The present paper gives an assessment of the challenges faced by the workforce in Asia and the Pacific and how they can be overcome. For this assessment, the impact of global megatrends, such as climate change, digitalization and rapid ageing, is anticipated, and a multisectoral approach required to build the workforce to achieve inclusive and sustainable development in Asia and the Pacific is laid out. This approach is based on measures to improve access to decent work and extend universal social protection and universal health coverage, and concrete recommendations are provided to guide policy implementation.

Keywords: decent employment, universal social protection, universal health coverage, active labour market policies, rapid ageing, climate change, green transition, digitalization

JEL classification: I14, I32, J08, J11, J24

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I. INTRODUCTION

The working age population in Asia and the Pacific is immense, at approximately 3.2 billion women and men (ESCAP 2021b), of which more than 2.1 billion are in the labour force. The region’s future depends on this labour force to power economic growth, competitiveness and sustainable development to accelerate progress towards achieving the 17 Sustainable Development Goals (ESCAP, 2022a). Despite this need, some 1.4 billion workers are in informal jobs, including 600 million in the agriculture sector.

A healthy, protected and productive workforce is essential for the region to implement the 2030 Agenda for Sustainable Development. Ongoing megatrends, including the increasing demand for green and digital jobs, are likely to expand the share of decent employment opportunities.

Decent jobs provide social protection and access to health care, thereby ensuring that negative coping strategies are avoided in the event of job loss or sickness. They 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.

Decent jobs contribute to building economies and generate the tax revenue needed to pay for essential public goods and services. They ensure the well-being of families and are the bedrock of societies and the engine of economies. Yet, the working age population of Asia and the Pacific has some way to go towards fulfilling its full potential.

Against this background, section 2 of this paper is focused on the challenges the workforce faces in Asia and the Pacific, ranging from lack of decent jobs today and in the future, particularly during the green and digital transitions, to difficulties in ensuring universal health care and social protection for the rapidly ageing workforce in many countries. All three aspects are brought together in section 3 to makes the case for renewing the social contract for the workforce required along with actionable policy recommendations.

2 ESCAP calculations based on ILO (2022).
II. A WORKFORCE UNDER PRESSURE

Although progress has been made since 2015, the region’s workforce is insufficiently productive, healthy or protected (ESCAP, 2022b). The main reason behind this is that two in three workers in the region are employed informally (ILO, 2020). As a result, half of the workforce is poor or teetering on the brink of poverty, surviving on $5.50 a day.\(^3\) With more than half of the population of the region excluded from social protection (ESCAP and ILO, 2021), the workforce is highly vulnerable to systemic shocks, such as pandemics or economic downturns. Vulnerability undermines labour productivity, which has fallen below the global average. Sustainable livelihoods remain out of reach for many, in particular women and young people in rural areas.

The absence of affordable health care is detrimental to the health, productivity and future economic output of workers. In Asia and the Pacific, people in low- and lower-middle-income countries can expect to die 13 years earlier than people in high-income countries and child mortality rates are 10 times higher (OECD and WHO, 2020). Poor health of children in low- and lower-middle-income countries is compounded by low investments in health-care and education services. This undermines the chances that future workers will find decent jobs, and it hampers future tax revenues and economic output. Only a few Governments in the region have achieved universal health coverage, and catastrophic out-of-pocket health spending threatens to push more people into poverty in Asia and the Pacific region than in any other region.\(^4\) The inaccessibility of affordable health care increases sickness absenteeism and exacerbates poverty. It reduces the productivity of the workforce across the region.

Underinvestment in social protection and high labour-market informality mean that illness, unemployment, pregnancy, old age, disability and injury continue to push workers into poverty. The COVID-19 pandemic has shown the consequences of the lack of social protection. Since the start of the pandemic, 85 million people have been pushed into extreme poverty, based on the threshold of $1.90 per day, and a further 156 million into moderate poverty, based on the threshold of $3.20 per day (ESCAP, 2022c). Even prior to the pandemic and the war in Ukraine, more than half of all people in the region had survived without cash income at some point during the preceding 12 months, more than a quarter were without enough food and

\(^3\) ESCAP calculations based on ILO (2022).

\(^4\) ESCAP calculations based on WHO, Global Health Observatory data repository on Sustainable Development Goal 3.8. Available at www.who.int/data/gho (accessed on 25 March 2022).
a third lacked access to the necessary medical treatment. Such vulnerability widens inequality and undermines productivity.

Climate change, population ageing and digitalization are megatrends that will exacerbate the vulnerability of the workforce:

- Asia and the Pacific is the region most exposed to natural disasters and climate change-induced risks, and in the absence of comprehensive adaptation and mitigation measures, detrimental welfare consequences could affect workers, as jobs disappear, skills requirements change and businesses relocate (ESCAP, 2021a);

- Digital technologies are bringing disruptive change to the world of work, and their potential to promote decent and productive jobs hinges on access to them; but as a third of the population of the region does not use the Internet, the lack of such access may instead deepen the digital divide and intensify inequalities in income and wealth, with older persons and rural residents at a particular disadvantage (ITU, 2021);

- Policies to support healthy ageing and the employment of older workers are urgently needed as the population of older workers is set to double by 2050 to more than 950 million (ESCAP, 2021b), causing a significant increase in the median age of the total population from 32.5 in 2020 and to 40.3 in 2050, with a similar upward shift in the median age of the labour force. As populations age, a shrinking workforce will have to support more people, thus it will be critical to expand decent employment opportunities for all workers, including older workers. Active labour market policies, lifelong learning programmes and affordable health care are central for building a more productive and healthier workforce while supporting older workers to obtain a decent job and, as a result, remain in employment longer.

The creation of decent jobs and the provision of universal health care and social protection can reset the social contract in Asia and the Pacific. Inequalities are widening, led by significant increases in the most populous countries in the region. The aggregate income of the wealthiest 10 per cent in the region is eight times greater than the lowest 10 per cent.

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6 ESCAP calculations based on World Inequality Database. Available at https://wid.world/ (accessed on 25 April 2022).
that of the poorest 50 per cent. Combined with regressive taxation and inadequate social protection, inequality is undermining trust in societies.\(^7\) To improve trust and solidarity, it is critical to raise tax revenues by taxing personal income, wealth and capital gains to finance universal social protection and health-care systems, and support the creation of decent jobs.\(^8\)

Decent jobs increase the purchasing power of workers and their families and support the growth of local economies. Universal health coverage is a long-term investment in health, human capital and productivity. Responsive social protection schemes will strengthen workforce resilience, enabling it to cope with systemic shocks and megatrends.

### 2.1 Workers need decent jobs

Despite significant growth in gross domestic product (GDP) over the past 15 years, total employment has grown moderately and has even fallen in some countries (United Nations, n.d.). Jobless growth has occurred in much of South Asia, where millions of new jobs are needed. Many workers are therefore forced to accept informal jobs, characterized by no contracts, inadequate earnings, irregular working hours and hazardous working conditions. The number of vulnerable workers in Asia and the Pacific has increased by a net 20 million between 2010 and 2021.\(^9\) In 19 out of the 40 countries for which data are available, the number of vulnerable jobs continued to grow. In seven of these, vulnerable jobs grew faster than total employment (figure 1). Vulnerable employment was high among women in particular.

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\(^7\) ESCAP calculations based on World Values Survey wave 7 (2017–2022). Available at www.worldvaluessurvey.org/WVSOnline.jsp (accessed on 30 March 2022) and World Inequality Database (2019), available at https://wid.world/ (accessed on 25 April 2022) captures a strong negative correlation between the share of income held by top 10 per cent and generalized trust in society in the region. For more details, see ESCAP (2022b).


\(^9\) ESCAP calculations based on ILO (2022).
Figure 1. Change in total and vulnerable employment, 2010–2021 (percentage)

Source: ESCAP (2022b).

Notes: ESCAP elaborations based on International Labour Organization (ILO), ILOSTAT. Available at https://ilostat.ilo.org/ (accessed on 22 April 2022). Data on employment status by sex (in thousands) is harmonized by ILO using Household Income and Expenditure Survey and labour force survey data across 40 countries in Asia and the Pacific. Employment status follows definitions used in the International Classification of Status in Employment (ICSE-93). Vulnerable employment includes own-account workers and contributing family workers. Data availability determined the period in which changes in vulnerable and total jobs are computed with early years largely reflecting the early 2010s and latest years from late 2010s and early 2020s. In countries below the diagonal line, but above the horizontal dotted line, overall employment increased faster than vulnerable employment.

Abbreviations: AFG, Afghanistan; ARM, Armenia; AUS, Australia; AZE, Azerbaijan; BGD, Bangladesh; BRN, Brunei Darussalam; BTN, Bhutan; CHN, China; FJI, Fiji; GEO, Georgia; HKG, Hong Kong, China; IDN, Indonesia; IND, India; IRN, Islamic Republic of Iran; JPN, Japan; KAZ, Kazakhstan; KGZ, Kyrgyzstan; KHM, Cambodia; KIR, Kiribati; KOR, Republic of Korea; LAO, Lao People’s Democratic Republic; LKA, Sri Lanka; MAC, Macao, China; MDV, Maldives; MMR, Myanmar; MNG, Mongolia; MYS, Malaysia; NCL, New Caledonia; NZL, New Zealand; PAK, Pakistan; PHL, Philippines; RUS, Russian Federation; SGP, Singapore; THA, Thailand; TLS, Timor-Leste; TUR, Türkiye; UZB, Uzbekistan; VNM, Viet Nam; VUT, Vanuatu; WSM, Samoa.
Generating new jobs and increasing the share of decent jobs is a priority. Decent employment increases access to basic opportunities and improves household consumption choices, livelihoods and the welfare of other household members. By increasing access to social protection schemes, decent employment strengthens social insurance contributions, increases tax revenue and reduces the pressure on non-contributory social protection schemes financed by the public purse. Decent employment helps to expand pension coverage and access to health care, improving the health of recipient families. By providing greater income security, decent employment supports higher productivity and contributes to more inclusive growth.

As Governments in the region take the necessary steps to encourage the private sector to generate decent jobs, there is a need to better prepare the workforce. In Asia and the Pacific, the sectors that will be most affected by measures needed to support the green and just transition employ approximately 52 per cent of the workforce (figure 2). Workers in Asia and the Pacific need support to acquire the skills necessary for improving their productivity and to adapt to ongoing megatrends. This is the case for workers in the agricultural sector in particular, as such employment is strongly correlated with informal employment and low labour productivity. The agricultural sector employs a large share of workers in the region and more than 40 per cent of all workers in South and South-West Asia.\textsuperscript{10} Two thirds of the workers in this sector have only a basic level of education, or no education at all.\textsuperscript{11} Without adequate support, the green transition impelled by climate change could exacerbate the precarious working conditions of a significant portion of this population. Tailored policy responses are required to upskill agricultural workers and improve their resilience.


\textsuperscript{11} ILO (2022). ILOSTAT. Available at https://ilostat.ilo.org/ (accessed on 7 June 2022). In the International Standard Classification of Education, the “less than basic” level of education includes no schooling and early childhood education in the 2011 revision and no schooling and pre-primary education in 1997 revision. The “basic” level of education includes primary education and lower secondary education in the 2011 revision and primary education or first stage of basic education and lower secondary or second stage of basic education in the 1997 revision.
The challenges of digital transition and rapid population ageing are transforming labour markets. The use of information and communications technology (ICT) has increased in many sectors, leading to an unsettling change. As efficient as they are, digital technologies are likely to widen inequalities in the workforce given existing disparities in ICT skills (figure 3). Even in countries with high levels of ICT literacy, up to 40 per cent of the population may lack basic ICT skills, and in countries, such as Pakistan and the Philippines, up to 90 per cent of the population may lack basic ICT skills (ITU, 2021). The skills gap is likely to widen inequalities in labour income in the short to medium term, in particular for older persons and rural residents.
At the same time, rapid population ageing in the region is likely to push retirement ages higher, making it critical to have a healthy and skilled older population. Over the past two decades, labour force participation rates of older persons increased in the majority of countries in the region (ESCAP, 2021b). Yet the quality of employment for older persons is often poor (ESCAP, 2021b). The lack of social protection and major gaps in old-age pension coverage mean that older persons have little choice but to accept informal employment.

By reskilling the workforce and boosting access to decent employment, active labour market policies can support the move towards sustainable industries and green jobs. These policies should involve public and private employment services, training and higher education institutions, central and local governments and civil society organizations. Active labour market policies should respond to local circumstances and may include skills training programmes, public works programmes, wage subsidies or job assistance services, with priority given to women, young people and people with less education. It will be key to anticipate future labour market demands to shape training programmes, educational systems and curricula.

2.2 Workers need universal health care

More than one third of the population of Asia and the Pacific, approximately 1.6 billion people, are not protected by a health-care scheme. Moreover, 60 per cent of
workers finance their own health-care costs (ILO, 2021). Deprived of income protection, they receive no salary when absent from work. Health insurance or private health care is available to only one in five people.¹²

By 2023, nearly one third of the global population without universal health care will reside in South Asia (GBD 2019 Universal Health Coverage Collaborators, 2019). The latest data on key health indicators, including life expectancy at birth, survival to age 65 and child mortality rates, point to increasing gaps between the health of workers in developed countries compared to those in low- and lower-middle-income countries.

Poor health continues to widen inequalities within the workforce. Fulltime employees are in better health than part-time or self-employed workers (figure 4) (ESCAP, 2022b). The unemployed suffer the highest levels of poor health. On average, 12 per cent of lower-income individuals in the region report poor health, compared to 5 per cent among higher-income individuals. Women, young people, rural residents, persons with disabilities, migrants and refugees are disproportionately disadvantaged, because they are more often trapped in informal and precarious work.

Figure 4. Share of working-age people in Asia and the Pacific with poor subjective health status, by employment status and level of income


Notes: Figures exclude those reporting “do not know” or “no answer”. Poor and very poor health are combined. Full-time employment assumes at least 30 hours of work per week. Income status is recoded as per World Values Survey guidelines.

Achieving universal health care within the workforce and social health protection for all is predicated on public policies that ensure access to quality health care without financial hardship and income security to compensate for lost earnings due to sickness. Universal health care is imperative to improve the health and productivity of the current workforce, given rapid population ageing, in particular. Including all children and young people in universal health care would also support a healthy future workforce.

By giving everyone access to health care throughout his or her life, Governments can build trust, deepen solidarity and strengthen the social contract with their citizens. In countries with data on the topic, more than 90 per cent of the population expects the Government to provide access to health care. When asked about where Governments should spend more money, respondents indicated strong demand for more spending on health care and social protection. The COVID-19 pandemic has most certainly not reduced these demands.

Population ageing will affect accessibility, availability and affordability of health-care services. As out-of-pocket expenditures on health care impose a substantial financial burden on the workforce, it is important to anticipate the evolution of total health-care expenditures and invest in the health of the workforce from an early age. Overall health-care expenditures as a percentage of gross domestic product (GDP) are projected to increase by 80 to 144 per cent by 2060, depending on the health of the older population (ESCAP, 2022b). Healthy ageing can keep health-care expenditures in check, giving Governments fiscal space and time to prepare for the transition to an ageing society. Accelerating progress toward universal health care, increasing the number of health-care workers and taking broader health-improving measures is urgently needed to promote healthy ageing.

2.3 Workers need social protection

Social protection is a critical buffer against economic and health shocks for households, yet coverage levels remain low. In countries with comprehensive, well-resourced and inclusive social protection systems, the response to the COVID-19 crisis was better. However, in most countries, only a minority of workers contribute to a social protection scheme (figure 5). Contributory schemes are hindered by underinvestment, weak administrative capacity and high levels of job insecurity and informality. The dominance of informal employment means that some 1.4 billion people, women first and foremost, are unprotected. Where benefits exist, the levels are often insufficient to cover basic needs.

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Investing in a package of universal child, disability and old-age benefit schemes at global average benefit levels could significantly reduce poverty in the region. Such a benefit package would reduce poverty by 42 per cent on average across the 19 countries for which household income and expenditure surveys are available. In many countries, a substantial poverty reduction impact could be achieved by a modest child benefit of 4 per cent of GDP per capita. The same benefit package would also reduce income inequality, narrowing the gap between the richest 10 per cent of the population and the poorest 40 per cent by 14 per cent on average. Children below the age of 18 would be the main beneficiaries.

Household wealth is the most important variable determining access to essential goods and services. Social protection can safeguard access to essential goods and services while boosting worker productivity and overall economic growth. A modest increase of 4 per cent of GDP per capita in the income level of the furthest behind households would significantly boost their access to opportunities. Social protection allows households to smooth consumption and invest in more nutritious food and

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children’s education. By providing regular, predictable and adequate income security, social protection elevates worker productivity.

The proportion of persons aged 65 years and over in the region is set to double to one fifth of the population by 2050 (ESCAP, 2021b). In this regard, old age pensions play a central role. However, the coverage and adequacy of such benefits remain woefully low across the region, driving older persons to continue to work beyond retirement age, often with decreasing wages. Those who cannot work rely primarily on their family for income security, putting pressure on household finances and creating a care burden that is shouldered by women in most cases. Increasing urbanization, migration and evolving family structures reduce the likelihood that older persons will be able to live with their immediate family, thus it is even more urgent to expand the coverage of adequate pension benefits.

The expansion of old age pensions through a blend of contributory and non-contributory schemes is the best way to ensure a basic level of income security for all and to enable older persons to live independently and in dignity. Adjustments to design features are needed to reach previously ineligible populations and to take account of gender-specific work patterns, including career interruptions and time dedicated to unpaid care work. Other adjustments, such as retirement ages, contribution rates and benefit calculations would help increase coverage as well as ensure the longer-term sustainability of pension schemes.

To build resilience among populations vulnerable to disasters and encourage the transition to greener societies, social protection schemes need to be adaptive and enable access to basic goods and services in the immediate aftermath of disasters. Non-contributory cash transfers can help households avoid coping strategies that are detrimental to the environment. They ensure food security, facilitate savings and help households diversify their sources of livelihood. An income boost, through cash benefits or decent employment, of 10 per cent of GDP per capita would significantly enable households to access clean fuels, improve the health of household members and ensure their contribution to the green transition.

**III. CONCLUSIONS AND FUTURE DIRECTION**

Building a productive workforce in Asia and the Pacific requires a new social contract between the State and its citizens that lays out their mutual roles and responsibilities. Its foundation must be decent employment for all, supported by active labour market policies, an expansion of access to social protection and universal health care. This is in line with the seven-decade old United Nations report by a group of esteemed development economists who argued then that investment in people, particularly
in the areas of education, health and skill development in low-income countries, can be even more productive than investment in physical capital (United Nations, Department of Economic Affairs, 1951).

Enabling environments that support the achievement of fair development outcomes are fundamental to realizing a new social contract, in particular in low- and lower-middle-income countries where policymaking plays a major role in securing the advancement of marginalized groups.

3.1 Develop normative frameworks and dedicated institutions

**Apply a rights-based approach to pro-equity policies.** Base policies on principles of non-discrimination and equality, participation, empowerment, accountability and transparency. The rights-based approach lies at the core of the 2030 Agenda and remains key to leaving no one behind, rebuilding trust and deepening solidarity.

**Strengthen cross-sectoral and interministerial collaboration.** Addressing the needs of the workforce entails policy action in three different policy domains. Integrated policies can better reach population groups at the highest risk of being left behind. Success in this area requires that policy reforms are underpinned by multisectoral and multi-stakeholder involvement at all stages, from development and design to implementation and monitoring. Such collaboration will further enhance confidence in Governments.

**Build stronger institutions and promote meaningful participation.** Strong political commitment, active participation by communities and stakeholders, broad public support, and capable and accountable institutions governed by transparent regulatory frameworks are prerequisites for inclusive and effective service delivery. To become a reality, inclusive and effective service delivery requires the meaningful participation of groups that are left behind in public life and in policymaking. This approach lies at the core of the 2030 Agenda.

**Introduce an effective tax system.** Enhancing public revenues facilitates increasing investments in essential services, such as health care, social protection and active labour market policies. Reforming tax structures to reallocate resources and reduce their adverse effects on the poor, through progressive taxes on personal income, property and wealth, is essential for preventing an excessive concentration of wealth and power in the hands of a few, and for ensuring greater equality of opportunity within and across generations.

**Improve data collection and analysis.** Governments need to identify those at risk of being left behind to direct policymaking at certain population groups and to identify the impact of policies and change course when needed. For this, national data
collection needs to allow for more granular disaggregation, analysis, dissemination and evaluation.

3.2 Expand decent jobs through active labour market policies

**Formalize jobs and advance the decent work agenda.** Governments need to progressively transition informal workers into formal, green and decent jobs. With the majority of the labour force in the region trapped in informal employment, most workers do not benefit from international labour standards, including access to social protection. The abundance of informal employment and low-skilled occupations contributes to social exclusion and marginalization. It also hampers national development prospects.

**Expand access to decent jobs through active labour market policies.** Promoting lifelong learning is vital in enabling workers to keep up with technological changes and adapt to new green jobs, as a response to climate change. It is also increasingly important in the context of rapid population ageing and the changing world of work. Upgrading of skills can take place through, for example, vocational, on-the-job, technical and entrepreneurial training. Such programmes must be tailored to the needs and skill levels of participants and to future local labour market demands. Such programmes have great potential in fostering opportunities for individuals to acquire competencies that enable access to productive and decent employment.

**Harness the synergies between active labour market policies and social protection.** Linking participation in active labour market policies with income security from a specific social protection benefit is important to facilitate full and effective participation as well as programme completion. This is essential for workers in the informal economy in which salaries are generally much lower and access to social protection is uncommon.

3.3 Extend access to health care for all

**Expand coverage of health-care services supported by adequate funding.** Governments need to extend health protection to all, including workers in all forms of employment. While progressively expanding coverage, priority should be given to lower-income groups, enabling access through subsidies, for example. This provides opportunities for risk pooling aligned with the principles of solidarity and equity. It also limits discrimination against the poor at the point of care.

**Focus on primary and preventive care, not just curative health protection.** Strengthening primary health care and community services has been the entry point for many countries that have made good progress towards achieving universal health care. Such expansion requires an increase in health facilities and human resources.
Mobile outreach from fixed health-care sites, digital technologies and national campaigns can rapidly deliver health services to a substantial portion of people who had previously been left behind.

**Link access to health care to access to social health protection.** Social health protection guarantees income security by compensating for lost income in case of sickness. Health-care benefits for the workforce should be integrated within comprehensive social protection systems. This reduces the exposure and vulnerability of informal workers.

**Anticipate evolving needs and expectations.** As life expectancy rises and incomes increase, providing public institutional care arrangements for the long-term care of older persons, chronically ill persons and people with disabilities must be included in strategies to expand universal health care. To expand good quality health services under universal health care and social health protection, more than 40 million jobs must be created by 2030.

### 3.4 Broaden social protection coverage

**Allocate sufficient resources and capitalize on regional cooperation.** To make social protection systems effective requires a significant but affordable increase in public spending of 2 to 6 per cent of GDP, depending on the size of the benefits and the country in question. Existing expenditures must be reprioritized and revenues increased by broadening the tax base, introducing progressive taxation and extending contributory social insurance. The Action Plan to Strengthen Regional Cooperation on Social Protection in Asia and the Pacific can guide action through its shared strategy for broadening social protection coverage.

**Design inclusive social protection schemes and adapt them for an ageing society.** To include all workers, Governments need to integrate contributory and non-contributory schemes in a coherent and complementary manner and provide individual entitlements throughout the life cycle. Schemes must provide adequate social protection to women in the workforce by recognizing and rewarding unpaid care work. Schemes must be adapted for an ageing population so that older persons who want to work can remain in employment.

**Build adaptive systems and leverage new digital technologies.** New technology can facilitate identification and registration for social protection programmes and reduce the risks of fraud and duplication. Adaptive social protection schemes can build the resilience of populations in vulnerable situations by ensuring access to basic goods and services in the immediate aftermath of a disaster.
REFERENCES


