



**Inter-Agency Expert Group Meeting on
Employment and Decent Work for Poverty Eradication, in Support of the Second UN
Decade for the Eradication of Poverty (2008-2017)**

**Growth, poverty, inequality and
decent work in Asia and the Pacific**

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Broad contours of the presentation

- The Asia-Pacific region has experienced considerable slowdown in economic growth and productivity gains in recent years.
- Along with economic slowdown, progress on poverty reduction is slowing, inequalities are rising and prospects of decent employment are weakening.
- Fiscal policy can play an important role in reviving growth and supporting the 2030 Agenda. However, enhancing tax revenues through base-broadening is critical.
- Improving the link between wages and productivity, along with raising productivity in agriculture and industrializing the rural sector are vital elements for strengthening domestic demand and for accelerating poverty reduction as well as reducing inequality.
- Productivity and Sustainable Development Goals are closely linked; investing in these goals will increase productivity and help economic growth.



Economic growth outlook for the region is broadly stable but clouded by uncertainty

Economic growth in developing Asia-Pacific economies is on a declining trend since 2010, due to:

- Weak global aggregate demand;
- Slowdown in productivity growth;
- Moderating economic growth in China; and
- Constrained domestic demand.

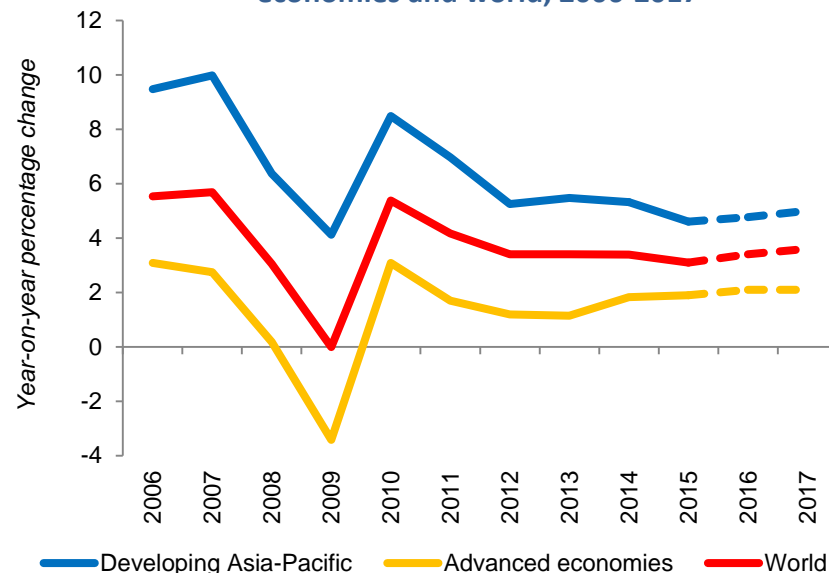
A moderate pickup in economic growth is expected

- 4.8% in 2016 and 5% in 2017, from an estimated 4.6% in 2015 ... primarily due to:
- Stable and robust economic performance in most economies of South and South-West Asia and South and South-East Asia; and
- Smaller contraction in the Russian Federation.

A confluence of macroeconomic risks cloud the outlook ... examples include:

- A somewhat uncertain outlook for the Chinese economy;
- Volatility in exchange rates and capital outflows;
- Growing private household and corporate debt;
- Gradual interest rate increases by the United States.

Real GDP growth in developing Asia-Pacific, advanced economies and world, 2006-2017



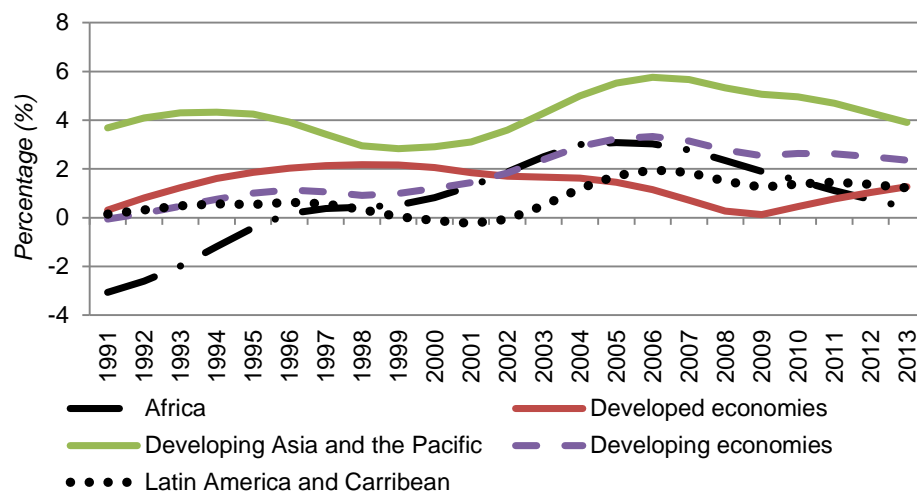
Region is experiencing slowdown in productivity growth

- Total factor productivity (TFP) has grown faster in the region than in other regions. Yet it is slowing.
- This can be explained by labour hoarding and its impact on the efficiency of firms.
- Growth of labour productivity is also on a declining trend.
- The gap in labour productivity growth relative to developed economies is narrowing.

Trend in total factor productivity growth, by region

Regions	1990s	2000s	2000-2007	2008-2014	1990-2014
Developing AP economies	1.42	1.93	2.79	0.96	1.74
Africa	-0.28	0.85	0.28	1.49	0.42
Latin America	0.02	0.07	0.38	-0.29	0.05
Developed economies	0.37	0.32	0.68	-0.09	0.34
Developing economies	1.16	1.64	2.32	0.86	1.46

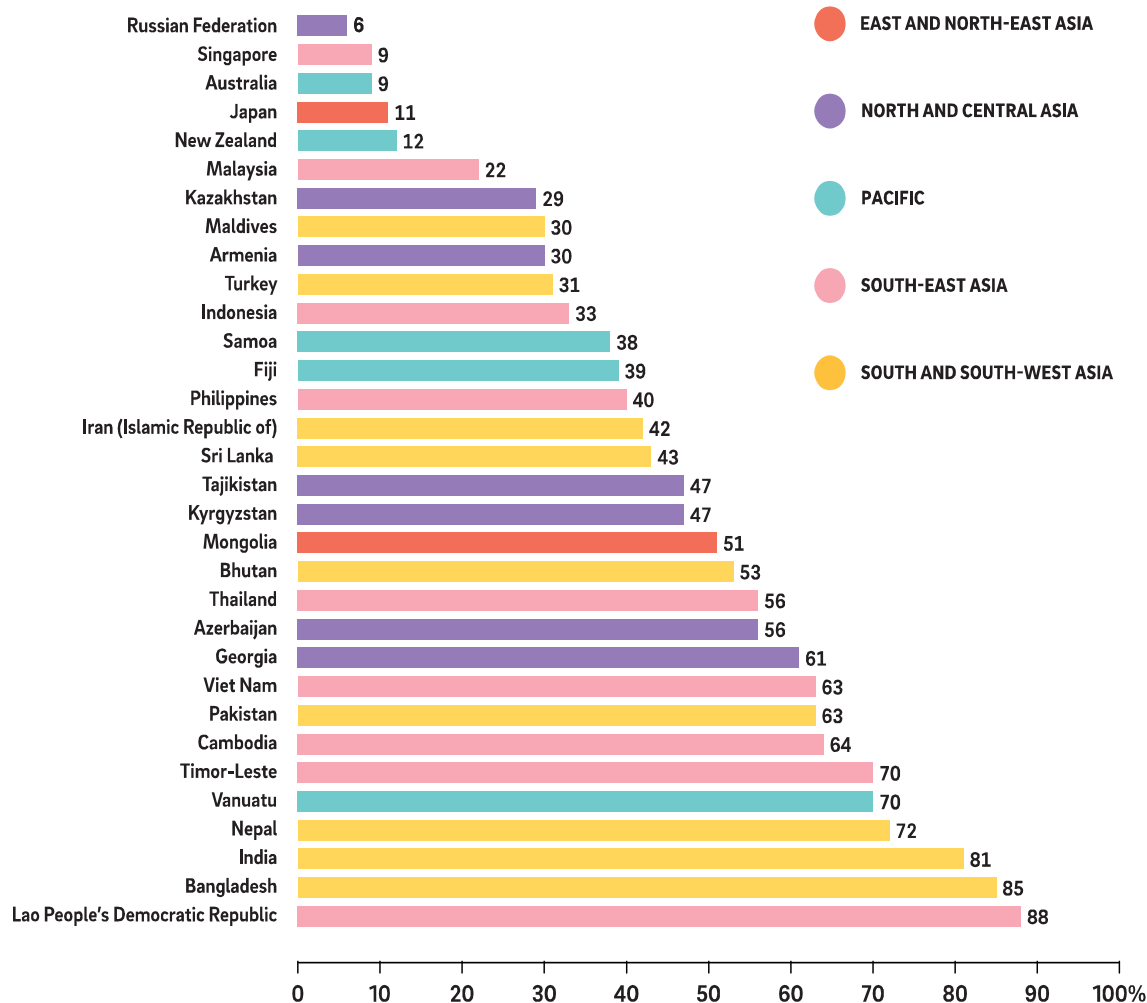
Trend in labour productivity growth, by region



Slower growth has implications for improving employment prospects

- Employment growth was weak in the region as a whole; 1.1% in 2015.
- High youth unemployment is a particular concern, as youth are up to ten times more likely to be unemployed than adults.
- Progress in enhancing the quality of employment was mixed. Vulnerable employment, especially for women, remains high.

Vulnerable employment, as percentage of total employment%. Latest year



Slower growth also has implications for eradicating poverty and reducing inequality

Some major developing economies are experiencing decelerating trend in rate of **poverty reduction**.

- Some form of poverty cannot be reduced through economic growth alone ... poverty is heavily linked to social exclusion.

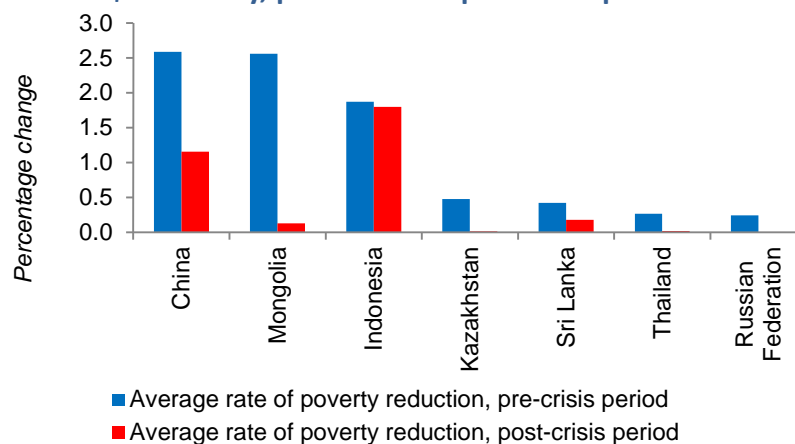
- Indicators of **income inequality** – Gini coefficient and Palma ratio – have also worsened in recent years.

- Outpacing of wage growth by increases in productivity in many economies has led to more unequal distribution of incomes between capital and labour.

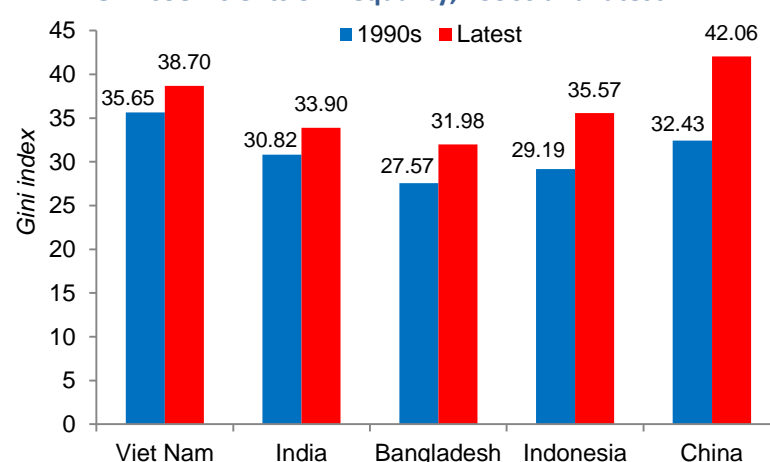
- Ensuring steady increases in wages is one of the important factors for reducing poverty and inequality.

- There is also need for greater social protection.

Average rate of reduction of the poverty headcount ratio at \$1.90 a day, pre-crisis and post-crisis periods



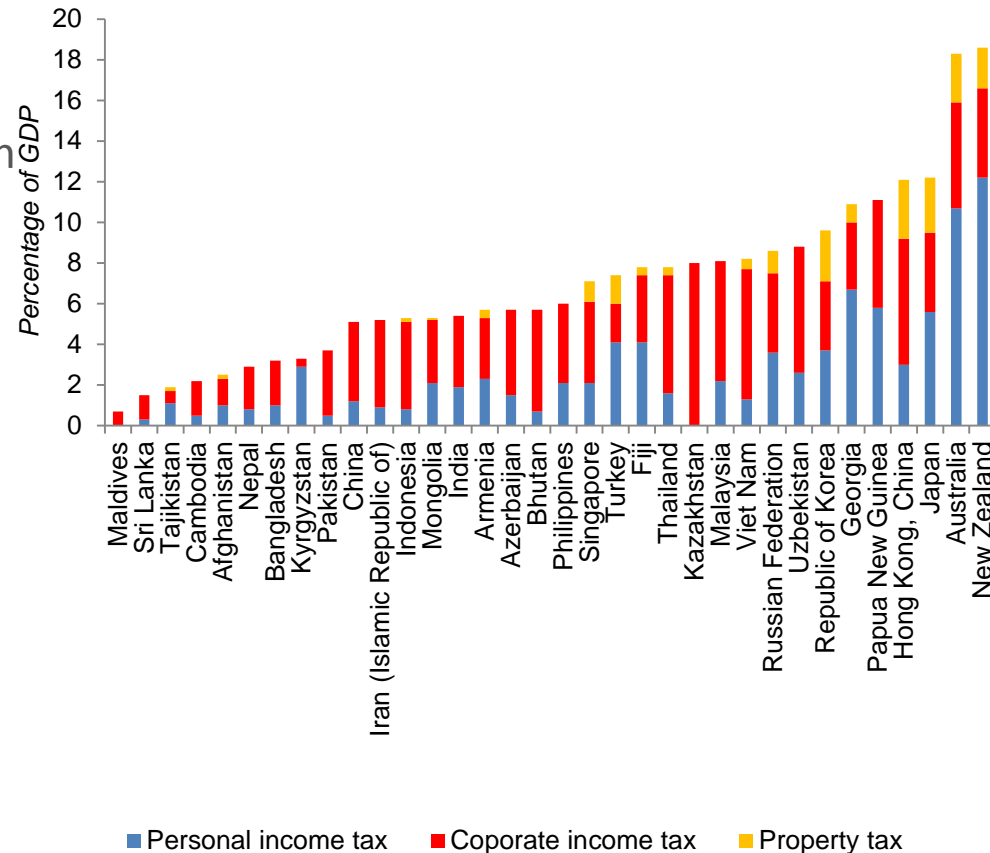
Gini coefficients of inequality, 1990s and latest



Proactive fiscal policy to foster development

- .. can play an important role in reviving economic growth and supporting development.
- .. can foster real demand through provision of social safety nets and minimum wages;
- .. can positively influence distribution of income and opportunities ;
- However, tax revenues are too low in the region.
 - Identify and register taxpayers; removing redundant exemptions and broaden the tax base.
 - Enhance tax progressivity.

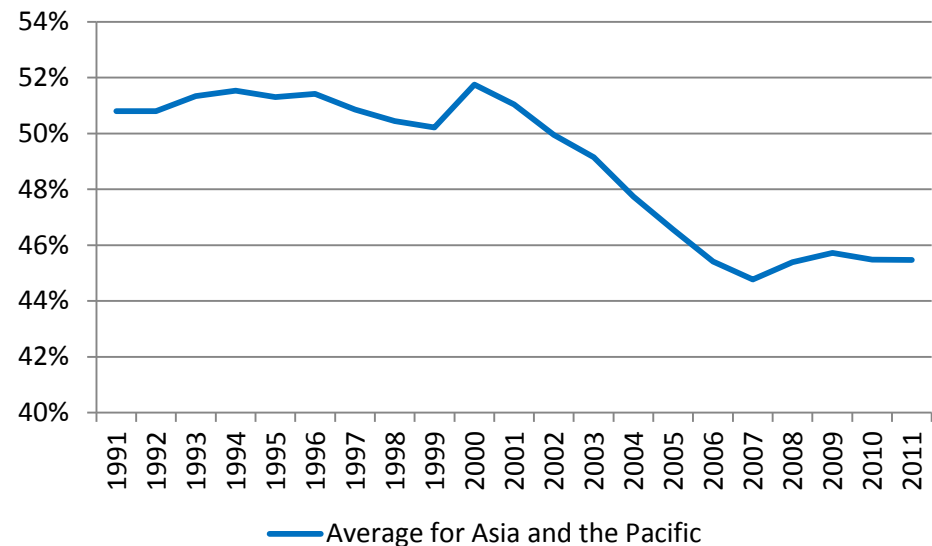
Income and property tax revenues, % of GDP, in selected Asia-Pacific economies



There is a need to improve the link between wages and productivity

- Growth in real wages has not matched increases in productivity levels, such that labour's share in total income in Asia-Pacific has declined in recent years.
- Policies to ensure a better link between the two include effective collective bargaining mechanisms and minimum wage initiatives.
- More fundamentally, higher growth of productivity, particularly of labour productivity, is required to strengthen wage growth at a more robust rate.

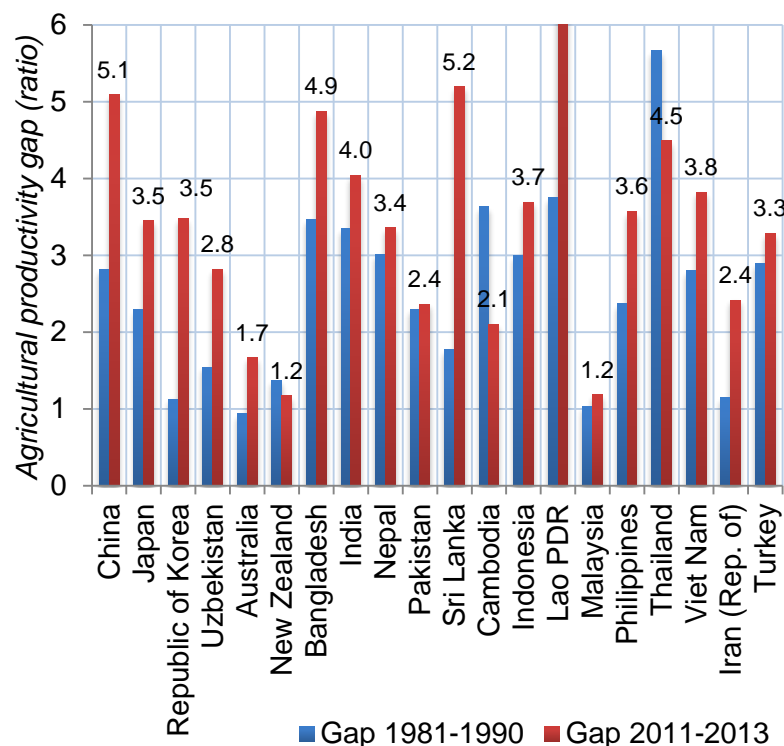
Labour income share from 1991 to 2011 in Asia-Pacific (percentage of output)



The region is de-industrializing and agriculture is lagging behind

- Countries are rapidly shifting from an agriculture-based economy to one in which services play a dominant role.
- In many economies, agriculture is lagging behind:
 - Most economies have a large *agricultural productivity gap*, suggesting a misallocation of labour.
 - The gap has increased since the 1980s: countries have not been successful in integrating “surplus labour” from agriculture into the rest of the economy.
 - In many countries agricultural workers have become relatively poorer.
- The decline of agriculture in GDP is a concern as more than half of people in the region lives in rural areas.
- Countries that generally developed through rapid industrialization.

Agricultural productivity gap



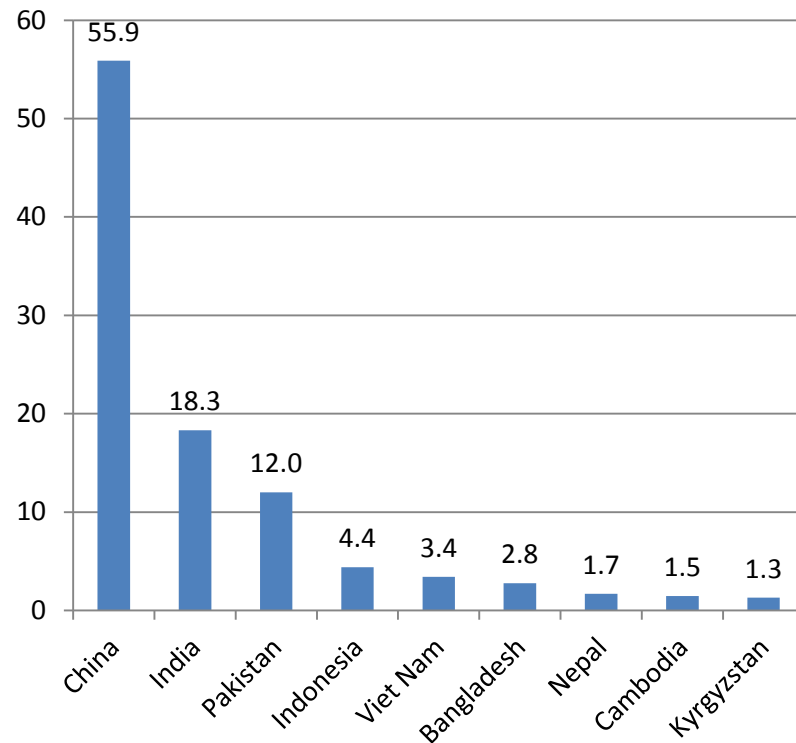


Raising productivity in the rural sector is important for attainment of the SDGs

- Raising productivity in agriculture and the rural sector must be at the centre of the focus to end poverty (**Goal 1**) and end hunger and achieve food security (**Goal 2**).
 - Livelihoods of about 40% of the workers in the region's developing economies depend upon agricultural.
 - Increasing productivity, especially in agricultural, reduces poverty by positively affecting rural households' income.
- If growth rate of TFP and agriculture yields remain unchanged and if declines in usage of farm machines are reversed, **at least 110 million people could be lifted out of extreme poverty by 2030.**



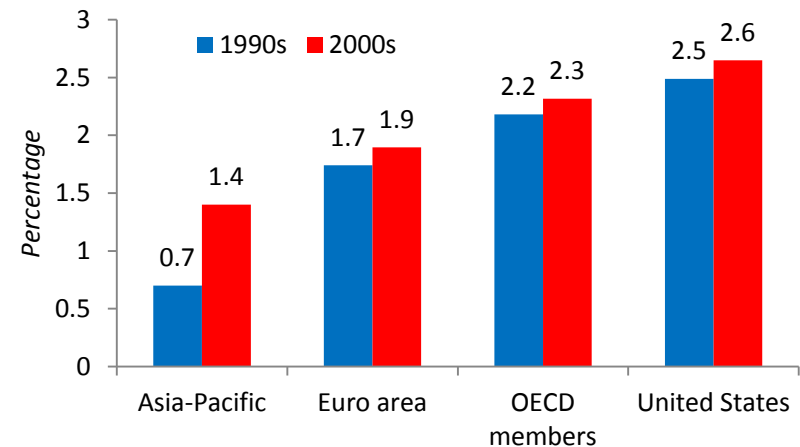
Millions of people lifted out of poverty



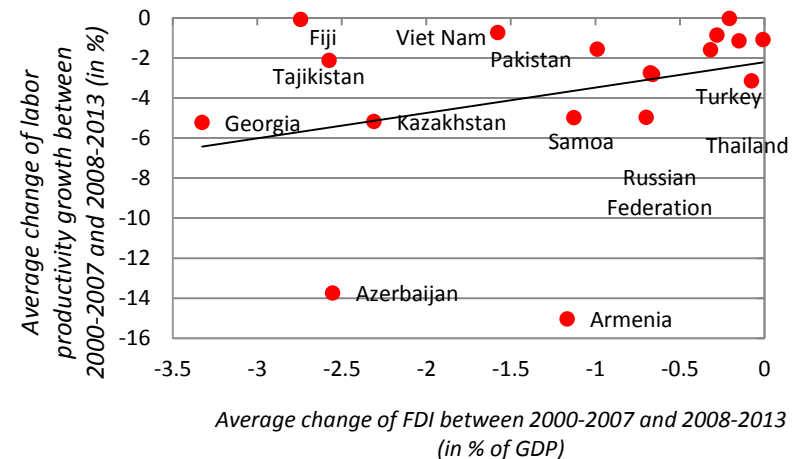
Several factors influence productivity

- **Labour quality; trade, investment and R&D; infrastructure** in transport, energy and ICT; access to **finance**.
- Quality education and R&D activities enable countries to tap into existing knowledge globally.
- Through trade and investment, firms are more likely to innovate and benefit from technological diffusion.
- FDI generates knowledge spillovers by, for instance, linking local to foreign firms.
- Poor infrastructure is a major barrier to growth in productivity, output and employment.
- Important impact of availability of finance on productivity, particularly of SMEs.

Research and development expenditure (% of GDP)

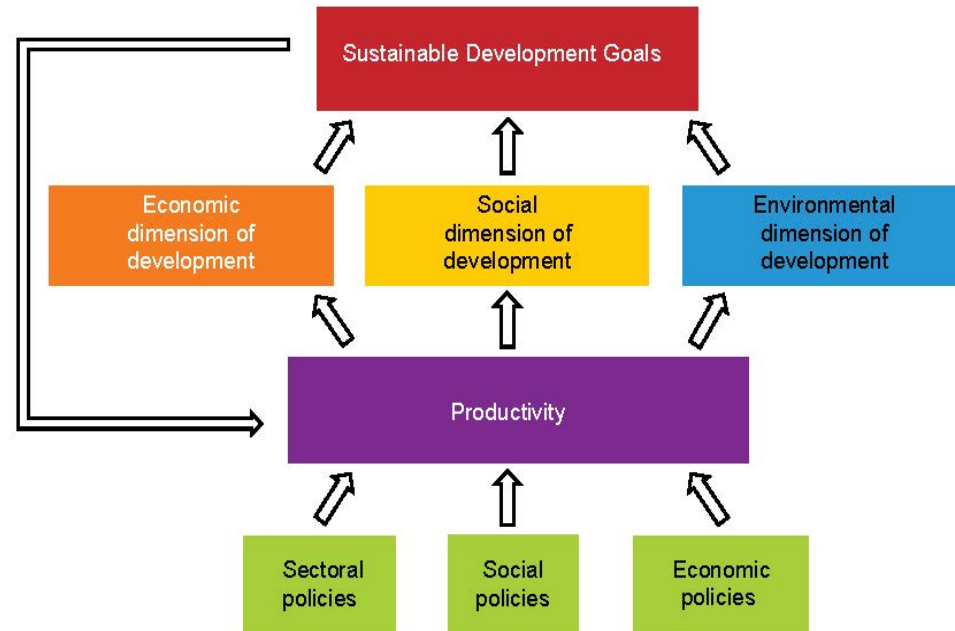


Decline in foreign direct investment and labour productivity growth in the Asia-Pacific region



Productivity and the SDGs are closely linked

- Productivity provides a framework to tackle the achievement of several SDGs.
- Higher productivity (and wages) will enable countries to reach **Goal 1** (“end poverty.. everywhere”), **Goal 2** (“end hunger, achieve food security and .. promote sustainable agriculture”) and **Goal 10** (“reduce inequality..”).
- Social policies for **Goal 3** (“ensure healthy lives and promote well-being”) and **Goal 4** (“ensure inclusive .. quality education and promote lifelong learning opportunities”) will strengthen productivity by improving skills in the labour force .
- Economic and sectoral policies may strengthen productivity if they “ensure access to affordable, reliable, sustainable and modern energy” (**Goal 7**) and “build resilient infrastructure, promote ... industrialization and foster innovation” (**Goal 9**).
- Full and productive employment and decent work to ensure that growth is sustainable and inclusive would contribute towards attainment of **Goal 8**.



Investing in the Sustainable Development Goals will also foster productivity growth, creating a virtuous cycle between sustainable development and productivity.





Snapshot of main messages

- Sustained and resilient economic growth is a prerequisite for successful implementation of the 2030 Agenda.
- Asia-Pacific economic growth needs to be driven by broad-based productivity gains and rebalancing of economies towards domestic and regional demand.
- Need for targeted fiscal policy and supportive social protection measures.
- This requires a fair and efficient system tax system.
- Sustained increases in domestic demand requires steady growth in real wages, which depends on productivity growth.





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