



Economic Development a Triumph of Working People in East Asia Pacific

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New Report Urges Countries to Adopt Social Protection Policies to Cover More Workers
As rapid economic development has pushed the percentage of people working in most East Asia countries to among the highest in the world, policy makers should enact labor regulations and social protection policies to benefit all workers, including those in the large informal economy, according to a new World Bank report, East Asia Pacific at Work: Employment, Enterprise and Well-Being. In the last 20 years, East Asia Pacific saw rising productivity amid a brisk structural transformation, with large movements of people into cities and higher output in agriculture, manufacturing and services. Countries that were poor a generation ago successfully integrated into the global value chain, taking advantage of low labor costs. In most countries in the region, the share of the population working or seeking work, including women, is higher than other countries with similar income levels. "The unprecedented economic development in East Asia Pacific has provided jobs and lifted millions of people out of poverty and has been a triumph of working people, said Axel van Trotsenburg, World Bank East Asia and Pacific Regional Vice President. "Its time to consolidate growth by adopting social policies that protect people, rather than any particular sector, location or profession. When well-designed, those policies should make sure social protection and labor regulations benefit the most vulnerable workers in society. As the regions economic growth is moderating and labor costs are rising, constraints of the regions current labor market and social protection policies are becoming a more pressing issue. Though relatively strong on paper, those policies are often poorly enforced, driving more people - especially women, young people and those with fewer skills, such as janitors and caterers - into unprotected, unregulated and untaxed jobs, or even unemployment. Modest, nationally financed unemployment packages, for example, can help employers avoid costly severance schemes, lower labor taxes and encourage business to become formal, according to the report. Thailand's universal health care policy, for example, is a form of social insurance that has already lowered out-of-pocket costs for patients and led to wider use of medical services. The report, a follow-up to the Banks World Development Report 2013: Jobs, contributes to a relatively small body of empirical evidence on the impact of employment policies and reform options in East Asia Pacific. The regions diverse emerging economies - ranging from mostly rural to urbanizing to small, remote islands - defy a one-size-fits-all approach. Economic and demographic changes in the region, as well as its relatively short labor history, present urgency and opportunity for countries in East Asia Pacific to adopt a new, lower-cost social protection model than countries in regions with long-established policies. "Business as usual is not an option, said Bert Hofman, Chief Economist of the World Banks East Asia and Pacific Region. "The consequences of not taking more action to ensure welfare gains from work will increasingly threaten social cohesion and, as growth moderates, will constrain productivity and limit gains in living standards. Current employment policies, the report says, have failed to help most workers, favoring prime-aged men in salaried positions at the expense of women, youth and those with low skills. Empirical evidence shows that rising minimum wages in Indonesia, Vietnam and Thailand disproportionately reduce employment opportunities for women and young people. Across the region, more than 30 percent of people ages 15 to 24 are completely left out - they have neither a job nor receive an education or training. That creates labor market segmentation and exclusion, as well as a higher risk of social unrest and violence. Meanwhile, rising wages for skilled workers, which benefit from the current policies, have led to higher inequality in some countries. To keep the region on the right track, the report recommends that countries look beyond the labor market and focus on fundamentals, such as policies that ensure price stability, encourage investment and innovation, and support a regulatory framework that enables small- and medium-size enterprises, which employ most people in the region. "Top-down industrial policies are less viable in today's increasingly integrated and rules-based global economy, said Truman Packard, one of the reports lead authors. "Instead, policy makers should look at reforms across a number of policy arenas and enact policies that protect all working people, even if they work for themselves or hire others to work for them. The regions diverse economies, of course, call for different policy priorities. For the many countries that are still mainly agrarian, the report recommends that policy makers focus on boosting agricultural productivity and encouraging non-farm enterprises. For urbanizing economies, such as China, Indonesia, the Philippines and Vietnam, the report suggests that governments focus on making cities work better by boosting infrastructure and improving services. The report is available at www.worldbank.org/eap/atwork.
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