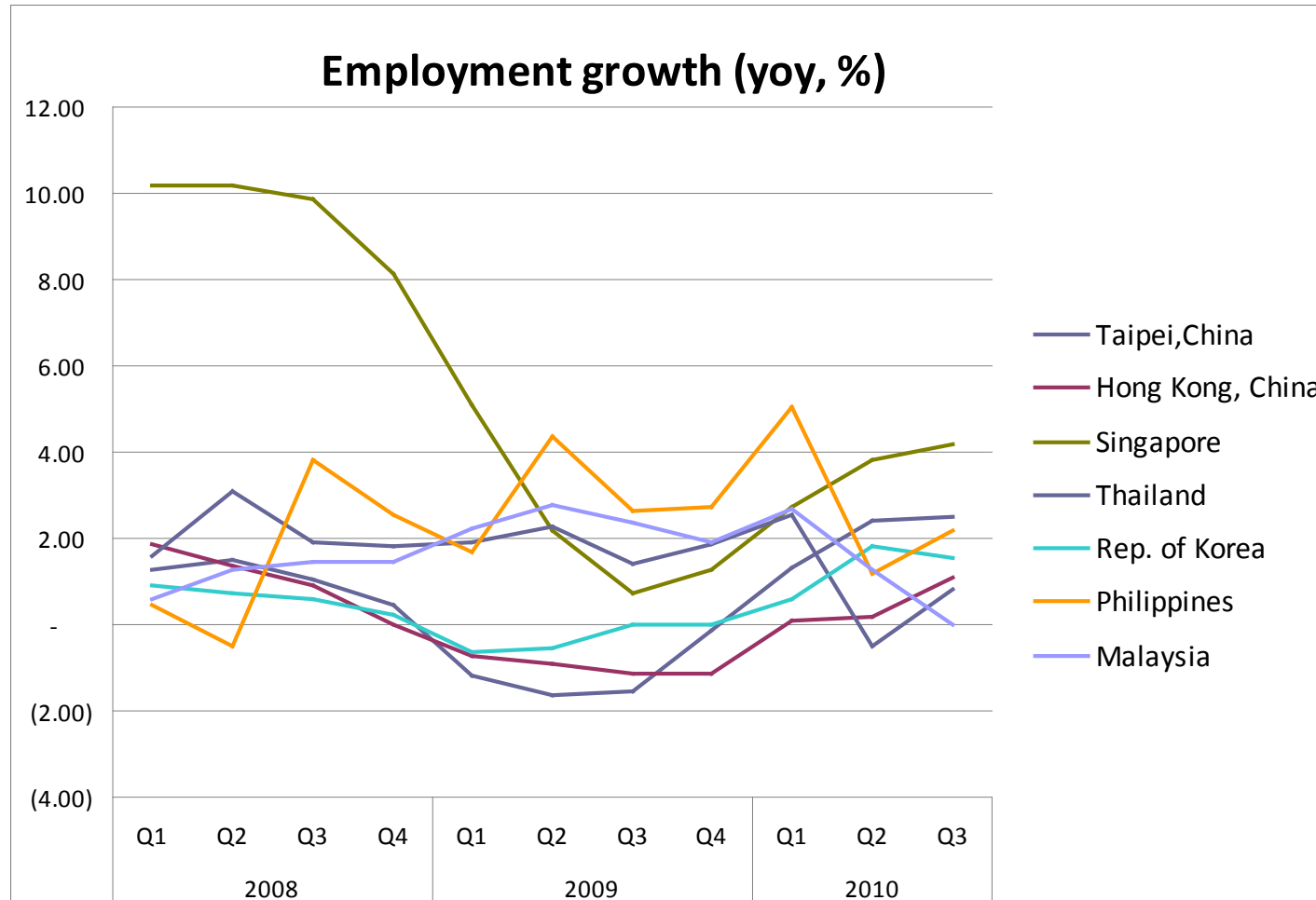
1. Employment in Asia after the crisis
2. Trade, structural transformation, and employment growth in Asia
3. Emerging themes (6 points)
4. Policy implications

Exports may be rebounding ..



Source: staff calculation from CEIC database.

.. But recovery in growth of total employment still fragile

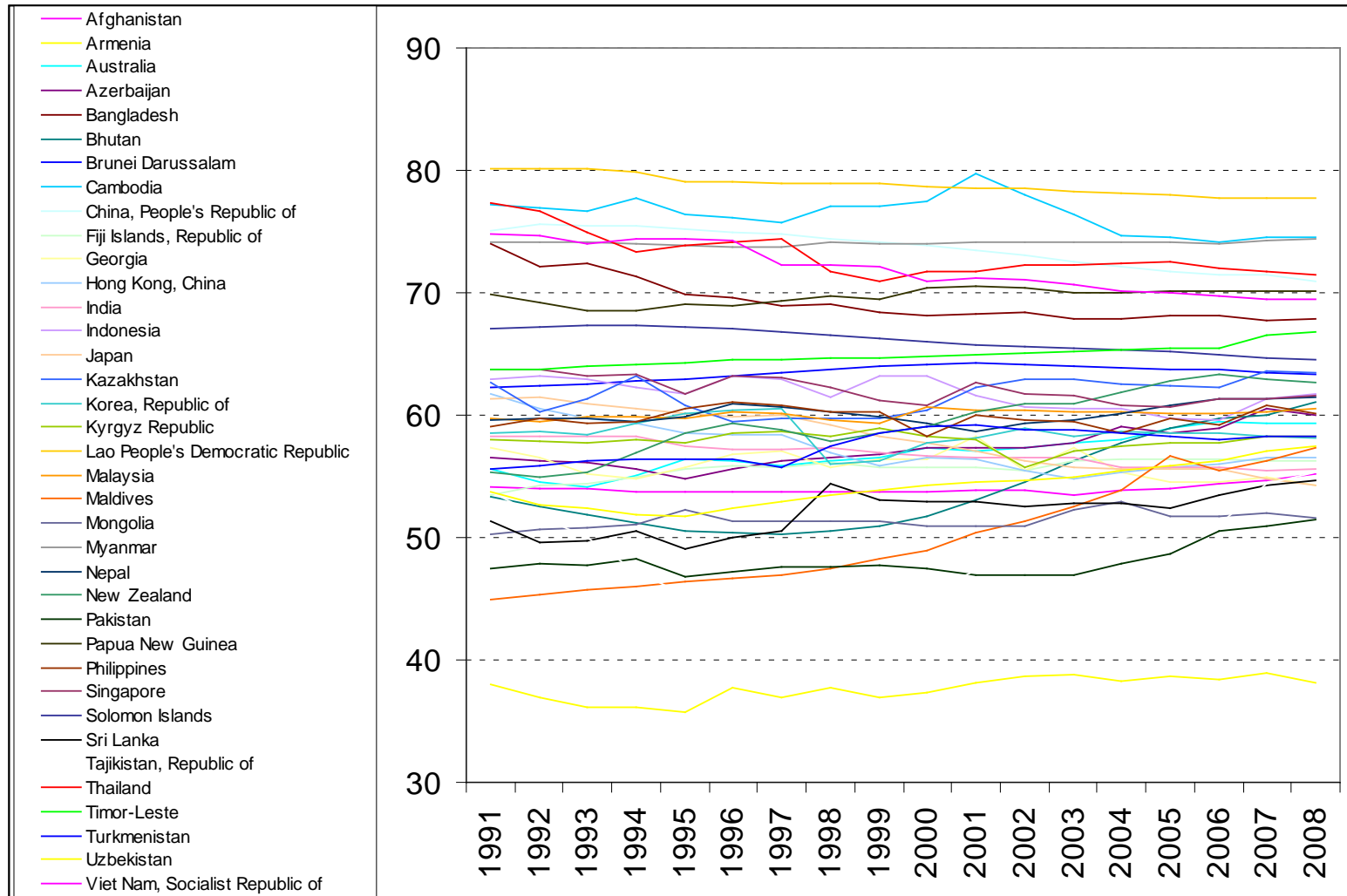


Source: staff compilation from various national statistical offices.

Evolving employment patterns

- Not just due to global crisis
- Tremendous shifts in patterns of employment in Asia-Pacific for past three decades: trade, structural
- The inclusiveness of these shifts depend on existing institutions within the country:
 - Labor market
 - Education
 - Social safety nets

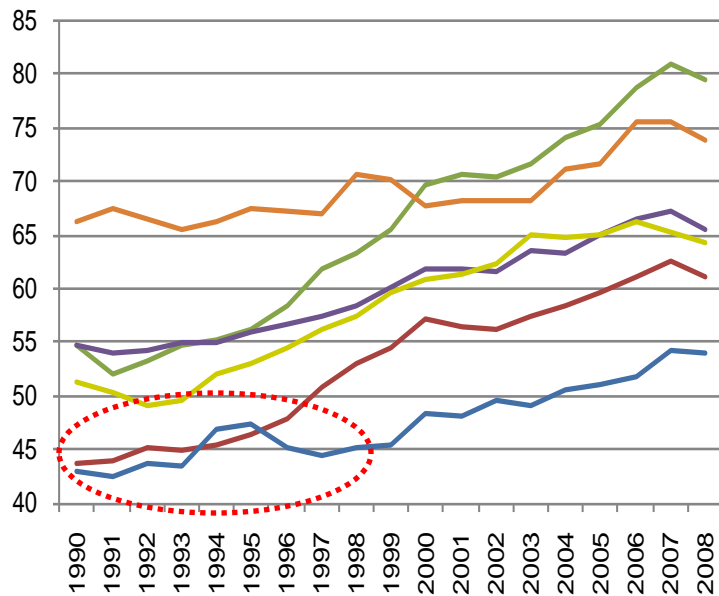
Employment-to-pop ratio in Asia



Source: ADB Key Indicators (2010)

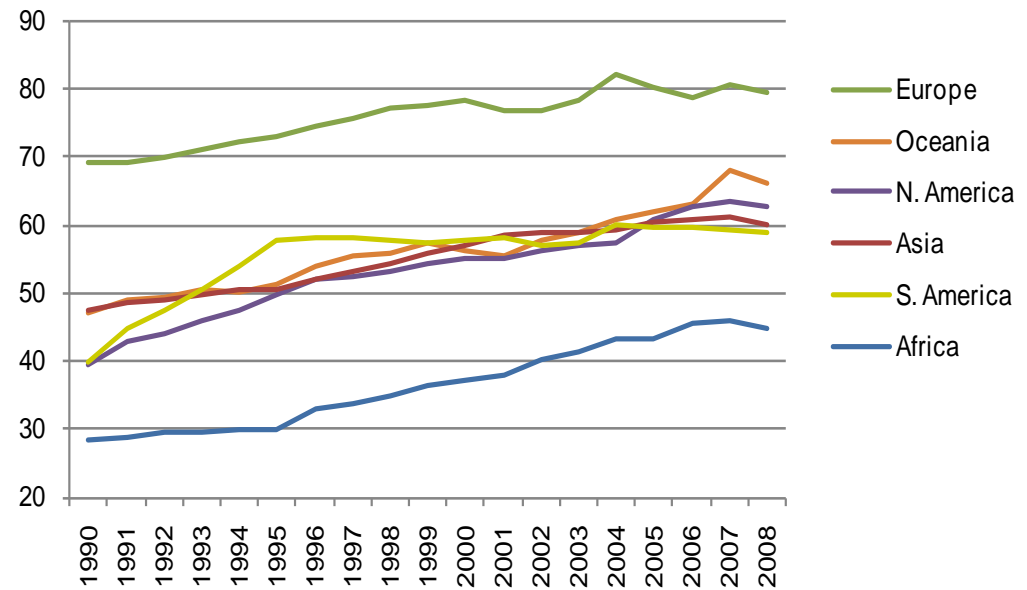
Is Asia especially open?

Index of international economic flows, 1990-2008



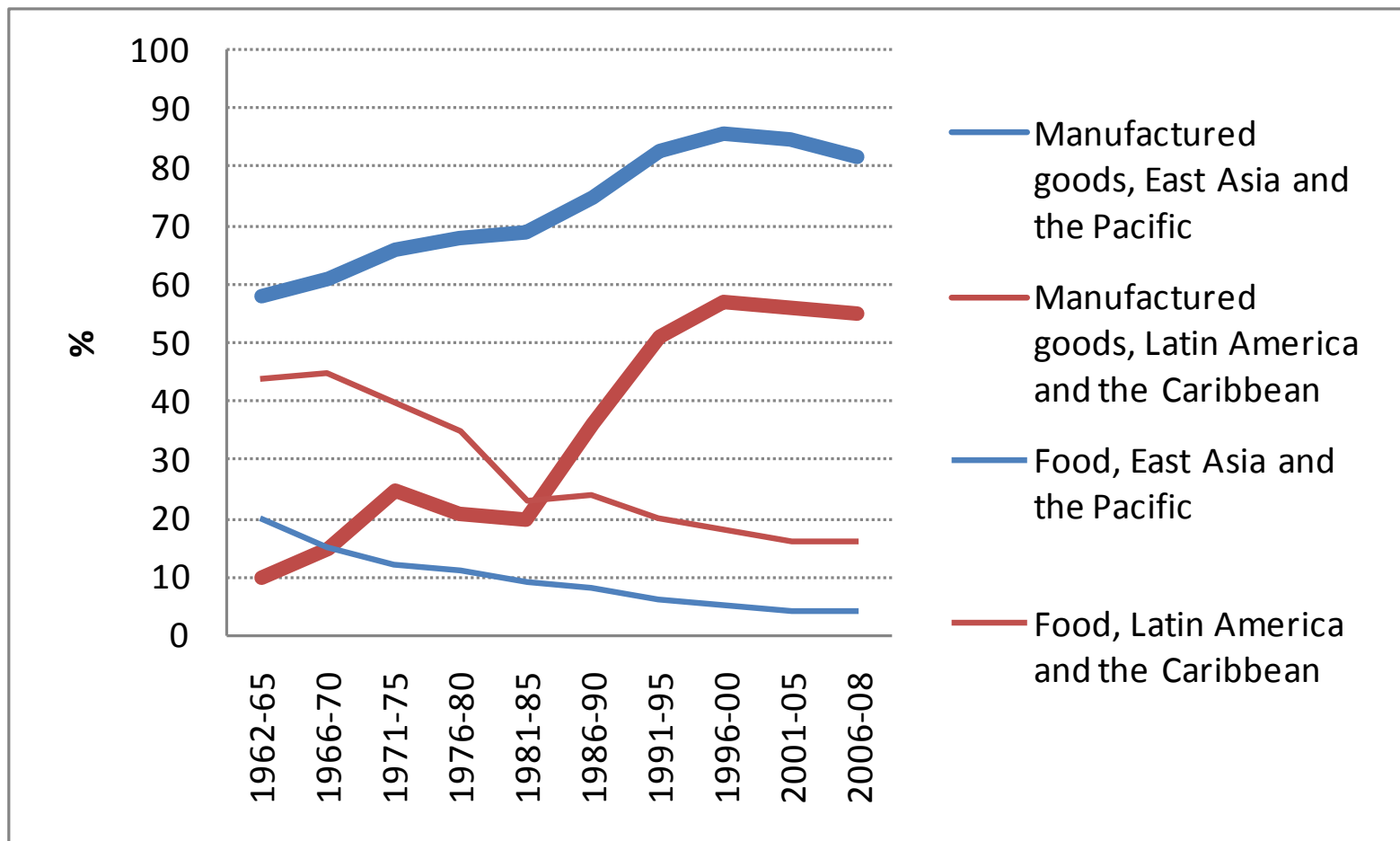
<http://globalization.kof.ethz.ch/>

Index of absence of trade restrictions, 1990-2008



<http://globalization.kof.ethz.ch/>

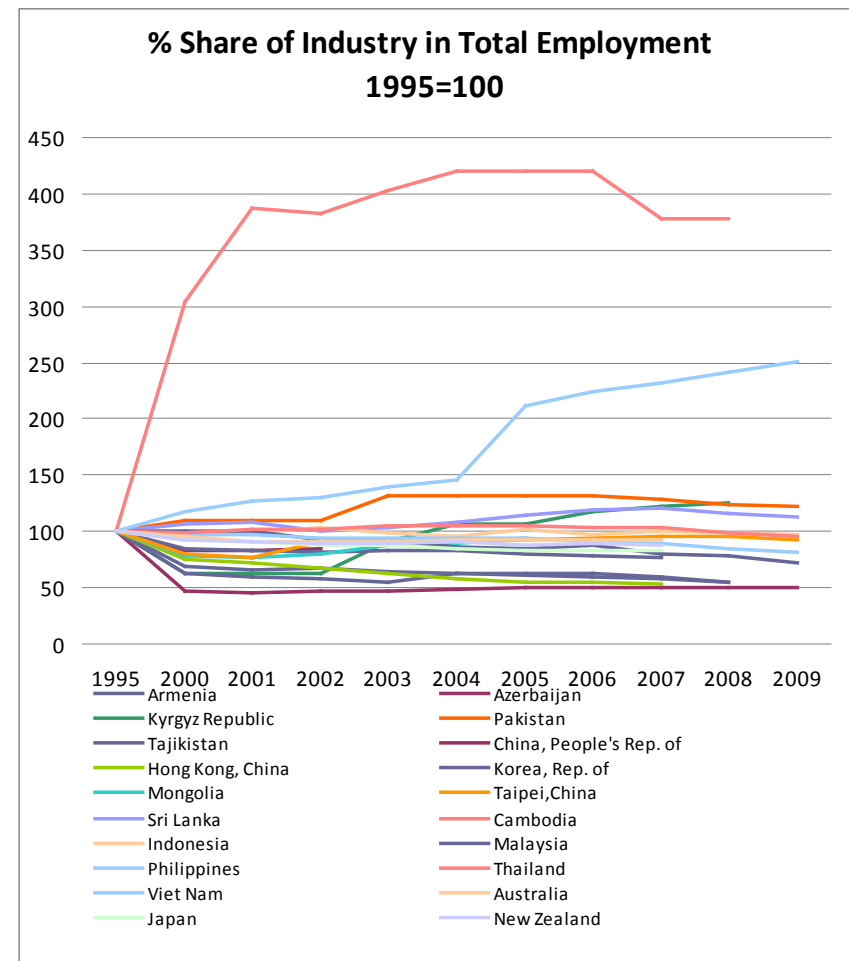
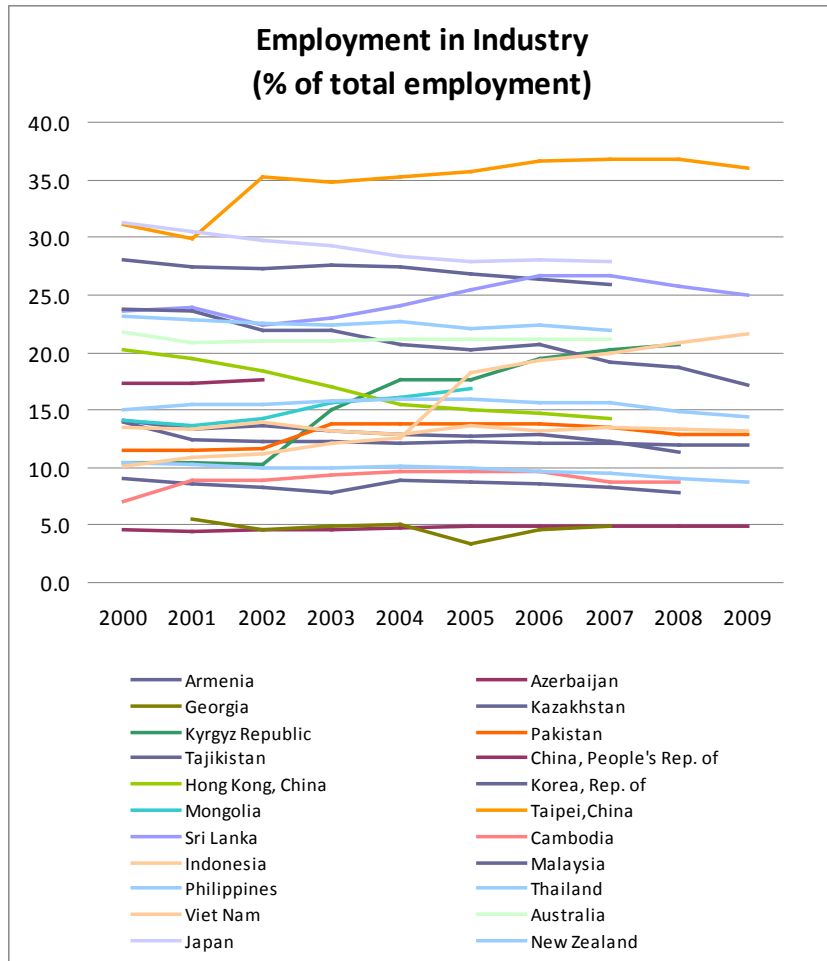
Structure of Asian exports



Emerging stylized facts

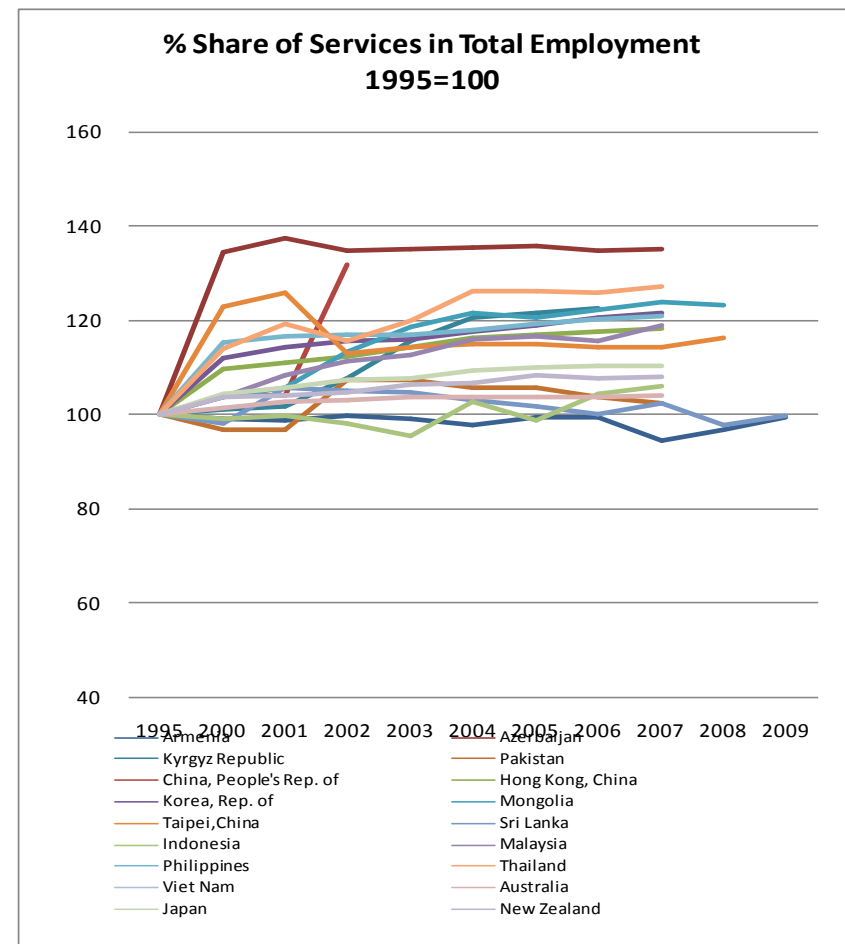
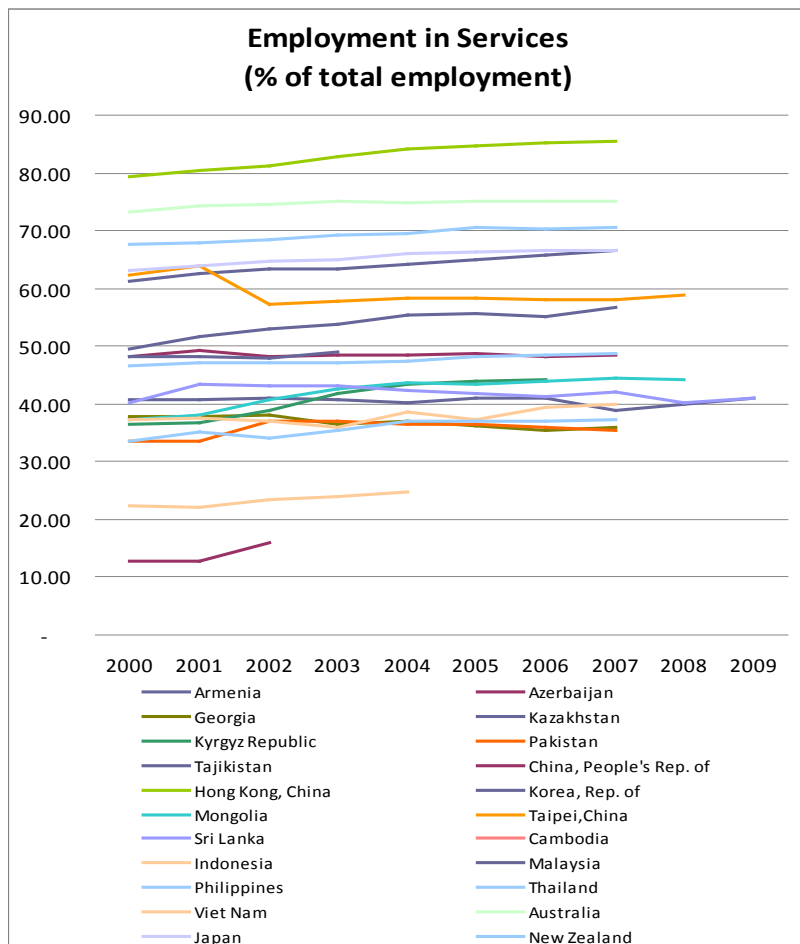
1. Services is important, and growing rapidly
2. Wages increased broadly and is still robust in Asia
3. Trade did not lead to degradation of labor conditions in Asia: more trade correlated with better conditions and higher wages
4. Increased demand for skilled labor
5. Regional integration (whether Asian-focused or global) seem to point to gains for countries
6. The PRC story is extremely important

1. Structural transformation of jobs in Asia: industry still growing in some



Source: staff calculation from ADB Key Indicators (2010).

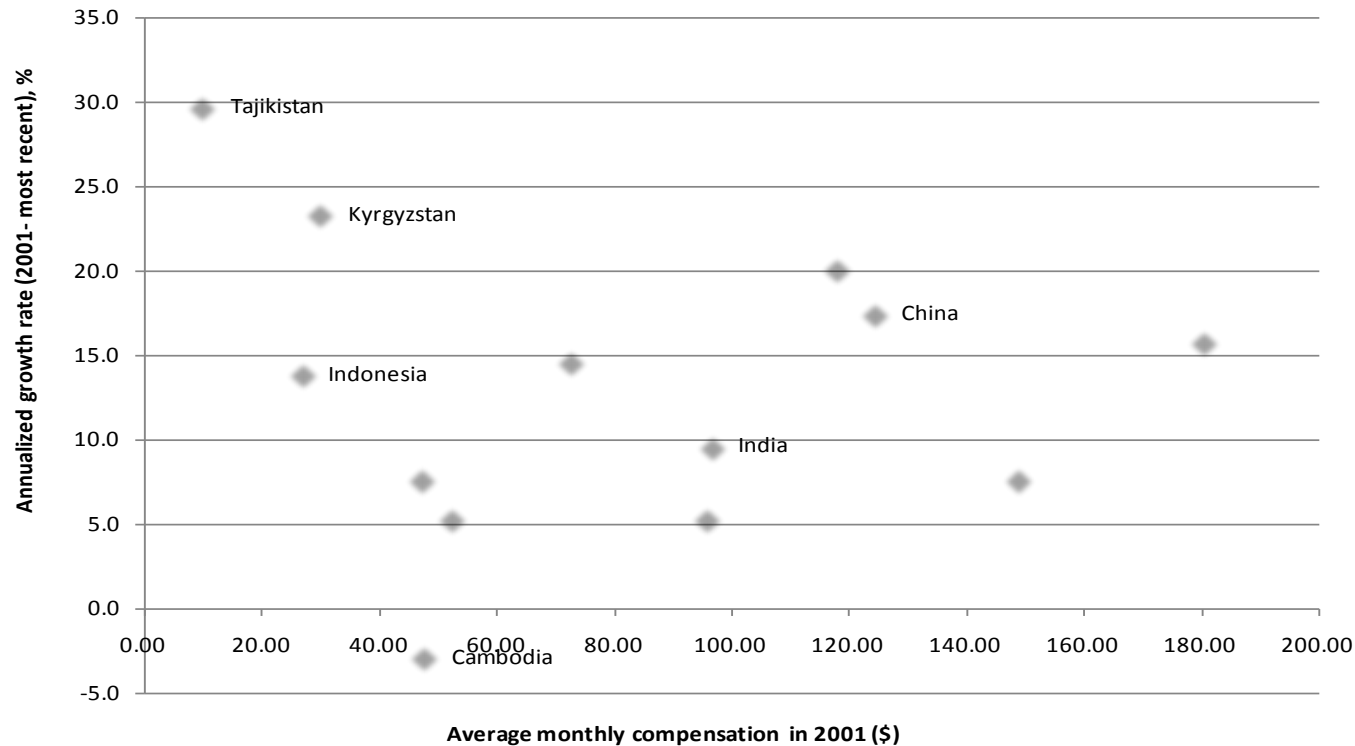
.. But employment in services is rising



Source: staff calculation from ADB Key Indicators (2010).

2. Robust wage growth over past decade in most countries

Growth in average monthly compensation, all sectors, employees and wage earners, USD



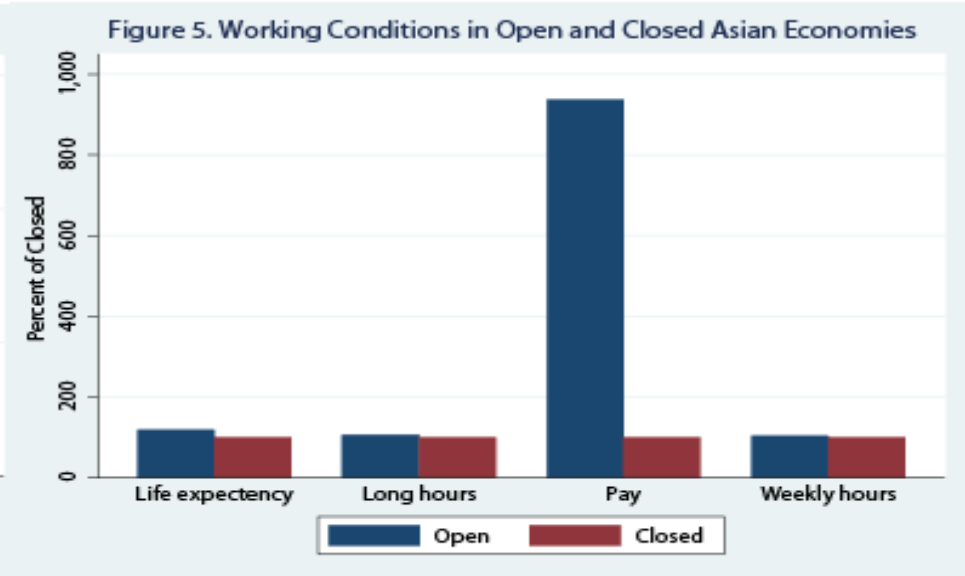
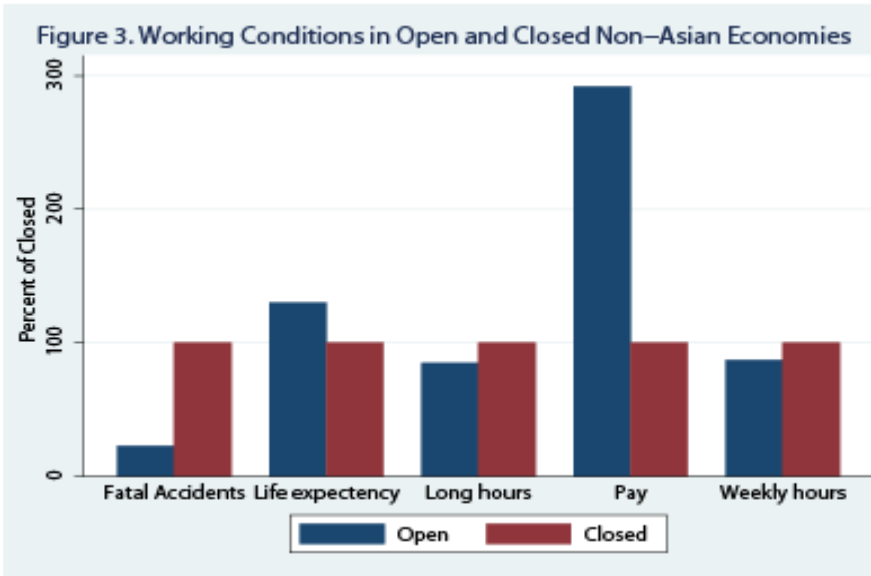
Source: Flanagan and Khor (2011)

3. Labor conditions improved ..

Labor conditions:	2008 : Asia	2008: Non- Asia	% change since 1999: Asia	% change since 1999: Non-Asia
Hourly compensation in manufacturing (US \$)	3.7	19.3	236.6 %	152.6 %
Annual hours worked	2156	1914	2.3 %	0.2 %
Rate of fatal injuries (per 100,000 workers)	5.9	-	-22.2	
Civil liberties	4.5	2.0	-8.1 %	-22.2 %

Source: Flanagan and Khor (2011)

3. .. and open economies did better



Source: Flanagan and Khor (2011)

4. Increased demand for skilled labor

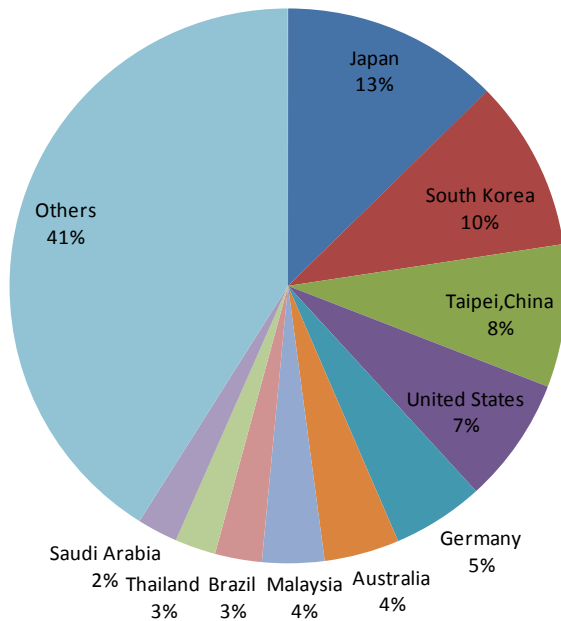
- Increasing need for skilled industrial labor, especially as countries moved up the value-chain
 - Malaysia (Devadasan and Athukorala 2011)
 - PRC: flexicurity? (Yang 2011)
- Labor productivity source of future competitiveness
 - Imports may have positive impact on wages (Stone 2011)
 - Rising wages do not cause declining competitiveness (Jinjarak and Naknoi 2011)
- Role of government in skills training
- Role of firms in skills upgrading
 - Korea (Hanh 2011), Hong Kong (Vere 2011) and Singapore

5. Regional integration, so far so good

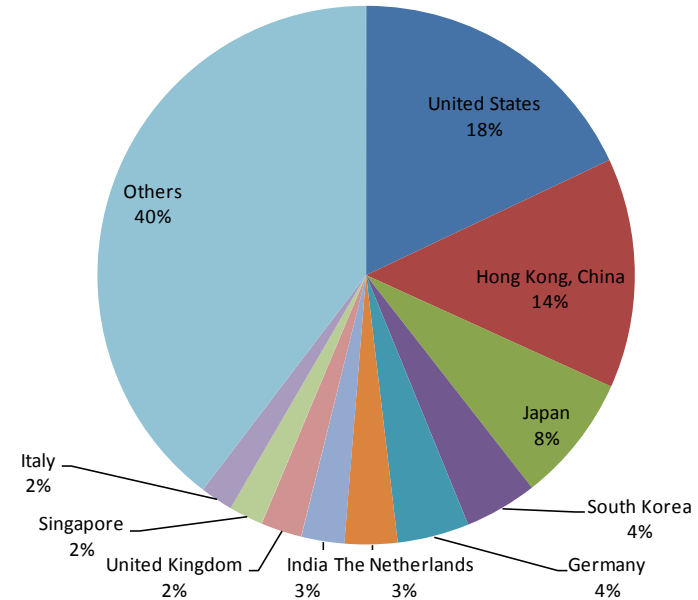
- Increasing integration into global value chain in Asia's manufacturing
 - Continued export growth and openness (Gilbert 2011)
 - Trans-Pacific Partnerships and other FTAs (Plummer, Petri and Zhai 2011)
 - Bangladesh (Raihan 2011)
- Increasing role of China?
 - Indonesia (Aswichayono, Brooks and Mannings 2011, Peters and Ernst 2011, Oktaviani and Vanzetti 2011)

6. The meteoric Chinese story

PRC Import Suppliers, 2010



PRC Export Destinations, 2010

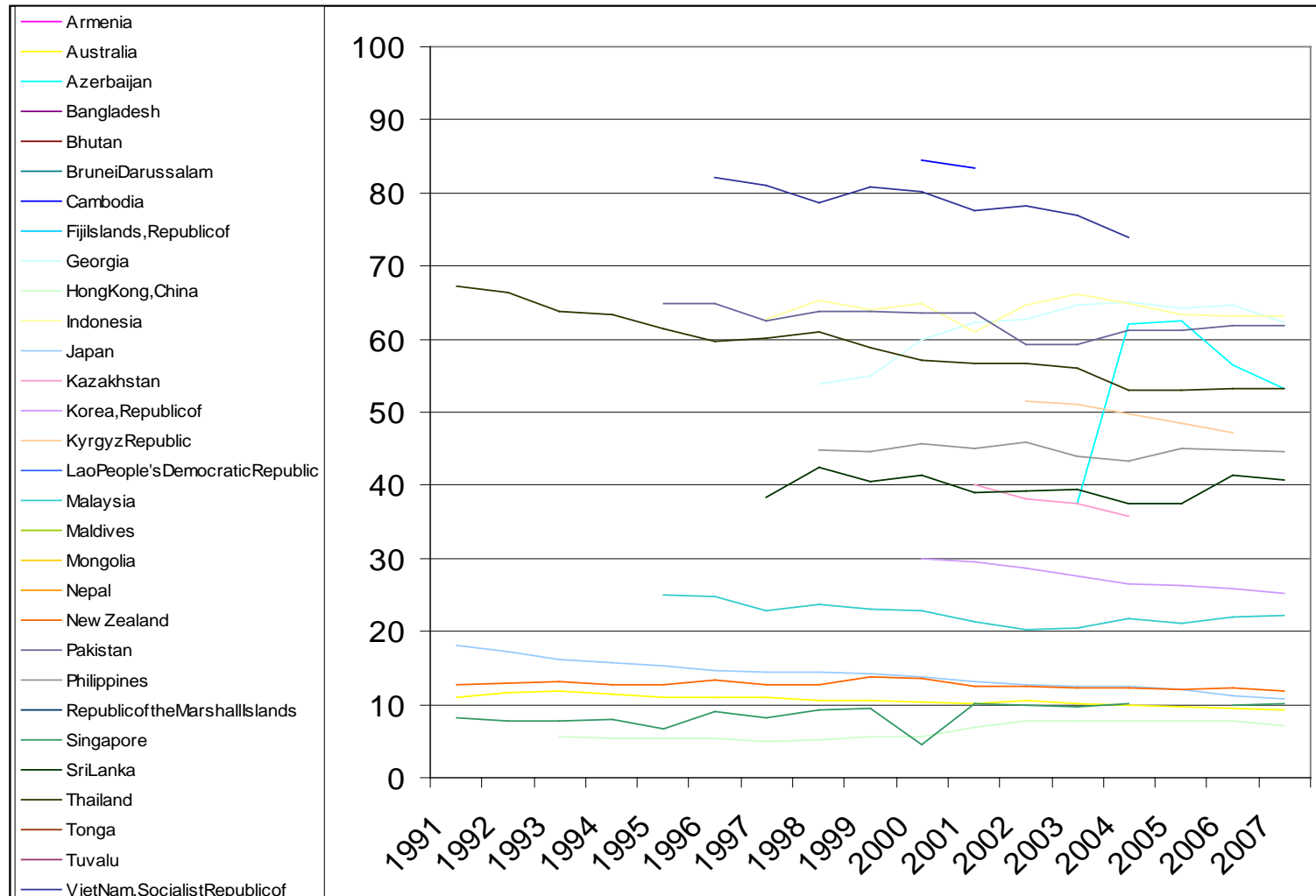


Source: PRC General Administration of Customs, *China's Customs Statistics* (2011)

Trading up: from middle to high income?

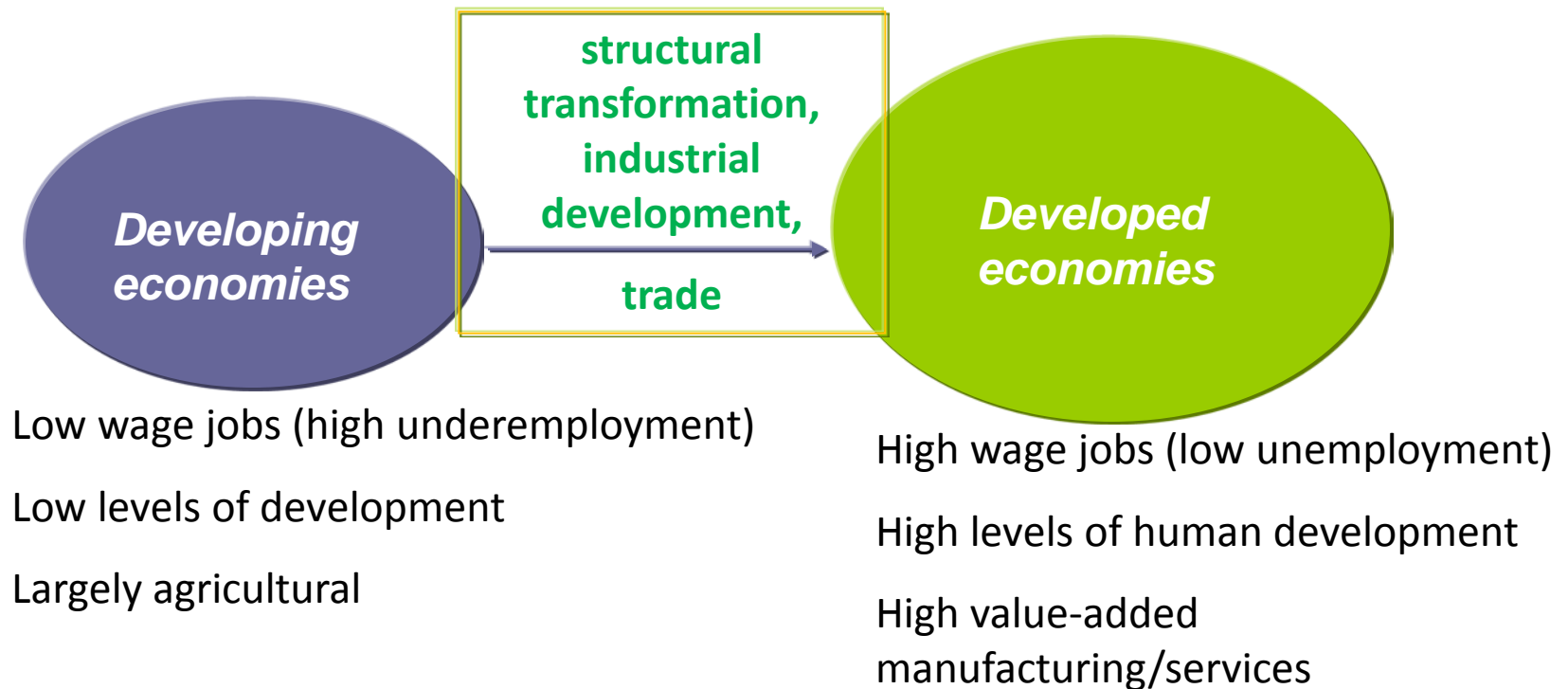
- Manufacturing or services?
- What labor market policies worked to support workers? (esp. those displaced, transition, bottom of distribution)
 - India: flexible labor market institutions (Hasan 2011)
- What kind of policies are required to support structural adjustment and increasing openness?
 - Policies facilitating transitions following trade reforms - Better Factories Cambodia (Brown 2011)
 - Policies providing security and insurance against adverse events (unemployment benefits, job security legislation etc) – Vere (2011)
 - Redistribution policies
 - Education policies
 - Immigration policies (temporary workers)

Still high proportion of own-account and contributing family workers (%)



Source: ADB Key Indicators (2010)

How do we get to the promised land?



**Since 1965, only 5 non-European economies made it to the high-income group:
HK, Japan, Republic of Korea, Singapore, Taipei, China**

Thank you

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