Trade, informality and jobs

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Outline

- Introduction: Linkage between trade, jobs and informality (working poverty)
- Asia’s labour markets in the global economic crisis
- Informality and trade performance
- Policy implications
Some contextual observations

- Being connected may not be guarantee for economic growth, but few examples (if any) of significantly enhancing growth while being disconnected

- Openness tends to increase exposure to external shocks with adverse short-term effects on employment and wages

- Openness and trade simultaneously destroy and create jobs – in medium-term more jobs appear to have been created than destroyed

- Jobs created are of higher quality than jobs destroyed?
Quality of jobs and informality

- Informal economy is diverse and segmented
- Typically low-quality, unproductive and poorly remunerated jobs, not recognized or protected by law, with little or no social protection and lacking rights at work and representation
- Most of working poor engaged in informal employment
- Employment earnings main source of income for poor – quantity and quality of work critical in determining poverty
Asia’s labour markets during the global economic crisis
More open economies experienced larger labour market shocks

Unemployment rate (%)


...labour market recovery but manufacturing continues to shed jobs
Decline in share of employment in industry and rise in services

Share of employment in industry and services (%)

...shift may entail movement of workers from relatively high value-added (and higher-paid) to lower value-added (and lower-paid) work.
Indonesia: Informal employment expands

Source: Statistics Indonesia.
## Status in employment in Thailand, annual change in Q2, thousands

<table>
<thead>
<tr>
<th></th>
<th>Both sexes</th>
<th></th>
<th>Men</th>
<th></th>
<th>Women</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total employment</td>
<td>1109</td>
<td>840</td>
<td>383</td>
<td>471</td>
<td>727</td>
<td>369</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employers</td>
<td>-126</td>
<td>61</td>
<td>-116</td>
<td>56</td>
<td>-9</td>
<td>4</td>
<td></td>
<td></td>
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<tr>
<td>Government employees</td>
<td>139</td>
<td>92</td>
<td>74</td>
<td>-2</td>
<td>65</td>
<td>94</td>
<td></td>
<td></td>
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<tr>
<td>Private employees</td>
<td>407</td>
<td>-206</td>
<td>158</td>
<td>-49</td>
<td>249</td>
<td>-158</td>
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<tr>
<td>Own-account workers</td>
<td>169</td>
<td>509</td>
<td>102</td>
<td>255</td>
<td>67</td>
<td>255</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unpaid family workers</td>
<td>524</td>
<td>372</td>
<td>161</td>
<td>203</td>
<td>363</td>
<td>169</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vulnerable employment</td>
<td>693</td>
<td>882</td>
<td>263</td>
<td>458</td>
<td>429</td>
<td>424</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Source: Thailand National Statistical Office.*
More than 60% of Asia’s workers in vulnerable employment

How does informality affect trade and growth?
Informality can act as barrier to necessary economic restructuring

- Persistence in informality: Twice as likely to stay remain informally employed than return to formal employment

*Source:* ILO/WTO, Globalization and informal jobs in developing countries.
Informality weakens export performance in developing countries

- Informality may narrow the degree export diversification

Contribution to export concentration (%)

Source: ILO/WTO, Globalization and informal jobs in developing countries.
Informality limits firm size, talent and productivity growth...

...hampering ability to trade internationally

Policy implications
Enhancing social protection

- Reduces the adjustment costs of changing economy
- Provides the reassurance for innovation and risk-taking
- Can also contribute to rebalancing of economies
  
  ➢ Strengthening the social protection system to better respond to shocks (e.g. automatic stabilizers) and extending social protection to the informal economy
  
  ➢ A social floor (composed of health care, child benefits, assistance to unemployed and working poor and income support for elderly) can be provided at affordable cost without jeopardizing fiscal sustainability
Asia: Low-levels of investment in social protection

Source: ILO, Social Security Department.
Multiple benefits of skills development

- Greater capacity of persons to adjust to structural change and take advantage of new opportunities arising from trade
- More productive and higher performing enterprises
- Higher levels of economic output and living standards
  - Producing quality LMI for informed decisions
  - Making employment, career and training services broadly available
  - Encouraging partnership between policy-makers, business community, education sector and workers’ representatives
  - Expanding skills recognition and portability to improve migration management
Different stages of development, different challenges in education

**Gross enrolment rate, most recent year (%)**

![Bar chart comparing gross enrolment rates for different countries](chart.png)

Source: UNESCO Institute for Statistics.
Challenges to social protection, training and skills development

Labour force growth in ASEAN + 3 and India, 2010-2010 (%)

Decent and productive work for all

- Placing employment at the heart of economic and social policies
- Enabling a sound policy environment
  - Dialogue between government, workers and employers in policy design
  - Fundamental principles and rights at work
- Improved policy coordination (e.g. between trade and labour market policies) and administrative capacity to implement measures
- Strengthening regional and international cooperation (G-20, ASEAN, ASEAN+3 etc)
- Decent work plays critical role in addressing Asia’s challenges and shaping a socially just, fair globalization
Thank you

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