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**‘Jobless Growth’ on the Rise
in Region’s Most Successful Economies**
***Sharp slowdown in Asia-Pacific employment creation constrains main
channel linking trade and human development***

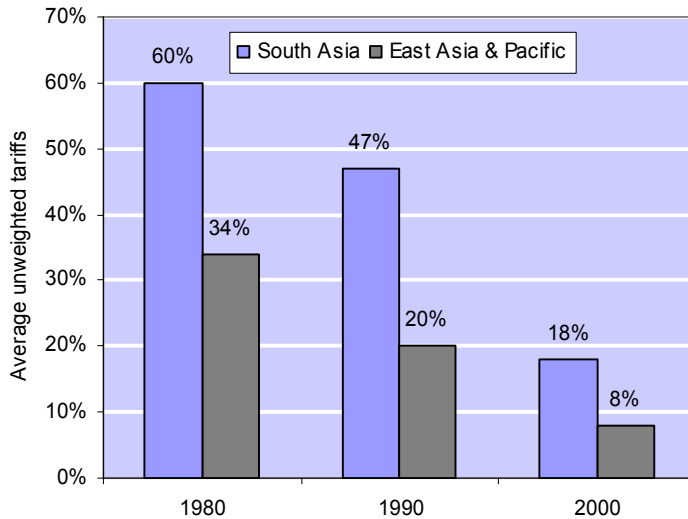
PHNOM PENH, Cambodia, 29 June 2006 – Asia-Pacific has nearly doubled its share in global trade in the last 15 years, but many newly open economies – particularly the success stories of East Asia – are creating far fewer jobs and experiencing higher unemployment, the United Nations Development Programme (UNDP) announced today.

This worrisome trend of “jobless growth” has profound implications for human development in Asia-Pacific because employment represents the main channel for the effects of trade on the non-income aspects of poverty, said the Asia-Pacific Human Development Report 2006, commissioned by UNDP. Since 1990 some of the most trade-intensive countries, such as China and Singapore, have seen unemployment rates substantially increase.

Young women and men aged 15 to 24 bore the brunt of this rising unemployment. While youth made up one-fifth of Asia-Pacific’s labour force in 2004, they constituted nearly half of the region’s total jobless population. Youth unemployment stood at a particularly high 17.1 percent in Southeast Asia. For women, their unemployment rates have increased in recent years and are higher than those of men in most Asia-Pacific economies.

As a group, Asia-Pacific developing countries have outperformed other developing countries by a wide margin in terms of the increase in their share of world trade. Both exports and imports of Asia-Pacific are growing at a faster rate than in other parts of the world, indicating the region’s overall success after opening up to global trade.

Import tariffs, 1980-2000

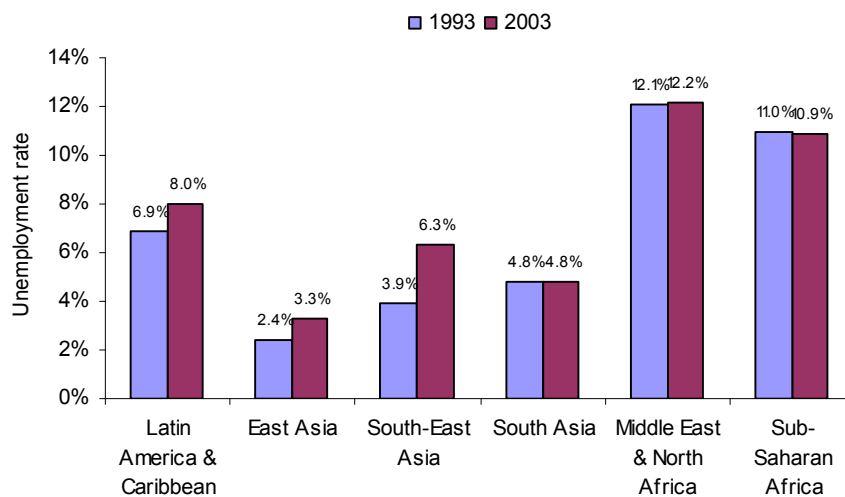


Source: World Bank, 2005

Job creation falls by half

But while the Asia-Pacific economy as a whole created 337 million jobs in the booming 1980s, it managed to create barely half that – 176 million – in the 1990s, the period coinciding with trade expansion, said the Report, *Trade on Human Terms: Transforming Trade for Human Development in Asia and the Pacific*. The Report was developed by a team of experts from the region under the direction of the UNDP Regional Centre in Colombo, Sri Lanka.

Regional unemployment rates, 1993 and 2003



Source: ILO, 2005a

“Asia-Pacific clearly has reason to be proud of its significant overall trade gains in relation to the rest of the world,” said Hafiz A. Pasha, United Nations Assistant

Secretary-General and Regional Director of the United Nations Development Programme Bureau for Asia and the Pacific. “Yet even while jobs are being created, they are not containing joblessness.”

The Report highlighted important sub-regional variations in employment performance across the region. Employment growth increased slightly in South Asia, but plummeted in East Asia, mainly because of a slowdown in employment growth in China.

Manufacturing, agriculture employment not keeping pace

In the sharpest illustration of “jobless growth,” the Report found that while manufacturing output in East Asia increased by almost 180 percent in the 1990s, the associated employment increased by only 3 percent. In agriculture, the outcome was even worse: Employment fell, as rural dwellers sought to cash in on opportunities in other sectors of the economy.

Table-1 – Composition of merchandise exports and imports

	Exports (%)			Imports (%)		
	1980	1990	2000	1980	1990	2000
<i>East Asia & Pacific</i>						
Agriculture	—	21	12	—	11	9
Fuel	—	14	8	—	6	10
Manufactures	—	59	80	—	77	76
Others	—	6	0	—	6	5
Total		100	100		100	100
<i>South Asia</i>						
Agriculture	38	21	17	14	13	10
Fuel	3	2	4	35	23	35
Manufactures	54	71	78	46	54	48
Others	5	6	1	5	10	7
Total	100	100	100	100	100	100

Source: World Bank, 2005

Much of the reason joblessness cannot be contained is because employment has become less labour-intensive as trade expands, shifting sharply to technology-oriented exports, the Report found. Thus, low-skilled workers seem not to be reaping benefits from free trade. At the same time, the labour force was growing rapidly, by 15.4 percent in East Asia and the Pacific Island countries, and 24 percent in South Asia.

But while jobs were harder to come by, those who held them profited from better salaries. Increases in wages have particularly been recorded in countries that are major exporters, according to the Report. These are largely linked to improved productivity, which resulted in a wage increase of up to 12 percent annually in East Asia; in South Asia, however, there was little change.

Investing in labour

The Report urged that expanded trade be accompanied by a set of complementary policy strategies designed to combat “jobless growth” and invest in labour.

Within the region, wide variations were found in increased shares in global trade. East Asia’s share – driven by the so-called “miracle” economies – more than doubled between 1990 and 2003, the Report said. South Asia managed to increase its trade share more modestly in goods, while outperforming East Asia on trade in services.

Employment performance has been relatively better in the services sectors than in goods. Big gainers in services included the financial, insurance and business services sector, with a 67 percent increase, along with hotels and restaurants, construction and transport. Agriculture especially reported sharp decreases in employment.

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The United Nations Development Programme (UNDP) is the UN’s global development network, advocating for change and connecting countries to knowledge, experience and resources to help people build better lives. UNDP works in 37 countries in Asia-Pacific.

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The UNDP Regional Centre in Colombo (RCC) was established in January 2005 to serve countries of Asia-Pacific. It is a regional hub for development knowledge and expertise, providing policy advisory and capacity development services in Poverty Reduction and HIV and Development, with Gender Equality as a crosscutting concern.

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From 2006 onward, Asia-Pacific Human Development Reports are evolving into an annual series. We expect the Reports to provide continuing analyses of critical development issues relevant at both the regional and country levels. The Asia-Pacific Human Development Series will provide the region with a forum for furthering dialogues and structuring debates to support a pro-poor agenda.

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