International Labour Organization

Asia-Pacific Employment and Social Outlook 2024

Promoting decent work and social justice to manage ageing societies

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Foreword

For several decades, the Asia-Pacific region has experienced the fastest reduction of working poverty and rise of labour incomes worldwide. Despite this impressive achievement there is no room for complacency, as major challenges remain, and new ones loom on the horizon. Progress in dimensions such as informality, gender equality and income inequality is too slow, meaning that far too many workers do not benefit from a fair share in the wealth created by the rapid economic transformation. In addition, Asia and the Pacific is the fastest ageing region in the world, with some countries projected to see a very rapid shift from relatively young to aged societies. Addressing these challenges is made more difficult by the deteriorating global economic environment, which is also suppressing projected economic growth rates below those achieved over the past two decades.

This Asia-Pacific Employment and Social Outlook 2024 analyses in detail the existing and upcoming challenges for the region and its countries. Furthermore, the topic of ageing receives special attention in this edition's thematic chapter. The report resonates with the Singapore Statement adopted by ILO constituents at the 17th Asia and the Pacific Regional Meeting in December 2022. This reaffirms the tripartite commitment to address decent work deficits in the region, and includes as a priority, national action related to life transitions and demographic shifts.

Decent work and social protection for all, including the old-age population, are an essential part of the architecture of social justice. The ILO has established the Global Coalition for Social Justice the aim of which is to intensify collective efforts to champion social justice and to accelerate the implementation of the Sustainable Development Goals. The coalition is a call for universal human rights, equal access to opportunities, a fair distribution of resources, and strengthening just transitions.

To meet the aims of the Global Coalition, governments, workers and employers will need to work together to reinvigorate and strengthen measures to promote decent work and social protection. Such action, as this report shows, will allow countries not only to address existing decent work deficits, but also to navigate the challenges related to ageing societies.

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Executive summary

Introduction

The Asia-Pacific region faces enormous existing and emerging challenges for labour markets and social justice. Despite strong economic growth and steady improvements in some key labour market indicators over several decades, progress in several crucial dimensions of decent work is too slow, with large gaps persisting. In addition, the region is projected to have one of the world's most rapidly ageing populations. Implementing policies that address decent work deficits will not only alleviate existing challenges but will also render upcoming challenges from ageing more manageable.

Labour market trends

Real GDP growth in the region is projected at 4.4 per cent in 2024, more than 1 percentage point below its 2000–19 average and is projected to fall to 4.2 per cent in 2025. The slowdown in economic growth has been particularly strong in East Asia and in the Pacific, while South Asia is projected to match past growth performance. Driven by falling labour productivity growth, this slowdown also reduced growth in labour incomes. In the short term, growth prospects are restrained by lower growth of international trade (a very important factor in a region focusing heavily on export-led growth), continued tight monetary policy in developed economies and, in some countries, limited fiscal space owing to high debt levels and debt servicing costs. States will need to revitalize productivity growth to tackle poverty, boost labour income and prepare to meet the challenges of an ageing population. The experiences of some countries show that the region should, broadly, be able to achieve this.

The region's employment-to-population ratio is in long-term decline, projected to continue over the coming years, falling from 58.2 per cent in 2023 to 57.4 per cent in 2026. Equally, the labour force participation rate is projected to fall by 0.8 percentage points between 2023 and 2026, from 60.9 per cent to 60.1 per cent. The increase in persons aged 65 years and above as a share of the total population, as well as a declining youth participation rate are the main causes of the long-term downward trend in aggregate participation rates. In absolute numbers, the region's total employment of around 2 billion is projected to increase by around 15 million per year owing to growth in the working age population. The labour force participation rate in the region had a large gender gap of 28 percentage points in 2023, which has reduced only marginally over the past three decades. Women's labour force participation and employment rose significantly in India between 2019 and 2023, which lowered the regional gender gap and pushed the aggregate regional employment rate above its 2019 level.

The region's unemployment rate is projected to remain roughly unchanged in 2024 and 2025, at 4.2 per cent, which corresponds to 87.8 million unemployed in 2024. While the unemployment rate remains below the 2019 level for the region as a whole, there is significant variation between subregions and countries. Compared with 2019, unemployment rates in East Asia are up, but are down by more than a percentage point in South Asia. Projected unemployment trends for women and men are similar, and Asia and the Pacific stands as the only region in the world where women's unemployment rate is lower than that of men. In contrast to adults, the region's youth unemployment rate has hardly fallen below its 2019 level, in a trend driven strongly by the

significant rise in youth unemployment in East Asia. The youth unemployment rate is now more than three times the adult rate, at 13.7 per cent in 2024.

The region's jobs gap, which shows the total unmet need for employment, amounted to 164 million in 2023. The jobs gap encompasses the unemployed and a further 76 million people who want employment but are not considered economically active. Their absence from active participation in the labour market, which might arise from discouragement or lack of availability to work, owing to care obligations, means that they place less immediate pressure on the labour market than the unemployed. In 2023, the jobs gap rate stood at 9.4 per cent for women versus 6.9 per cent for men, showing that the percentage of women who are not in employment but would like to be is higher than that of men.

Young women in the region are particularly affected by not being in employment, education or training (NEET), compared to young women in the rest of the world and to young men in the region. More than 100 million young women aged 15 to 24 years are NEET, which corresponds to 32.1 per cent. This is around 2.5 percentage points above the global average. In contrast, only 12.2 per cent of young men in the region are NEET, which is around 2 percentage points below the global average. The NEET rate has reduced by 4 percentage points since 2005 owing to a notable increase in educational enrolment. Interestingly, the share of young people in education or training while not being in employment was quite similar for women and men in 2023, at 43 per cent and 47 per cent, respectively.

While the region has achieved great success in reducing working poverty over the past three decades, other indicators related to quality of work show much less progress, or even stagnation. Two in three workers were in informal employment in 2023, an improvement of only 2 percentage points over the course of 10 years. The proportion of own-account and contributing family work, which is frequently associated with low quality activities and low pay, has remained essentially unchanged at 42 per cent over the past decade. On a related note, only 44 per cent of the population was covered by at least one form of social protection. Trends in gender gaps in relation to indicators of quality of work differ across subregions and indicators. In South Asia, women face higher rates of working poverty, informality and own-account and contributing family work than in other subregions, while men face higher rates of informality in East Asia and are much more likely to be in agricultural or elementary occupations in South-East Asia. Persistent gender gaps regarding pay and employment, however, highlight the disadvantaged position of women in labour markets.

Owing to strong average annual labour productivity growth (4.3 per cent) between 2004 and 2021, labour income per worker has doubled from US$7,700 per year in purchasing power parity (PPP) terms to US$15,700 (PPP) between 2004 and 2021. Yet, labour income growth in the region could have been higher had it not fallen as a share of national income. Labour incomes have grown most in East Asia. They are lowest in South Asia and highest in the Pacific, although income figures in the Pacific are dominated by Australia and New Zealand. Labour productivity growth in the region fell from 4.8 per cent in the decade 2002–12 to 3.7 per cent per year in the decade 2012–22. The region seems to be experiencing diminishing benefits from structural transformation towards economic activities generating higher value added.

The lack of job opportunities that meet decent work criteria, including good incomes, not only jeopardizes social justice in the region, but it also presents a risk factor for the labour market outlook. The region faces additional risks to its labour market outlook from, among others, trade disruptions due to geopolitical

tensions, and limited fiscal space or even fiscal crisis amid high debt servicing costs, driven by high debt and high interest rates. Rising incomes would reinforce domestic demand for more sophisticated products and services, leading to a virtuous cycle of technological upgrading, rising productivity and rising incomes. Tackling informality and improving opportunities for investment, not only in capital but also in people, is therefore paramount to improve the outlook and lower threats to it.

Trends and challenges of ageing

The rate of population ageing in Asia and the Pacific is alarming. The region's population is projected to age as much over the next 27 years as the populations in high-income countries in the rest of the world have aged over the past 60. The ratio of population aged 65 years and above to 15–64 years is projected to double in the region from 0.15 in 2023 to 0.31 in 2050. A total of 19 countries are projected to experience age-dependency ratios above 0.29 by 2050, which is equal to that recorded in high-income countries in the rest of the world in 2023. The highest ratios are expected in Japan and the Republic of Korea, with the largest increases expected in the Republic of Korea, Singapore and Thailand.

The economic dependency ratio, defined as the ratio of those not employed to those employed among the region's working-age population (aged 15 years and above), is projected to rise from 0.72 in 2023 to 0.90 in 2050. This means that each worker will need to produce more to maintain the average standard of living per head in the working age population. The dependency ratio is predicted to rise because of a projected decline of the region's aggregate labour force participation rate from 60.9 per cent in 2023 to 54.9 per cent in 2050. This fall is driven mainly by a growing proportion of older people, who tend to have much lower labour force participation rates.

Despite ageing populations, the region should be able to achieve continued growth of income per capita over the coming decades if strong productivity growth can be maintained. Average growth of GDP per worker in the region between 2000 and 2023 was 10 times greater than the projected loss of growth of GDP per capita due to the rising dependency ratio of adults. Nevertheless, only three of the emerging and developing economies in the region are on track to achieve high-income status by 2050, with a further seven requiring a modest increase in productivity growth rates and more than half of the economies requiring a large increase.

While the region has a large pool of workers who are ready to take up better jobs at higher productivity and pay, structural barriers and a lack of training opportunities could cause labour shortages, at least in certain sectors. Enterprises in multiple countries and sectors already face difficulties filling vacancies, and those could increase with population ageing. For example, the region's demand for long-term care workers is projected to double to 90 million between 2023 and 2050. Yet labour productivity in emerging economies in Asia and the Pacific stands at less than a third of that in high-income countries in many sectors, showcasing the large potential for efficiency and income gains. Undereducation is a problem, with 34 per cent of workers having too low a level of education for their occupation in the region, compared to only 18 per cent in high-income countries. The ability of workers to transition to jobs of higher productivity, quality and pay is vital for a structural transformation towards higher value-added activities to succeed, and not face labour shortages along the way. Such an endeavour needs to be supported by social dialogue; workers, employers and governments need to work together to set out the way forward.

As the average age of the labour force increases, the prospects for older workers in the labour market will need to improve. Older workers are considered a vulnerable

group, meaning that in competitive labour markets their labour market prospects are lower along the dimensions of decent work. The latest available data shows that, on average, older workers are in employment types associated with lower job quality than workers aged 25 to 54 years, and that those employment types become more prevalent as cohorts become older. If older workers lose their jobs, they have difficulty finding another job of similar quality and pay. Older workers are also much less likely than their younger counterparts to be offered training by human resources departments. Age discrimination is rooted in the perception that older workers are more expensive and less productive. Yet, the image of older workers is changing, thanks to research and because businesses face the reality of an increasing need to rely on them, owing to demographic change. Improving the labour market prospects of older workers would enable them to maintain a productive and fair-paying job until the end of their career and would raise national income through better and longer utilization of older workers' productive capacity.

In many countries in the region, efforts to guarantee the right to universal and adequate pensions for older persons face the double challenge of inadequate coverage and benefits of existing pension schemes and a projected rise in the economic dependency ratio. While most older persons in Asia and the Pacific (73.5 per cent) have access to pensions or other provisions for old age, coverage rates vary widely between countries and the benefit levels of universal non-contributory schemes tend to be very low. Contributory systems are challenged by the fact that many workers earn a very low income relative to the national average, owing to the high prevalence of informal and low-productivity self-employment in the region. Population ageing will increase the financing needs of old-age pension schemes even further; the establishment of sustainable and equitable financing for national pension systems, which ensures income security for older persons is a key policy challenge in the region.

Policy considerations

Tackling existing decent work deficits is vital to advance social justice and meet the challenges posed by ageing populations. Productivity growth, reduction of income inequalities, formalization and elimination of discrimination of all kinds form key components in enlarging the contributory base and raising incomes, which increases potential contribution to pensions schemes. Removing barriers to employment, particularly for disadvantaged groups, raises the employment rate. Social protection gaps in the region need to be closed, including for old age pensions. In addition, labour and capital incomes alike should contribute to financing old-age pensions, to share the cost across society.

Social dialogue is key to tackling the challenges, which require concerted action by workers, employers and governments in multiple dimensions. Applying existing international labour standards and recommendations and implementing existing policy initiatives, such as the Global Accelerator on Jobs and Social Protection for Just Transitions, would go a long way towards advancing social justice in the region. The Singapore Statement, adopted at the 17th Asia and the Pacific Regional Meeting in December 2022, accentuates the commitment by ILO Constituents to address the persistence of decent work deficits in the region.

1 Key labour market trends in Asia and the Pacific

Key findings

- Against a backdrop of relatively subdued economic growth, the labour market in Asia and the Pacific is projected to be quite stable, with employment growing at its long-term average rate and the unemployment rate remaining nearly unchanged.
- Employment rates for women are much lower than for men, especially in certain parts of the region. Gender inequalities are already present among young people, with young women almost three times more likely not to be in employment, education or training (NEET) than young men.
- The region's unemployment rate (4.2 per cent in 2023) and jobs gap rate (7.9 per cent in 2023) are low in global comparison. This corresponds to 88.5 million unemployed and 164 million persons wanting employment but not having it. Contrastingly, the region's youth unemployment rate (13.9 per cent in 2023) is problematically high.
- Tackling widespread decent work deficits requires stronger labour market performance than has been observed. Progress in reducing informality is very slow, and in some subregions, over recent years, progress to reduce working poverty has slowed.
- From 2004 to 2021, while robust productivity growth contributed to a strong average increase in labour income in the region, growth performance was unequal across countries and subregions. Furthermore, most workers in the region are still far from achieving the average labour income levels of high-income countries.
- Over the past decade, however, labour productivity and labour income growth rates have declined, compared with the previous decade. The productivity-enhancing effect of workers moving to more productive sectors is losing significance. Maintaining productivity growth overall requires revitalizing structural transformation and supporting within-sector productivity growth, for example through investment in physical and human capital and technological progress.
- Lack of job opportunities that satisfy decent work criteria, including good incomes, not only jeopardizes social justice in the region but also puts the labour market outlook at risk.

1.1 Macroeconomic background

Asia and the Pacific is a very large and diverse region, with various economic models in which growth is driven predominantly by manufacturing exports, tourism, extractive resources or domestic demand. The region includes not only the two most populous countries in the world, but also small island States that account for only a tiny fraction of the region's population. Countries in the region are at various stages of development: two economies are classified as low-income, 19 lower-middle-income, six upper-middle-income and 12 high-income.[1] In 2024, seven economies are projected to see GDP growth rates notably above their historical average, 16 around average and another 16 notably below.[2] Worryingly, half of the economies experiencing

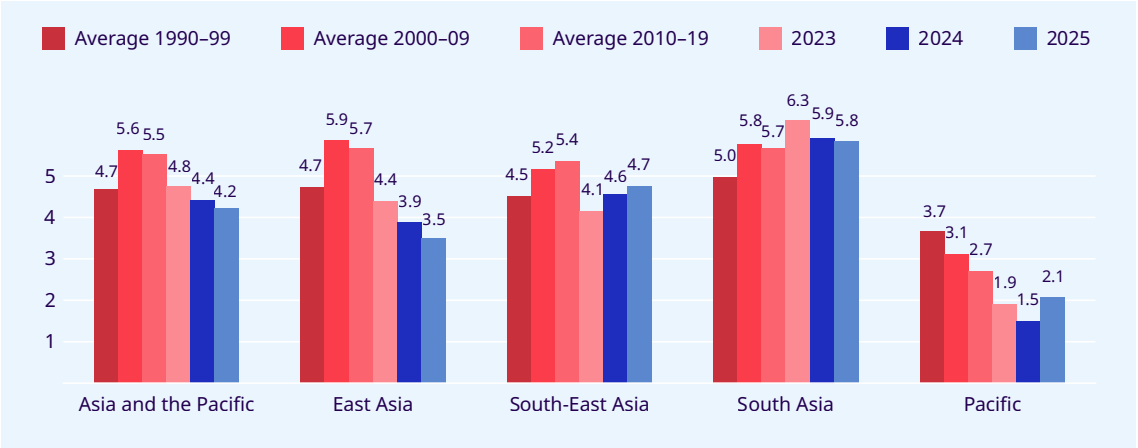
1 The income group classification used in this report is adopted from the World Bank Group country classifications by income level for the 2024 fiscal year. The report also uses the term "emerging and developing" countries to denote low- and middle-income countries.

2 The historical average is the average annual growth rate between 2000 and 2019. Notably above (below) is defined as the growth rate in 2024 being at least 20 per cent above (below) the historical average, and also at least 0.5 percentage points above (below).

lower than historical growth are low- or lower-middle-income, which does not bode well for their effort of convergence towards high-income countries, and indeed meeting the Sustainable Development Goals.

Aggregate real GDP growth for the region is projected at 4.4 per cent in 2024 and 4.2 per cent in 2025, more than 1 percentage point below the average growth rates in 2000–19 (figure 1.1). The drop in growth compared to historical averages is most pronounced in East Asia and the Pacific. South Asia, in contrast, is projected to match past growth performance and boasts the highest growth rates in the region, which is good news since more than four out of five of the region's working poor live in South Asia (table 1.2). Projected GDP growth surpasses the global aggregate of 3.1 per cent in all subregions except the Pacific, showing that growth in the region as a whole is resilient. Principal factors inhibiting a stronger performance are the slowdown in global trade growth, tight global monetary conditions, rising debt levels and a structural slowdown in China.

▶ **Figure 1.1. Real GDP growth, 1990–2025, Asia and the Pacific and subregions (per cent)**



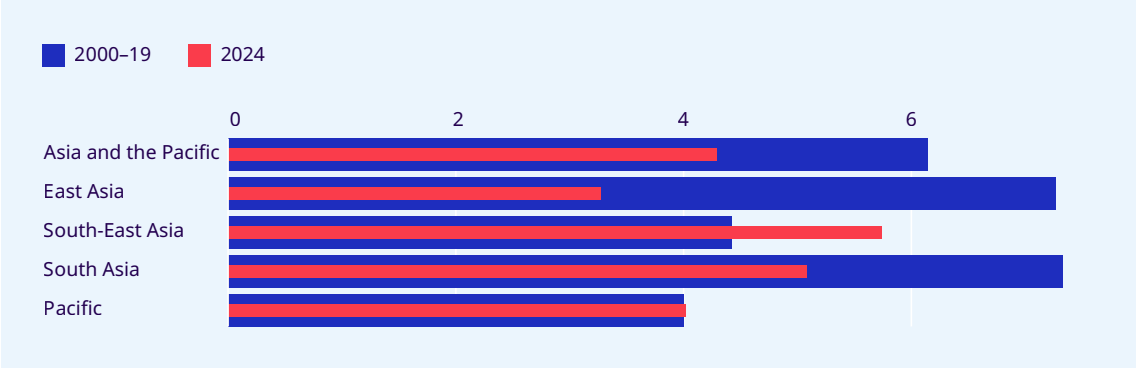
Note: GDP growth rates are aggregated using purchasing power parity exchange rates.

Source: ILO calculations based on World Bank World Development Indicators and IMF World Economic Outlook Database, April 2024.

Growth of exports of goods and services in the region is projected to be 4.3 per cent in 2024, around 1.8 percentage points below the long-term average for the period 2000–19 (figure 1.2). Export growth is well below the historical average in East Asia, but it also falls short in South Asia and the Pacific. South-East Asia bucks the trend with export growth projected to surpass the historical average, not only in 2024 but also beyond. The falling export growth in East Asia, in particular China, and the rising export growth in South-East Asia are related: global supply chains are shifting away from China towards the latter (Mackintosh 2024). Reasons for this include the rising standard of living in China, brought about by higher wages, geopolitical considerations as companies pursue a "China plus one" strategy,[3] and an improved overall attractiveness of South-East Asia for investors.

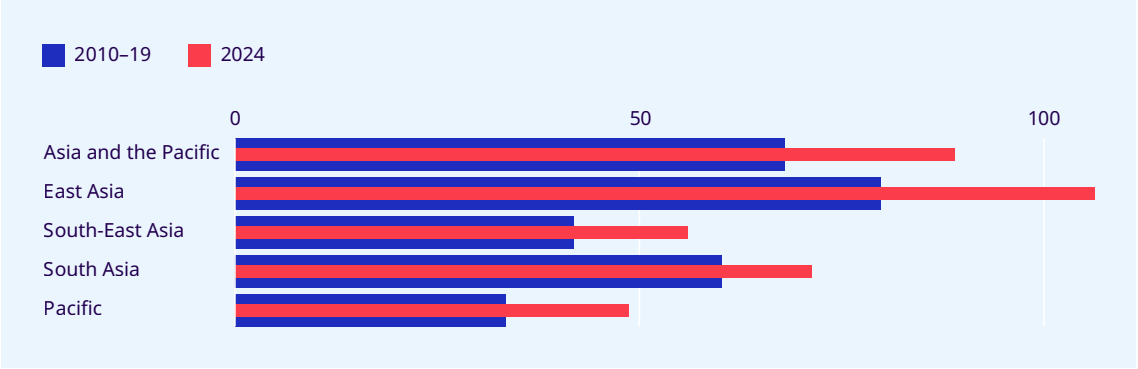
3 "China plus one" refers to the effort to reduce overreliance on a single supplier to avoid major disruptions in operations in the event that supply from that supplier becomes disrupted. Sectors such as electronics, motor vehicles and other transport equipment were highly vulnerable to supply chain disruptions during the COVID-19 pandemic (ILO 2020a). The term "China plus one" has been used by the media and business consulting firms (Madden 2023; PWC 2022).

▶ Figure 1.2. Exports of goods and services, annual growth, 2000–19 and 2024 (per cent)



Source: ILO calculations based on IMF World Economic Outlook Database, April 2024.

▶ Figure 1.3. Gross government debt as share of GDP, 2010–19 and 2024 (per cent)



Source: ILO calculations based on IMF World Economic Outlook Database, April 2024.

Despite the relatively moderate rise in inflation in most countries of the region, global monetary tightening increased borrowing costs and led to international portfolio adjustments, which also transmitted into capital markets in Asia and the Pacific (United Nations 2024). **The rising cost of capital subdued investment demand, with investment growth lagging behind GDP growth in 2023.** Expected loosening of monetary conditions in 2024 is projected to raise the share of investment in GDP, albeit slightly, in all subregions except South-East Asia. Higher interest rates also increase the debt servicing cost for governments causing potential problems in a region with gross government debt levels projected to stand 20 percentage points in 2024 above the 2010–19 average (figure 1.3). At least 11 countries in the region face, or are at high risk of, debt distress.[4] High debt servicing costs can limit governments' ability to obtain new loans, which can lead to strong fiscal tightening with a potentially severe impact on employment and incomes (box 1.1).

4 Joint debt sustainability analysis of low-income countries conducted by the World Bank Group and the IMF identifies Afghanistan, Lao People's Democratic Republic, Maldives, Marshall Islands, Micronesia, Papua New Guinea, Samoa and Tuvalu to be at high risk or in debt distress. In addition, Bangladesh and Pakistan required International Monetary Fund assistance to obtain a loan, while Sri Lanka aims to enter debt restructuring.

▶ Box 1.1. Labour market in the Sri Lankan economic crisis

Sri Lanka entered a major economic crisis in 2022. The country defaulted on loans and became unable to borrow further on international financial markets, leading to severe fiscal tightening. GDP contracted by 2 per cent over 2023, the employment-to-population ratio fell by 0.8 percentage points from 2021, and the unemployment rate rose by 1.3 percentage points. Joblessness is not the only consequence of the crisis: the informal employment rate in 2023 surpassed the 2019 level by 0.8 percentage points, after having fallen by half a percentage point per year between 2009 and 2019.

The economic situation is projected to stabilize in 2024, with inflation having come down to single digits, a slight GDP expansion and a plan to restructure debt. While this is welcome news, the speed of recovery will be insufficient to undo the damage to the labour market in terms of job numbers and, more importantly, household incomes (ILO 2023a).

In 2023, the region's tourism industry was still 35 per cent below pre-pandemic levels, by far the worst performance globally (UN Tourism 2024). Tourism arrival numbers were particularly low in North-East Asia, and relatively high in South Asia. Significant growth in tourism in the region expected in 2024, driven by spare capacity and easing of travel restrictions, could provide a significant boost to the region's economic and employment growth.

1.2 Quantity of employment

This section presents statistics on the quantity of work done, by employment and hours of work per person employed. It also presents statistics on labour supply. In this report, the term "employment" is defined as agreed by the Thirteenth International Conference of Labour Statisticians, meaning activities conducted for pay or profit or other production of goods and services, recognised as economic activity within the United Nations System of National Accounts, for example the production of goods for own use (ILO 1982).[5] All data not specifically referenced in the text is sourced from ILOSTAT.

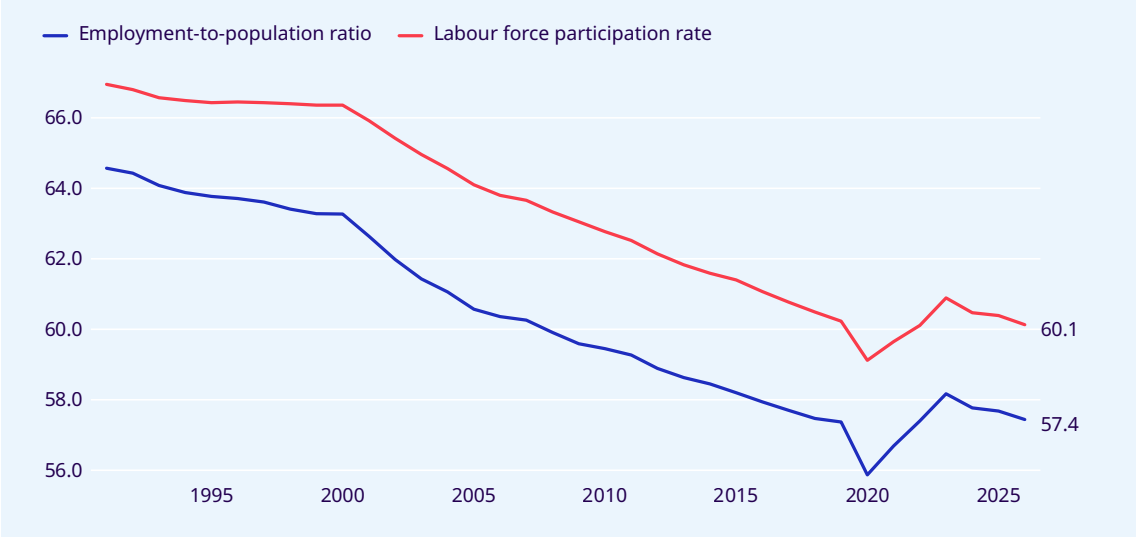
Overview

In Asia and the Pacific, the employment-to-population ratio (EPR) was 58.2 per cent in 2023, up from 57.4 per cent in 2022 (figure 1.4). This rise is entirely due to major growth in employment among Indian women. Without the figures from India, the region's EPR would have dropped by 0.2 percentage points between 2022 and 2023.[6] The EPR has an inherent downward trend, which accelerated around 2000. In 2020, employment fell further with the COVID-19 pandemic, although it subsequently recovered and by 2022 had surpassed pre-pandemic levels. Once again, this is due to strong employment gains in India; if India is excluded from the figures, the region was estimated to lag behind its pre-pandemic trend by 0.2 percentage points in 2023. The region's long-term downward EPR trend is projected to continue over coming years, reaching 57.4 per cent by 2026.

5 The standards adopted by the Thirteenth International Conference of Labour Statisticians have been superseded by standards adopted in resolution I of the Nineteenth International Conference of Labour Statisticians, which narrowed the definition of employment to include only work performed for pay or profit, with other forms of work, such as own-use production work, also being defined for separate measurement. Employment estimates based on the Thirteenth International Conference definitions are used in this report as they are currently more widely available than those based on the definition set by the Nineteenth International Conference. See also the Resolution to amend the 19th ICLS resolution concerning statistics of work, employment and labour underutilization.

6 The number of women in employment rose from 93 million in 2019 to 149 million in 2023, an increase of 60 per cent. By comparison, over the same period, employment of men rose by 12 per cent.

▶ **Figure 1.4. Employment-to-population ratio and labour force participation rate, 1991–2026, Asia and the Pacific (per cent)**



Source: ILOSTAT, ILO modelled estimates, November 2023.

The region's labour force participation rate (LFPR) fell from 67.0 per cent in 1991 to 60.9 per cent in 2023 and is projected to decline further over coming years. Increased educational attainment and ageing populations are among the main drivers. In absolute terms, however, employment levels have been steadily growing, reaching 2 billion in 2023. A further increase of around 15 million per year is projected until 2026 owing to the growing working-age population.

Labour force participation

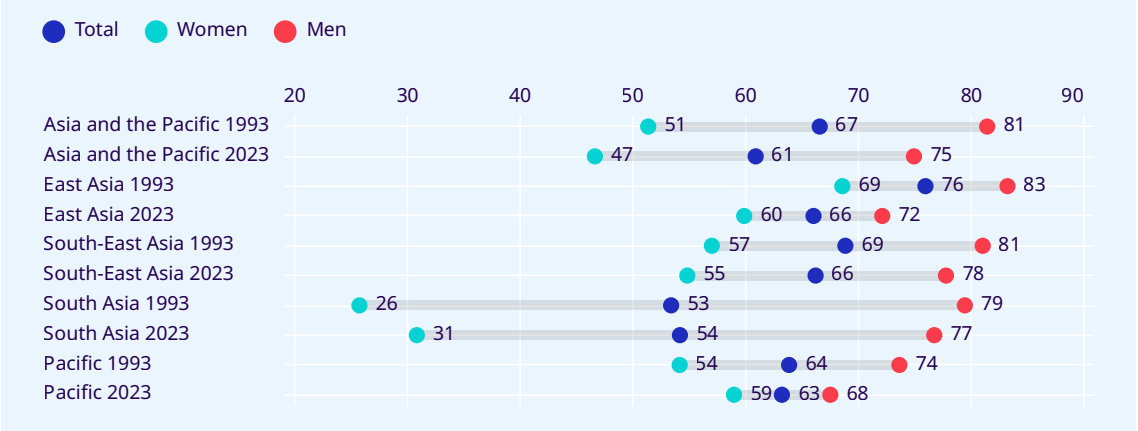
In 2023, the aggregate LFPR stood at 54 per cent in South Asia, 63 per cent the Pacific and 66 per cent in East- and South-East Asia (figure 1.5). The South-Asian aggregate LFPR is much lower than that of the other subregions due to the large gender gap: while men's LFPR, at 77 per cent, is among the highest in the region, women's LFPR was only 31 per cent in 2023. Gender gaps are smallest in the Pacific, at 9 percentage points, and in East Asia, at 12 percentage points. In 2023, the region had a gender gap of 28 percentage points. Over the past 30 years, gender gaps in LFPR have declined by 2 percentage points in the region as a whole and have declined consistently across all subregions. The largest declines have occurred in South Asia, where the gap has narrowed by 8 percentage points, and in the Pacific, by 11 percentage points. In both subregions, men's LFPR has declined, while the LFPR of women has increased.

The decline in overall LFPR in the region over the past three decades can largely be attributed to falling labour force participation among young people aged 15 to 24 years and to the ageing of the population. From 1993 to 2023, higher educational enrolment rates in the region led to labour force participation of young people dropping by 19.3 percentage points. This varied between subregions, from 23.5 percentage points in East Asia to 8.7 percentage points in the Pacific (figure 1.6).[7] The share of the population aged 65 years and above, who tend to be retired and therefore have a much lower LFPR than younger generations, has risen by 5.6

7 Section 1.3 shows trends in youth in education while not in employment. In East, South-East and South Asia, enrolment in tertiary education increased from 36 million in 2000 to 137 million in 2022 (UNESCO, n.d.)

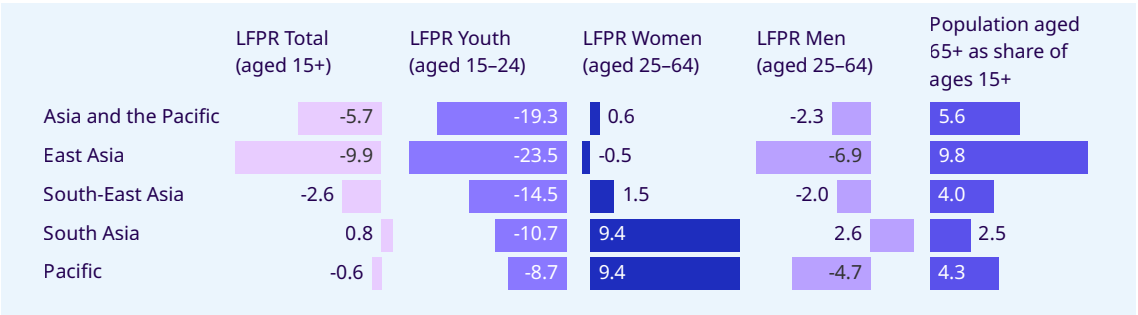
percentage points in the region, driving down the aggregate LFPR (see chapter 2 for an in-depth analysis on ageing). The older population has increased most in East Asia (plus 9.8 percentage points) and least in South Asia (plus 2.5 percentage points). While the LFPR of women aged 25 to 64 years has been quite stable in the region overall and in East- and South-East Asia, it has risen by 9.4 percentage points in South Asia and in the Pacific, countering the negative impact of declining youth LFPR and ageing population. Across all subregions, employment gender gaps in the 25 to 64 years age bracket have declined substantially over the past 30 years. Across the region, the gender gap has declined by "only" 3 percentage points, owing to composition effects.[8]

▶ Figure 1.5. Labour force participation rate by sex, in the Asia-Pacific region and subregions, 1993 and 2023 (per cent)



Source: ILOSTAT, ILO modelled estimates, November 2023.

▶ Figure 1.6. LFPR in selected demographic groups, and population aged 15 to 64 years as share of total (15+) population, change 1993–2023 (percentage points)



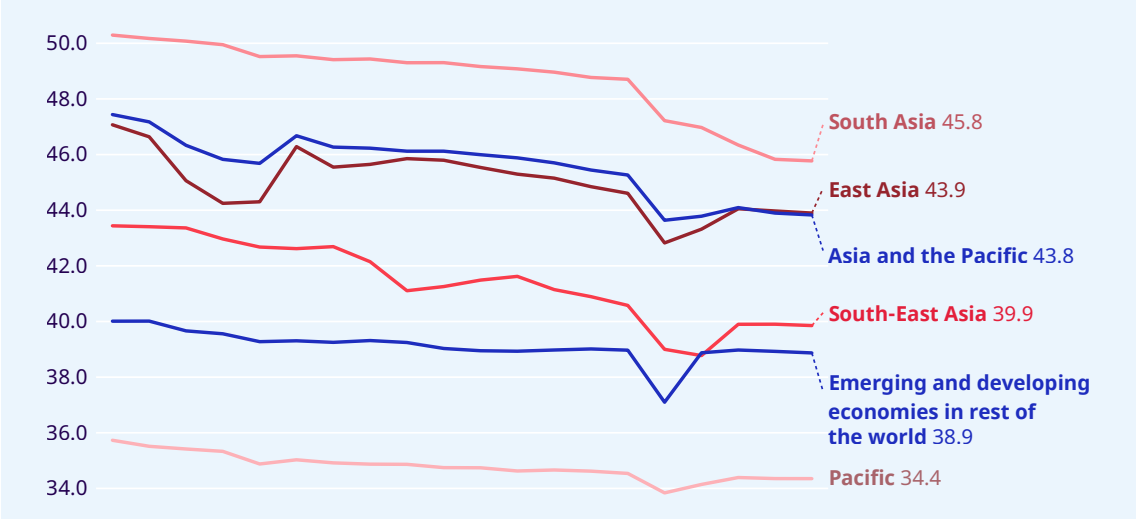
Source: ILOSTAT, ILO modelled estimates, November 2023.

8 South Asia, despite significant increases in women's LFPR, still has a low number of women in the labour force. As the subregion has grown as a share of the overall population of Asia and the Pacific, despite its own positive trends, it pulls down the region's aggregate LFPR.

Hours worked

In 2023, people in employment in Asia and the Pacific worked just under 44 hours per week, which despite coming down from 47.4 in 2005, remains the most hours worked per week among all regions globally (figure 1.7). This long-term decline can be observed in all subregions, although it has been particularly pronounced in South Asia in recent years, falling from 48.7 to 45.8 hours per week between 2019 and 2023. This drop coincides with the major expansion of women's employment in the subregion, particularly in India, suggesting that many of those new jobs are of reduced hours.[9] Despite the recent drop, South Asia still has the highest mean weekly hours, followed by East Asia (43.9 in 2023) and South-East Asia (39.9 in 2023). Workers in those subregions also work more hours than their counterparts in emerging and developing economies in the rest of the world (38.9 in 2023). The Pacific subregion features much lower mean weekly hours (34.5 in 2023), similar to those in high-income countries in the rest of the world.

▶ **Figure 1.7. Mean weekly hours worked per person employed, 2005–2024, Asia and the Pacific, by subregion**



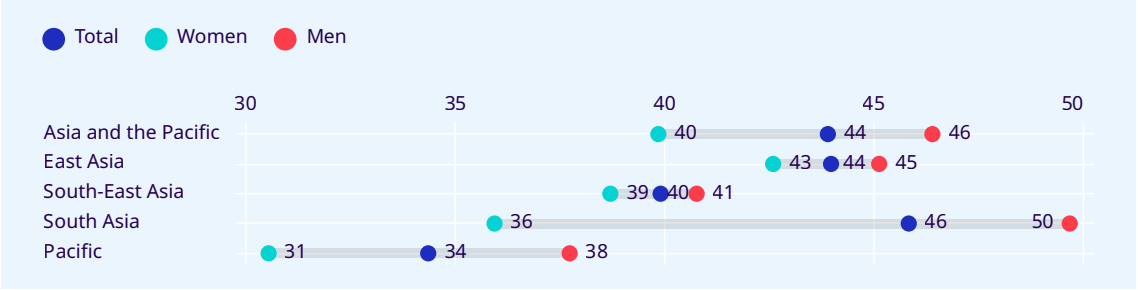
Source: ILOSTAT, ILO modelled estimates, November 2023.

While women have fewer weekly hours of work for pay or profit than men in all of the subregions (figure 1.8), they tend to spend substantially more time on unpaid work.[10] Although weekly hours worked are similar in East Asia and South-East Asia, they differ dramatically in South Asia, where, in 2023, women were working an average of 36 hours a week, which was roughly two-thirds of men's 50 working hours. In 2023, men in South Asia were working the most hours of anyone in all subregions, while women in the Pacific, at 31 hours per week, were working the least hours for pay or profit.

9 In India, the average weekly hours worked by women in employment fell from 42.4 in 2019 to 36.1 in 2023, a 15 per cent drop. The Indian labour force survey does not identify which jobs have been newly created, so it is not possible to prove that those new jobs have the shorter hours, although this is highly likely.

10 Work, as measured by labour force surveys, is for pay or profit and does not include unpaid work, such as care or domestic work. Women tend to spend a lot more time than men in unpaid work. See https://ilostat.ilo.org/millions-of-hours-spent-daily-on-unpaid-work-evidence-from-asia-and-the-pacific/ .

▶ **Figure 1.8. Mean weekly hours worked per worker, by sex, 2023**



Source: ILOSTAT, ILO modelled estimates, November 2023.

1.3 Lack of access to employment

Unemployment

In 2023, around 88.5 million people were unemployed in Asia and the Pacific, corresponding to an unemployment rate of 4.2 per cent (table 1.1). This is 0.6 percentage points lower than in 2019, and close to the rate observed in 1997. The overall unemployment rate in the region has been relatively stable over time, compared with the rest of the world.[11] The unemployment rate for the region is projected to remain unchanged in 2024 and 2025.

The apparent stability in the regional aggregate hides divergent evolutions across the subregions. The unemployment rate in East Asia stood at 4.4 per cent in 2023, up from 4.3 per cent in 2019 and 3.4 per cent in 2000 (table 1.1). Contrastingly, South Asia and the Pacific saw large declines in unemployment in 2023 compared with pre-pandemic level of 2019. Notably, the number of unemployed reduced by 7 million in South Asia between 2019 and 2023, despite a growing labour force.[12] A slight increase in unemployment rate is projected for the Pacific subregion, driven by the projected downturn for high-income countries in the region.

The Asia-Pacific region is unique in the world as unemployment among women is lower than unemployment among men.[13] The gap is substantial in East Asia: 3.9 per cent for women and 4.9 per cent for men. Unemployment rates for women and men across the region are projected to evolve in tandem over the coming years.

11 The standard deviation of the annual change in unemployment rate, a measure of stability over time, is 0.22 for Asia and the Pacific, 0.41 for emerging and developing economies in the rest of the world, and 0.74 for high-income countries in the rest of the world.

12 Had unemployment rates remained at their 2019 level in South Asia, the number of unemployed in 2023 would have surpassed the observed level by 13.2 million.

13 In emerging and developing economies in the rest of the world, women's unemployment rate is 7.4 per cent, as opposed to 5.8 per cent for men, while in high-income countries in the rest of the world, the rate of unemployment rate for women is 5.2 per cent as opposed to 4.6 per cent for men. North America is the only other ILO subregion where the rate of women's unemployment is lower than that of men.

▶ **Table 1.1. Unemployment rates and unemployment numbers, by sex and age, 2000–25, Asia and the Pacific and subregions**

		Unemployment rate (per cent)					Unemployment (millions)				
Region	Group	2000	2019	2023	2024	2025	2000	2019	2023	2024	2025
Asia and the Pacific	Total	4.6	4.8	4.2	4.2	4.2	76.0	94.5	88.5	87.8	88.5
	Women	4.1	4.3	4.0	4.0	4.0	25.5	31.6	31.7	31.4	31.6
	Men	5.0	5.1	4.4	4.3	4.3	50.6	62.9	56.8	56.4	56.9
	Youth	9.8	14.0	13.9	13.7	13.7	32.8	36.6	35.8	35.0	35.2
East Asia	Total	3.4	4.3	4.4	4.4	4.4	29.0	39.6	40.5	40.3	40.2
	Women	3.0	3.8	3.9	3.8	3.8	11.4	15.6	16.0	15.9	15.8
	Men	3.8	4.8	4.9	4.8	4.8	17.6	23.9	24.5	24.4	24.3
	Youth	7.0	10.2	14.5	14.3	14.3	10.7	9.5	12.9	12.7	12.7
South-East Asia	Total	3.9	2.4	2.5	2.5	2.5	9.6	8.0	8.7	8.6	8.6
	Women	4.0	2.3	2.4	2.4	2.3	4.1	3.2	3.5	3.4	3.4
	Men	3.8	2.5	2.6	2.6	2.5	5.5	4.8	5.3	5.2	5.2
	Youth	11.0	8.8	10.0	9.8	9.7	6.1	4.4	4.7	4.6	4.6
South Asia	Total	7.0	6.4	4.8	4.7	4.7	36.6	46.0	38.5	38.1	38.9
	Women	7.5	6.8	5.2	5.3	5.3	9.6	12.4	11.8	11.7	11.9
	Men	6.8	6.3	4.6	4.5	4.5	27.0	33.6	26.7	26.4	26.9
	Youth	12.5	19.5	15.1	14.9	14.9	15.7	22.3	18.0	17.4	17.6
Pacific	Total	5.8	4.7	3.6	3.9	3.9	0.9	1.0	0.8	0.9	0.9
	Women	5.5	4.6	3.6	3.8	3.8	0.4	0.4	0.4	0.4	0.4
	Men	6.1	4.7	3.7	3.9	4.0	0.5	0.5	0.4	0.5	0.5
	Youth	11.0	10.3	8.2	9.1	9.2	0.3	0.4	0.3	0.3	0.3

Source: ILOSTAT, ILO modelled estimates, May 2024.

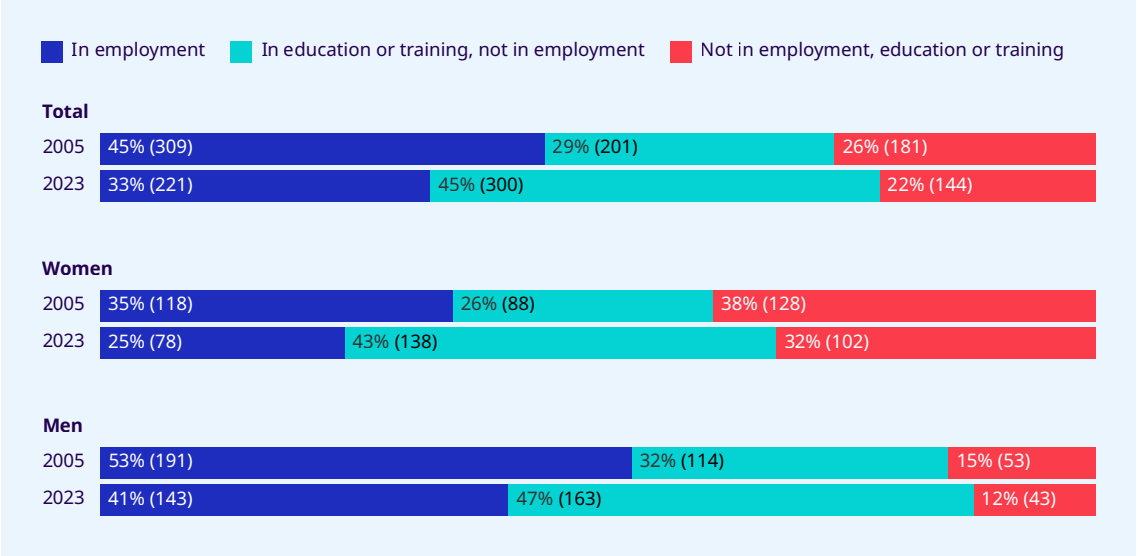
Access to employment for young people

The region's youth unemployment rate has increased dramatically over recent years to 13.9 per cent in 2023, amounting to 35.8 million young people who are not employed but who are available for work and looking for a job (table 1.1). Since 2017, the region's youth unemployment rate has been above the global average. East Asia experienced a persistent rise in youth unemployment rates, which more than doubled between 2000 and 2023. There was a dramatic rise in youth unemployment rates in South Asia between 2000 and 2019, from 12.5 per cent to 19.5 per cent, which has since fallen to 15.1 per cent. Nevertheless, those values are the highest of any subregion. Youth unemployment rates in East Asia and South-East Asia remain above pre-pandemic level; in South Asia and the Pacific they have fallen below. Youth unemployment rates are projected to rise in the Pacific, and to fall slightly in the other subregions.

Around 22 per cent of youth in the region are NEET. In 2023, this equated to 144 million young people (figure 1.9). These young people are deprived of the possibility to learn important skills, either on the job or through a formal education or training system, which lowers their future labour market prospects. While most unemployed young people are also NEET,[14] there are also many young people who are not in education but are not seeking employment.[15] NEET rates have declined from 26 per cent in 2005, with similar relative declines for men and women. Over the same period, the share of youth in education or training has increased significantly. Falling NEET rates and rising educational enrolment imply that the declining EPR between 2005 and 2023 was strongly driven by an increased availability of and capacity to engage in education and training.

In 2023, NEET rates were much higher for young women (32 per cent) than for young men (12 per cent). This shows that the factors driving gender gaps in LFPRs are already present at a young age and will likely propagate. Interestingly, the gender gap for young persons in education while not in employment is relatively small (5 percentage points in 2023), suggesting that young women are less disadvantaged in terms of access to education than access to employment.

▶ **Figure 1.9. Youth population in employment, in education or training, or not in either, by sex, 2023, Asia and the Pacific (per cent and millions)**



Notes: Youth refers to young people aged 15–24 years. Number in parenthesis shows millions. Some youth in employment are also in education or training (see ILO 2022a).

Source: ILOSTAT, ILO modelled estimates, November 2023.

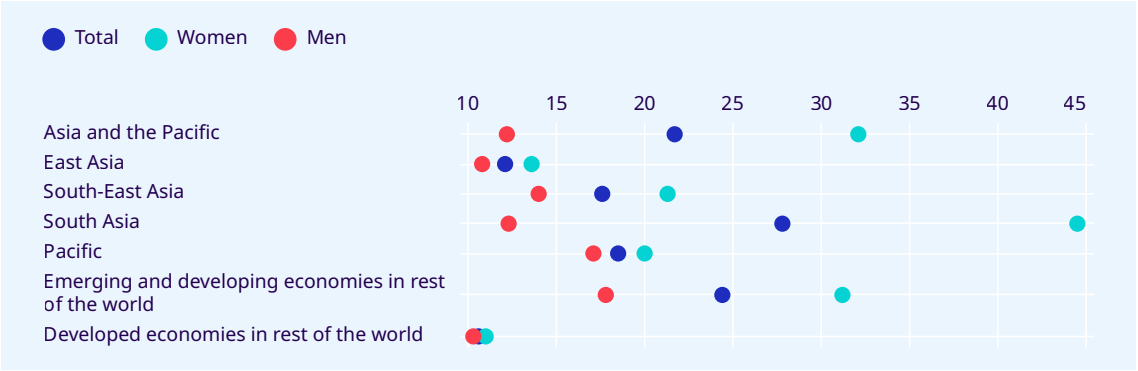
NEET rates vary widely between subregions, from 12.1 per cent in East Asia to 27.8 per cent in South Asia (figure 1.10). These large variations are driven mainly by the significant differences in women's NEET rates: 44.5 per cent in South Asia as opposed to 13.6 per cent in East Asia. Indeed, NEET rates among young men are relatively low on a global scale and quite similar in East, South-

14 The *ILO Global Employment Trends for Youth 2022* shows that, in countries with available data, an average of 20 per cent of unemployed young people are in education.

15 The labour market status "out of the labour force" is defined as not being in employment, and either not looking for a job or not being available to accept a job, or both. In practice, only a very small percentage of those out of the labour force who are looking for a job are not available to take up employment.

East and South Asia, although slightly higher in the Pacific. Aggregate NEET rates for the region are around 3 percentage points lower than those of emerging and developing economies in the rest of the world, but more than twice as high as in developed economies in the rest of the world. South Asia and South-East Asia need to tackle gender inequality to have any chance of substantially reducing NEET rates.

▶ **Figure 1.10. Share of youth not in employment, education or training, 2023, by sex (per cent)**



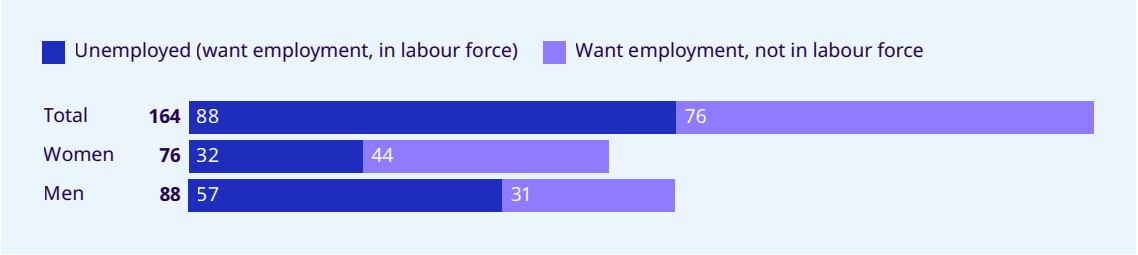
Notes: "Youth" refers to young people aged 15–24 years.

Source: ILOSTAT, ILO modelled estimates, November 2023.

Jobs gap

Unemployment only partially covers the extent of unmet employment needs in the region. In addition to the 88.5 million unemployed, there are 76 million people who want employment but are either not looking for a job, or not available to take up employment, or both (figure 1.11). These people are therefore not classed as economically active, not part of the labour force and hence not counted as unemployed. They would like to be employed but are not in the labour market for various reasons, such as discouragement or not being available to work owing to care obligations. They therefore place less immediate pressure on the labour market than the unemployed. The jobs gap, which comprises the unemployed and the economically inactive who want employment, amounted to 164 million people in the region in 2023. The jobs gap provides a broad measure of the additional jobs that could be created in an economy if the factors preventing labour market entry and job creation were eliminated.

▶ **Figure 1.11. Jobs gap and its components, by sex, 2023, Asia and the Pacific (millions)**



Notes: The bold figure left of the bars shows the total jobs gap, the sum of the two components.

Source: ILOSTAT, ILO modelled estimates, May 2024.

In Asia and the Pacific, women wanting employment have more difficulty accessing jobs than men: the jobs gap rate for women was 9.4 per cent in 2023, as opposed to 6.9 per cent for men. In absolute numbers, the jobs gap is larger for men than for women in the region: 88 million and 76 million, respectively, in 2023. Compared to men, women have a higher jobs gap and a lower unemployment rate because a much larger share of the women who wanted a job but did not have one was out of the labour force. Potential reasons for this include women being more likely to become engaged in domestic or care work when job opportunities are scarce, while men continue to actively seek employment, hence having a higher unemployment rate.

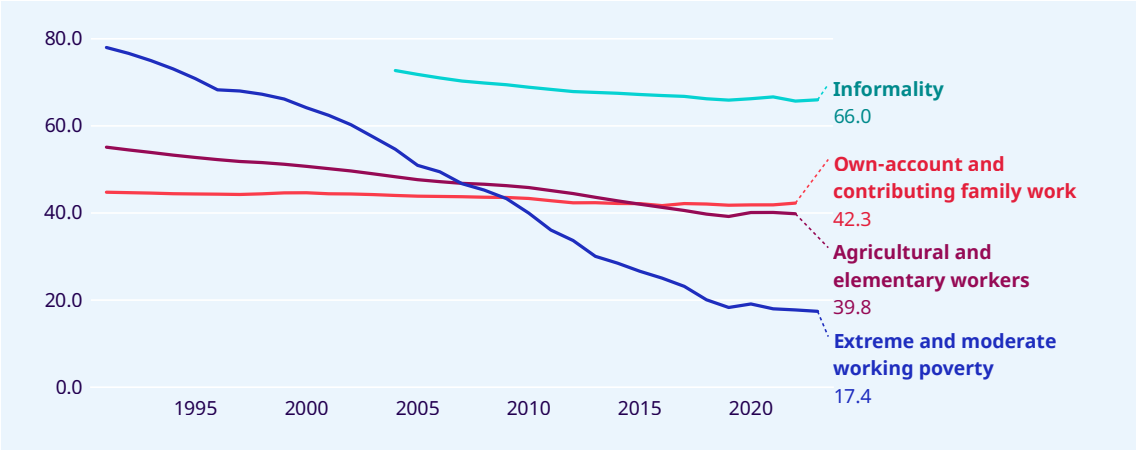
The jobs gap rate in the region is low by global comparison, in particular for women. South Asia, the subregion with the highest female jobs gap rate (12.9 per cent) still has a much lower rate than emerging and developing economies in the rest of the world (21.6 per cent in 2023). In the region as a whole and in all other subregions, the female and aggregate jobs gap rates were far less than the global averages and even less than the jobs gap in high-income countries in the rest of the world. This shows that Asia and the Pacific is doing well by global comparison with respect to providing employment opportunities for those who want employment. These indicators do not, however, say anything about types of jobs and quality of employment being provided. A lack of social protection could force people to take up any kind of activity, irrespective of working conditions or pay (ILO 2021a; ILO forthcoming a).

1.4 Quality of employment

Overview

Asia and the Pacific lacks good jobs. While incomes have been increasing, allowing many to escape extreme and moderate poverty, other indicators of job quality show much less progress. The region has made great strides in reducing working poverty over the past three decades, with the share of workers living in conditions of extreme or moderate working poverty (below US$3.65 per day in purchasing power parity (PPP) terms), falling from 78.0 per cent in 1991 to 17.4 per cent in 2023 (figure 1.12). The concurrent reduction in the share of workers who are skilled agricultural, forestry and fishery workers, including subsistence farmers, and elementary workers from 55.1 per cent to 39.8 per cent from 1991 to 2022, likely contributed to falling working poverty rates, as those jobs are typically not well paid. Nevertheless, the share of workers in skilled agricultural, forestry and fishing and elementary occupations remains high compared with high-income countries, which stands at around 12 per cent. While the proportion of informal employment in the region fell from 72.7 per cent in 2005 to 66.0 per cent in 2023, progress in reducing informal work, which often lacks rights, access to social protection and is associated with poverty, has been painstakingly slow. Own-account and contributing family work, which accounted for 42.3 per cent of labour in 2022 with minimal progress over the past 3 decades, is often associated with poor job quality. A significant proportion of own-account work comprises subsistence activities, with high rates of informality; all contributing family work is informal.

▶ **Figure 1.12. Informality, working poverty, own-account and contributing family work, agricultural and elementary occupations as a share of total employment in Asia and the Pacific, 1991–2023 (per cent)**



Note: Agricultural and elementary occupations include skilled agricultural, forestry and fishery workers (ISCO major group 6) and ISCO group 9. Workers in extreme and moderate working poverty live in households with a per-person income of less than US$3.65 per day in purchasing power parity terms.

Source: ILOSTAT, ILO modelled estimates, November 2023.

A lack of well-paid jobs of good quality can lead to outward migration, with mixed consequences for the sending country. In 2022, a total of 4.6 million persons migrated from 13 countries in Asia and the Pacific which had data available, most of whom left the region (ADBI, ILO and OECD 2023). While outward labour mobility could cause a shortage of skilled workers, it could potentially raise the skill levels of migrants and result in significant remittance inflows. In 2022, the Asia-Pacific region received US$340 billion of the world's US$794 billion total remittance flows (World Bank 2023a). Remittances accounted for more than 7 per cent of GDP in 15 countries, six of which were Pacific Island states. This highlights the importance of labour migration for the region, particularly for the Pacific Islands, where well-paying, good quality jobs are lacking (ILO 2024a). The new ILO Pacific Employment and Social Monitor, 2024 provides a detailed analysis of labour markets in the subregion, with a particular focus on island States (ILO 2024a).

Informality and social protection

In 2023, around 1.3 billion workers were in informal employment in Asia and the Pacific, corresponding to 66.0 per cent of workers. Informality rates range from 34.7 per cent in the Pacific to 87.2 per cent in South Asia. At the regional level, women's informality was 62.5 per cent, as opposed to 68.1 per cent for men. This apparent gender gap is the result of a composition effect; countries with larger gender gaps in employment tend to have higher rates of informality. Across countries, informality rates for women and men are, on average, very similar.[16] South Asia is the only subregion where the rate of informal employment among women is around 5 percentage points higher than for men.

16 The unweighted average rate of informal employment across 39 countries in the region is 55.8 per cent for both men and women.

▶ **Table 1.2. Extreme working poverty, informality, own-account work and contributing family work, by sex and age, Asia and the Pacific and subregions, 2023 (or most recent available year)**

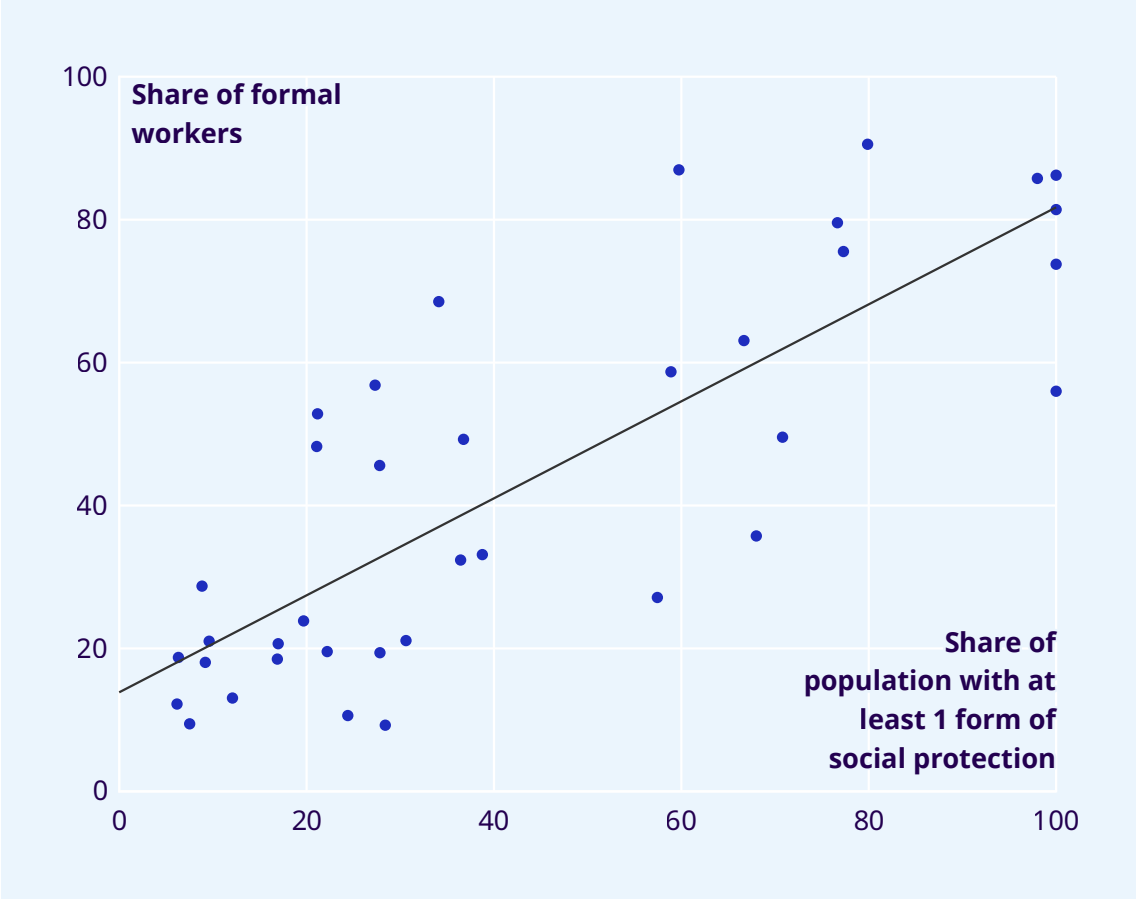
Region	Extreme working poverty (<US$2.15 per day PPP) (per cent)				Extreme working poverty (<US$2.15 per day PPP) (millions)			
	Total	Women	Men	Youth	Total	Women	Men	Youth
Asia and the Pacific	3.6	3.7	4.6	5.9	72.5	26.5	55.1	12.8
East Asia	0.4	0.3	0.3	0.7	3.1	1.3	1.5	0.6
South-East Asia	2.2	2.9	2.9	4.0	7.4	3.9	5.4	1.6
South Asia	8.0	11.7	9.3	11.1	60.9	20.8	47.7	10.3
Pacific	4.9	5.7	4.4	9.1	1.1	0.5	0.5	0.3
Region	**Informal employment (per cent)**				**Informal employment (millions)**			
	Total	Women	Men		Total	Women	Men	
Asia and the Pacific	66.0	62.5	68.1		1319.0	476.5	842.5	
East Asia	46.8	45.6	47.8		410.2	181.3	228.8	
South-East Asia	69.8	69.5	70.0		234.3	97.5	136.8	
South Asia	87.2	90.7	85.9		667.2	194.2	473.0	
Pacific	34.7	34.8	34.7		7.4	3.5	3.9	
Region	**Own-account workers (per cent)**				**Contributing family workers (per cent)**			
	Total	Women	Men	Youth	Total	Women	Men	Youth
Asia and the Pacific	39.1	30.2	44.4	21.0	12.0	20.9	6.7	24.9
East Asia	29.2	24.8	32.9	11.0	9.4	14.9	4.9	18.2
South-East Asia	34.3	32.4	35.7	12.2	13.0	20.8	7.4	25.7
South Asia	53.8	40.7	58.4	33.0	15.0	34.4	8.2	30.3
Pacific	18.8	16.4	20.9	9.8	4.1	6.1	2.3	11.6
Region	**Agricultural and elementary workers (ISCO groups 6 and 9) (per cent)**				**Share of population with at least 1 social protection benefit (per cent)**			
	Total	Women	Men		Total			
Asia and the Pacific	39.8	40.5	39.4		44.1			
East Asia	29.9	31.2	28.8		64.1			
South-East Asia	40.0	35.1	43.5		33.2			
South Asia	52.5	65.5	47.9		22.8			
Pacific	17.7	15.8	19.3		77.3			

Note: Estimates for extreme working poverty among total employment refer to 2023, while estimates for women, men and youth refer to 2021. Estimates for own-account workers, contributing family workers and agricultural and elementary workers refer to 2022. Estimates for social protection coverage refer to 2020. Estimates of status in employment are based on the International Classification of Status in Employment of 1993.

Source: ILOSTAT, ILO modelled estimates, November 2023; ILOSTAT, ILO Social Security Inquiry Database.

Informally employed are typically characterized by a high incidence of poverty and severe decent work deficits, such as lack of access to social protection (ILO 2023b).[17] Countries with a higher rate of formality tend to have a higher proportion of the population covered by at least one form of social protection (figure 1.13). Although some countries have some social protection coverage for large parts of the population while still having relatively large informal economies, no country with less than 35 per cent formal labour has social protection coverage above 60 per cent. In 2020, at the regional level, only 44.1 per cent of the population had access to at least one form of social protection. This varied at subregional level, from 22.8 per cent in South Asia to 77.3 per cent in the Pacific (ILO 2021a).

▶ **Figure 1.13. Share of formal employment and population covered by social protection, Asia and the Pacific, 2023 (or most recent available year) (per cent)**



Note: The social protection coverage estimates are for the most recent available year, no later than 2020. The solid line is the line of best fit of an ordinary least squares regression (slope 0.68, R-squared 0.65). The figure includes all countries in Asia and the Pacific listed in Appendix A.

Source: ILOSTAT, ILO modelled estimates, November 2023; ILOSTAT, Social Security Inquiry Database.

17 Employees are identified as informal when their employer does not contribute to social protection systems on their behalf.

Working poverty

In 2023, 72.5 million workers in Asia and the Pacific were living in extreme poverty, having a household income of less than US$2.15 in PPP per person (table 1.2). This corresponds to 3.6 per cent of all workers in the region, which is a significant improvement over the past 3 decades. More than four out of five workers living in extreme poverty in the region lived in South Asia, the subregion with the highest incidence of working poverty (8.0 per cent). This means that any further meaningful progress in reducing working poverty across the region can only occur through substantive progress in South Asia. China will not continue to be a main driver of poverty reduction in the region (or globally) as its extreme working poverty rates are close to zero.

In 2021, women's working poverty rates were at least as high as men's in all subregions, with South Asia featuring the largest gender gap (2.4 percentage points). For the region overall, however, the working poverty rate for women is lower than for men owing to the same composition effect that is present in informality: the large gender gap in employment in South Asia lowers the share of women working in a region of higher poverty. Young people have a notably higher rate of extreme working poverty at the regional aggregate (5.9 per cent in 2021) and in all subregions. The greater need for young people living in poor households to commence employment rather than continuing education could be a reason why young people from poor households are over-represented among the employed youth. Young people who do not face poverty enter the labour market at a later stage. This phenomenon could perpetuate and even exacerbate inequalities to the next generation.

Occupation, status and economic activity

The share of workers who have skilled agricultural, forestry or fishery occupations and elementary occupations ranges from 17.7 per cent in the Pacific to 52.5 per cent in South Asia (table 1.2). Those occupations include subsistence farming activities and farm day labourers, which tend to have low incomes and are generally not categorized as decent work.[18] Improved working conditions could result in a drop in the employment share in those occupations. While women and men are almost equally likely to be in those occupations at the regional level, there are significant variations across the subregions. The number of women in those occupations is much higher than men in South Asia, but much lower in South-East Asia.

In 2022, own-account and contributing family work still was the dominant status in employment at the regional level (51.1 per cent) and in South Asia (68.8 per cent) (table 1.2). In most parts of the region, those workers are more likely to be informal and to live in poverty (ILO 2009). While employees can also face significant economic risk, work in informal employment relationships and have precarious jobs, high incidence of own-account and contributing family work remains a significant indicator of deficient employment quality.

A large gender gap exists within these employment statuses, with women being 14 percentage points more likely than men to be contributing family workers but 14 percentage points less likely to be own-account workers (table 1.2). This highlights a fundamental difference in women's role in labour markets and societies in the region; they are much less likely to be running the business

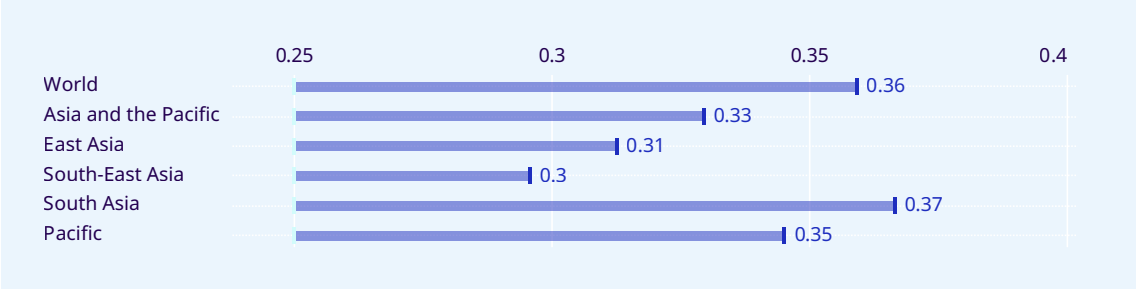
18 On average, across 27 countries in the region with available data, the mean monthly earnings of employees in subsistence farming and farm day labour are 68 per cent of the national average. While subsistence farmers are self-employed, they are unlikely to have higher earnings than wage workers in those occupations.

and more likely to be delegated a contribution role.[19] In South and South-East Asia women face a disproportionately high incidence of contributing family work, making them also much less likely than men to be employees.[20]

Some economic activities (sectors) have a higher prevalence of labour market indicators commonly related to decent work (formal employment arrangements, occupations of high skill or higher pay) than others (ILO 2022b). Asia and the Pacific has also seen progress in respect of quality of work owing to its structural transformation. Yet, more remains to be done, and a sectoral approach can support this (ILO 2022b).

Given the relationship between economic activities and decent work, gender equality will also depend on the sectoral segregation of employment between men and women. Compared to the rest of the world, countries in Asia and the Pacific have, on average, a more equal employment structure for men and women, as measured by the index of dissimilarity (figure 1.14). South-East Asia in particular stands out as having a relatively low index of dissimilarity (0.30), compared to the global average (0.36). Sectoral segregation by sex increased by 0.03 points (10 per cent) in the region between 1991 and 2021, which could potentially also widen gender inequality in relation to working conditions.

▶ **Figure 1.14. Index of dissimilarity of employment between men and women by economic activity, 2021**



Note: The index of dissimilarity is defined as half the sum of absolute differences in employment shares of women and men across 43 economic activities (at the one- or two-digit level of the International Standard Industrial Classification of All Economic Activities (ISIC), Rev.4). The index is calculated for each country; the unweighted average across countries within each region is displayed in the figure. The lower the value, the more equal the employment distribution across sectors for men and women; a value of zero therefore indicates full equality, while a value of one indicates full segregation.

Source: ILO calculations based on ILO estimates of employment in 43 economic activities (ILO 2022b, Appendix 2).

1.5 Labour productivity and labour income

Between 2004 and 2021, average labour income per worker in the region has increased from around US$7,700 PPP per year to around US$15,700 (figure 1.15). Labour incomes include wages and the part of income of self-employed workers that can be attributed to their labour input.[21] The largest increase, in both absolute and relative terms, was observed in East Asia, rising from 8,400 to 20,500. South-East Asia and

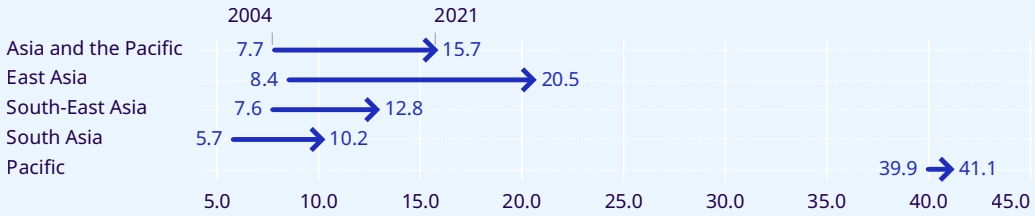
19 In 2022, the proportion of self-employed workers running businesses with employees (employers) was 4.1 per cent for men and 1.7 per cent for women in the region, a significant gender gap in relative terms.

20 At the global level, the share of women in wage employment is 2 percentage points higher than the share of men. In Sout East Asia the share is 8 percentage points lower, and 5 percentage points lower in South Asia.

21 Labour income is the part of national income, derived from labour as opposed to capital. Labour income comprises wage income (compensation of employees in national accounts) and the share of mixed incomes of the self-employed that can be attributed to labour inputs. The ILO has developed a methodology to estimate the labour income of the self-employed and thus the adjusted labour income share of an economy, which is multiplied by GDP to derive labour income (ILO 2019a).

South Asia saw similar increases of around 4,000–5,000. The Pacific subregion, which is dominated by Australia and New Zealand, saw the smallest increase, but its level (41,100 in 2021) is much higher than other subregions.

▶ **Figure 1.15. Labour income per worker, 2004 and 2021 (US$ thousands PPP)**

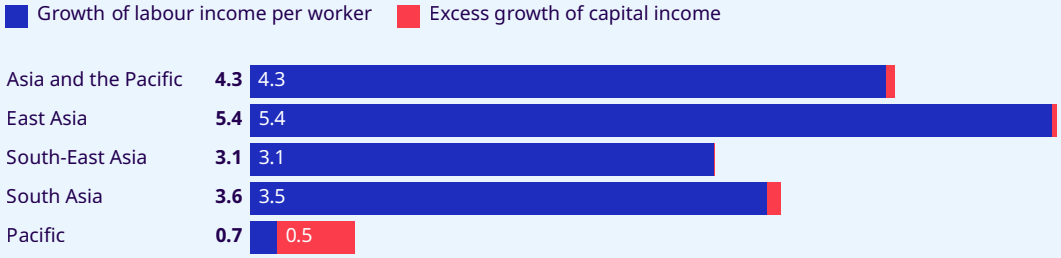


Note: Labour incomes are derived by multiplying the adjusted labour income share with GDP at PPP exchange rates.

Source: ILOSTAT, ILO modelled estimates, November 2023.

Labour income per worker grew at an annual rate of 4.3 per cent in Asia and the Pacific between 2004 and 2021 (figure 1.16). Growth has been strongest in East Asia, followed by South Asia and South-East Asia. While in 2004, labour income per worker was similar in East and South-East Asia, by 2021 a large gap had opened between the two subregions. Despite the sizable growth, most workers are still far from earning the average labour income earned by workers in high-income countries. Average incomes in South-East Asia and South Asia, which account for almost 60 per cent of the region's population, are less than a third of those in the Pacific and, at current growth rates, would take around 40 years to reach the average income level of the Pacific from 2021.

▶ **Figure 1.16. Average annual growth of GDP per worker, and decomposition into growth of labour income and excess growth of capital income, 2004–21 (per cent)**



Notes: The numbers in front of the bars show the average annual growth rate of GDP per worker. Excess growth of capital income implies a falling labour income share.

Source: ILO calculations based on ILOSTAT, ILO modelled estimates, November 2023.

A falling labour share of income, from 52.6 per cent in 2004 to 52.1 per cent in 2021, caused labour income growth to fall behind labour productivity growth (figure 1.16). The effect of this is minor, however, in all subregions except the Pacific, where labour income growth amounted to less than half of growth of labour productivity as measured by GDP per worker.[22] Capital income grew by more than it would have, had the shares of labour and capital in national income remained unchanged. The falling labour income share has accumulated to equate to losses of labour income of 0.5 per cent in East Asia and 1.5 per cent in South-East Asia over the past 17 years.

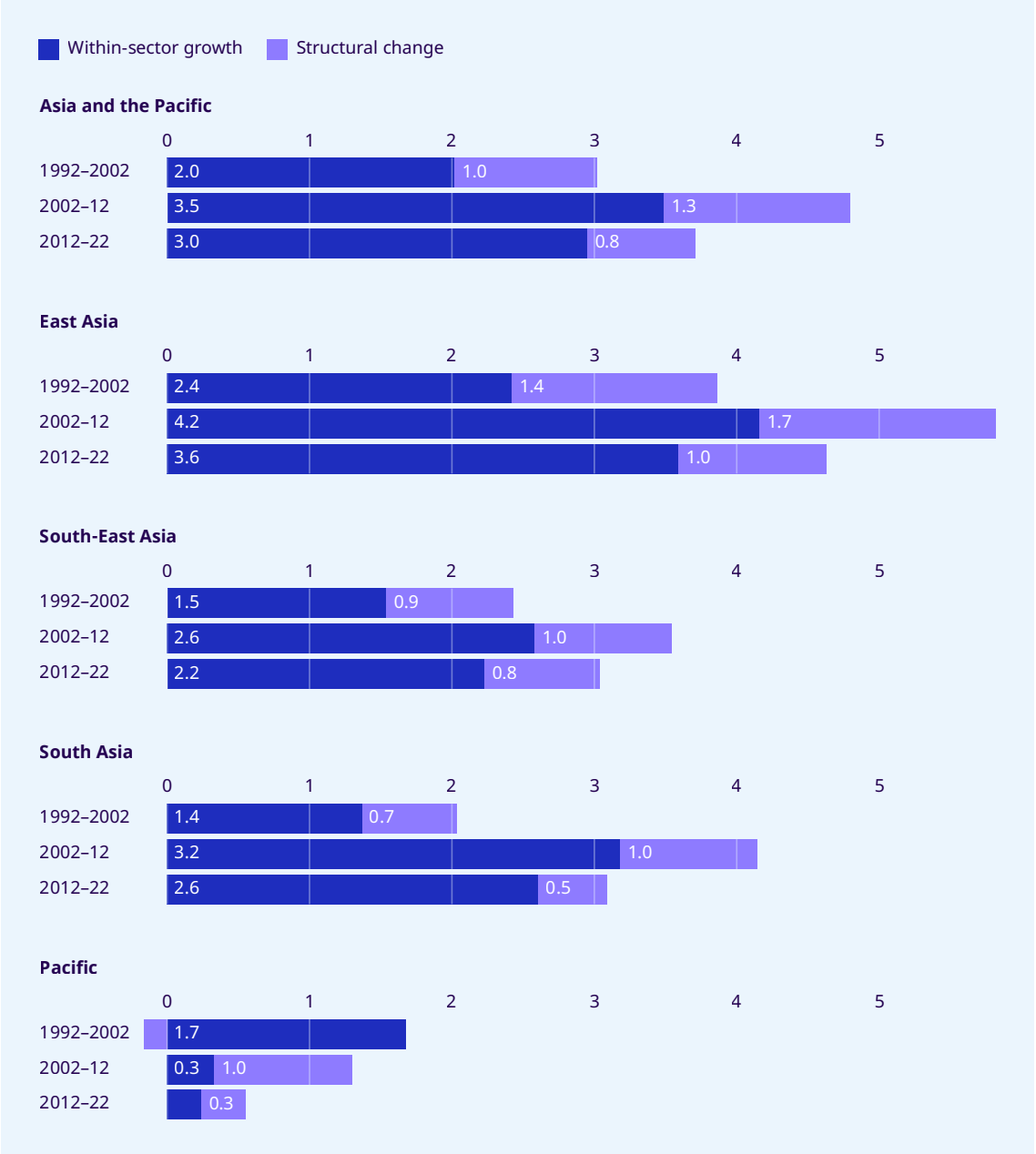
Using GDP per hour worked as a measure of labour productivity for the period 2005–23 gives a higher annual growth rate (4.4 per cent) than the measure of GDP per worker (4.0 per cent) for the same period.[23] Declining hours worked per worker (see figure 1.7) lowered GDP growth per worker by between 0.4 and 0.5 percentage points across all subregions. While there is some evidence that hourly productivity per worker increases when the number of hours worked declines, the trends seen in the region could also be driven by technological progress increasing productivity (Collewet and Sauermann 2017). Therefore, the lower hours do not translate directly into lower GDP. The following analysis takes GDP per worker as a measure for labour productivity since adequate data on hours worked are not available.

Labour productivity growth has declined significantly in the region over the decade 2012–22 (from 4.8 per cent to 3.8 per cent per year) compared to the previous decade (figure 1.17). This shows that the region is not immune to the worldwide observed trend of declining productivity growth rates (ILO 2023c). Nevertheless, labour productivity growth in the period 2012–22 was still higher than in the decade 1992–2002 in all subregions except the Pacific.

Compared with the previous decade, over the past 10 years, structural change as a driver of productivity growth has lost importance relative to productivity growth within economic sectors. This is evidenced by the larger relative fall of the contribution of structural change to overall productivity growth between the periods 2002–12 and 2012–22, as opposed to the contribution of within-sector growth (figure 1.17).[24] This means that productivity growth now relies more on productivity improvements in existing activities, rather than the movement of workers into sectors of higher productivity. Revitalizing productivity growth requires renewed efforts towards productivity-enhancing structural transformation, as well as fostering within-sector productivity-enhancing measures, such as investment into human and physical capital, technological progress and institutions of work.

22 An extensive description of productivity measures is provided in Fedi and El Hadj (2024).
23 Global and regional estimates of hours worked are only available from 2005. The relatively short timeframe for which data is available makes GDP per hour worked less suited to analyse long-term trends in labour productivity.
24 A detailed analysis of the relationship between productivity growth and structural change in Asia-Pacific countries with special needs is presented in UNESCAP (2024).

▶ Figure 1.17. Annual growth of GDP per worker and contribution of within-sector productivity growth and structural transformation, 1992–2022 (per cent)



Note: The figure shows a shift-share decomposition of labour productivity growth, which identifies the contribution of productivity growth within sectors and the contribution of employment shifting across sectors. The effect labelled "structural change" is the combined static and dynamic effect as described in OECD (2018), chapter 1, box 1.1. The sectors used for decomposition are agriculture (ISIC Rev 3.1 A and B); mining and utilities (ISIC C and E); manufacturing (ISIC D); construction (ISIC F); wholesale and retail trade, restaurants and hotels (ISIC G-H); transport, storage and communication (ISIC I) and remaining activities (ISIC J-P). Were a more detailed sectoral breakdown available to conduct the analysis, it would likely show a larger contribution of the structural change component (as in ILO 2022b).

Source: ILO calculations based on ILOSTAT, ILO modelled estimates, November 2023; United Nations Statistics Division estimates of national accounts, December 2023.

1.6 Risks to the outlook

The region's economic outlook faces the same upside and downside risks as the global economic outlook, although of varying potential impact. Upside risks include faster disinflation leading to earlier loosening of monetary policy, a slower-than-anticipated withdrawal of fiscal support, a faster economic recovery in China and unexpected productivity boosts from artificial intelligence (AI) and improvement in investment conditions (IMF 2024). Downside risks include commodity price spikes amid geopolitical tensions and extreme weather events, higher persistence of core inflation leading to a tighter monetary policy, faltering growth in China and a disruptive turn to fiscal consolidation (IMF 2024).

Risks particularly relevant to labour markets and people's livelihoods in the region are major fiscal contractions and rapid technological change, including faster adoption of AI. Given high debt levels in the region, continued monetary tightening in high-income countries could have significant negative overspill, by raising the risk of debt distress even further, potentially leading to severe fiscal tightening. This in turn would lead to cuts in social spending and public sector employment. In contrast, monetary loosening could provide relief. Rapid technological change, including faster adoption of AI, is a double-edged sword for the region: while it could raise the income of workers whose productivity increases, it could also lead to the loss of relatively good quality jobs, such as clerical occupations and jobs in the IT sector (ILO 2022b). Such job losses could be caused by displacement of workers in the region and shifting supply chains towards suppliers in high-income countries using AI rather than relying on a back office in a country with lower labour costs (Parkin and Kay 2024).

The lack of job opportunities satisfying decent work criteria, including good income, not only jeopardizes social justice in the region, but it is also a risk factor for the labour market outlook. Rising incomes would reinforce domestic demand also for more sophisticated products and services, leading to a virtuous cycle of technological upgrading, rising productivity, and rising incomes. Tackling informality and improving opportunities for investment, not only in capital but also in people, is therefore paramount to improve the outlook and lower threats to it, for instance by reducing reliance on export demand.

2 Population ageing: trends and challenges in Asia and the Pacific

Key findings

- Asia and the Pacific is the region with the fastest-ageing population in the world.
- The populations of emerging and developing economies in the region will age by as much over the next 27 years as the populations of developed economies in the rest of the world have aged over the past 60 years, while not yet having the institutions or the income level that developed economies had.
- The labour force participation rate is projected to fall from 61 per cent in 2023 to 55 per cent in 2050 owing to the rapidly increasing number of people aged 65 years and above as a share of the total population.
- The economic dependency ratio of persons aged 15 and over is projected to rise to 0.90 by 2050, which will translate as almost one dependent per employed person in the region.
- Ageing will lower GDP per capita growth by 0.2 percentage points per year compared with the period 2000–23. This drag will have to be redressed by higher productivity growth if GDP per capita growth rates are to be maintained. In most countries, the demographic drag on growth is relatively little compared to historically achieved growth rates.
- Unless a major acceleration of labour productivity growth is realized, most countries in the region will fail to achieve high-income status by 2050.
- In most countries in the region, current and looming labour shortages are the result of misallocation of productive resources. The region still has huge potential for upskilling, productivity improvements and efficiency gains, which can alleviate demographic pressures on the labour market.
- Ageing will drive a major increase in demand for health workers and care workers. The required number of long-term care workers will double to 90 million by 2050. However, unmet care demand is more likely to be rooted in a lack of funding than a lack of potential workers.
- Declining prospects for good quality employment with good incomes for older workers, stemming from age discrimination, creates a challenge to maintain productive labour market attachment of older workers that is needed to counter the demographic pressure.
- A lack of coverage and adequacy of pension schemes, coupled with high income inequality, mean that many workers will likely not receive an adequate old-age pension sufficient to escape poverty. Further investments into social protection schemes are necessary. Reducing decent work deficits and raising labour incomes represents a key component to sustainably finance adequate social protection schemes.

2.1 Introduction

Around the world, countries are experiencing population ageing; Asia and the Pacific is no different. The population ages when birth rates decline or life expectancy increases. There have been significant changes in both of those factors in large parts of Asia and the Pacific over recent decades. While Japan's large proportion of older people is well known, several other countries in the region are also experiencing rapid ageing. Indeed, the speed at which populations in Asia and the Pacific are ageing is alarming, giving those countries much less time than high-income countries in the rest of the world had (and still have) to adapt to the implications and find solutions to the associated challenges. This makes ageing a pressing issue in the region, for which States need to start preparing sooner rather than later.

Ageing causes major shifts in the age structure of the population and by extension in the age structure of the labour force. The latter is also affected by LFPR trends for different age groups. In general, ageing populations mean that older workers, who have different characteristics and requirements than younger workers, become more prevalent in the labour force. The first part of this chapter presents trends in the age structure of the population and the labour force.

An ageing population increases the share of older persons in the population and in the labour force, which causes multiple challenges for labour markets, its institutions and social protection systems. These can be summed up in three fundamental questions:

1. Can economies produce enough goods and services to maintain and raise the average standard of living when the economically active share of the population is shrinking?
2. Can the blow to the economic dependency ratio be cushioned by raising labour market attachment, for instance of older workers and women?
3. Can adequate incomes be provided for an ever larger economically dependent population that is not living in households with an income from economic activity?

While the theoretical answer to these questions is a resounding yes, achieving those objectives given political, economic and human constraints while advancing social justice is a formidable resource allocation challenge – for financial and productive resources alike.

The second part of this chapter explores four major challenges that arise from ageing, three of which relate to the first two questions, and one to the third question. First, the old age economic dependency ratio – the relation of those not active in the labour market due to old age to those active in the labour market – increases.[25] This requires an ever-shrinking share of the population to produce sufficient output to maintain, or increase, the standard of living per capita. This is a serious labour supply and productivity challenge. In addition, older workers, who will become much more important for economic growth, face multiple disadvantages in the labour market, which creates a challenge for ageing with decent work in productive employment. Finally, a rising dependency ratio requires a functioning redistribution (through social protection schemes) so that the retired population can escape poverty. This constitutes a distribution challenge.

25 The declining number of children in relation to the total active population lowers the total economic dependency ratio, which can create a demographic dividend. This chapter looks mostly at the working-age population aged 15 and older, and the consequences of its trends.

2.2 Trends

2.2.1 Demographic changes

The ratio of the population aged 65 and above to those aged 15 to 64 is rising faster in Asia and the Pacific than in the rest of the world (Figure 2.1). In 2023, developed economies in Asia and the Pacific[26] already faced a much higher old-age dependency ratio[27] than developed economies in the rest of the world (0.38 and 0.29, respectively). By 2050, those ratios are projected to increase to 0.66 and 0.45, respectively. Emerging and developing economies in Asia and the Pacific saw a moderate age dependency ratio of 0.14 in 2023, compared to 0.10 in the rest of the world. In Asia and the Pacific, however, that ratio is projected to double to 0.29 by 2050. This is just above the ratio that developed economies in the rest of the world were experiencing in 2023. In contrast, emerging and developing economies in the rest of the world will continue to face only a relatively low age dependency ratio of 0.16 by 2050.

▶ **Figure 2.1. Old-age dependency ratio, 2023 and 2050, by income group**

Notes: Emerging and developing economies comprise low- and middle-income countries. The income grouping aggregates for 2050 are based on the World Bank income classifications of 2023. It is possible that more countries from the region will have reached "high-income" status by 2050.

Source: ILO calculations based on UN DESA Population Projections.

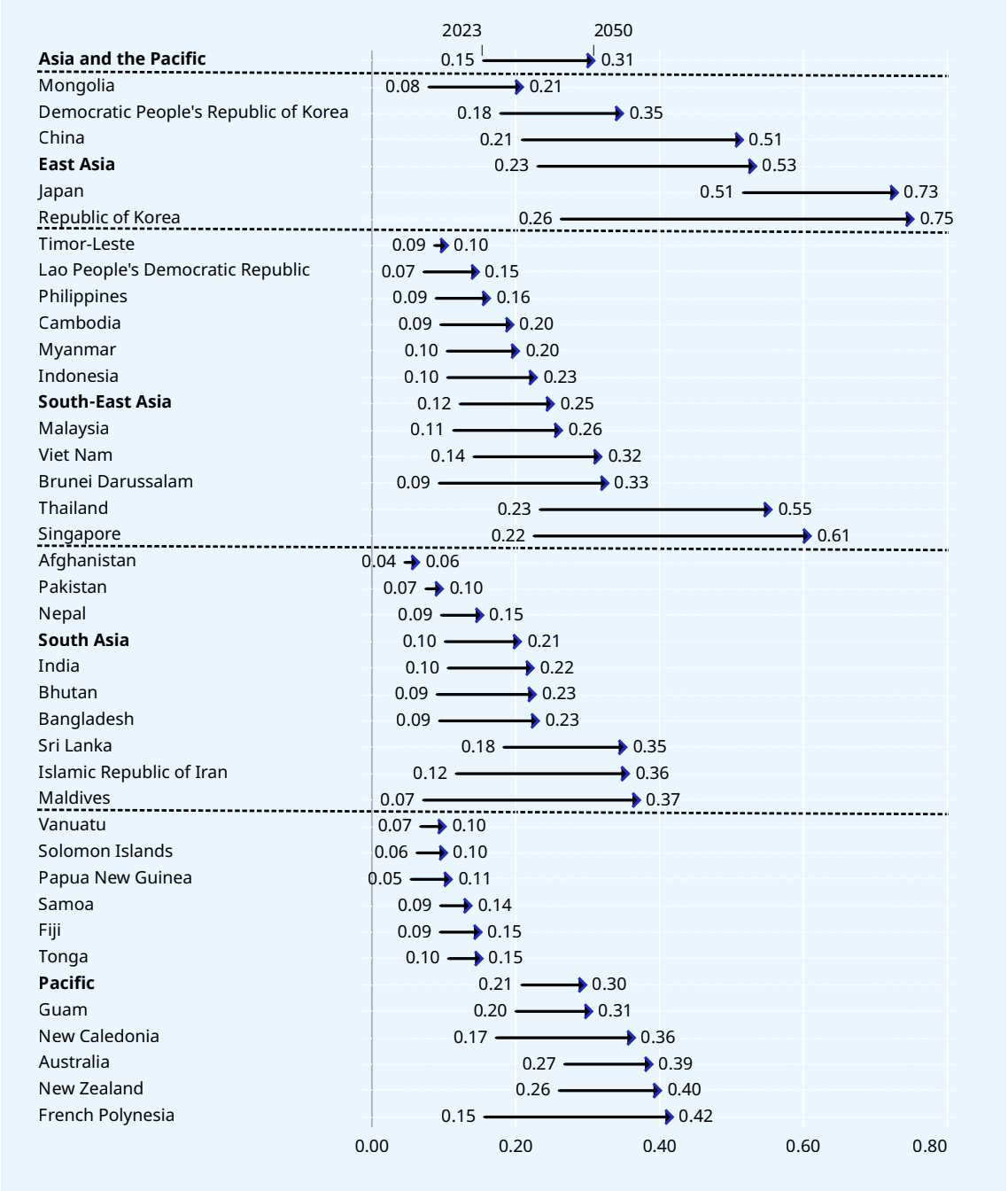
By 2050, old-age dependency ratios are projected to be highest in East Asia (0.53) and in some countries of South-East Asia (Figure 2.2). The Pacific subregion is projected to see an old-age dependency ratio of 0.30, followed by South-East Asia (0.25) and South Asia (0.21). The Republic of Korea will have the most dramatic demographic change of all countries globally, with its old-age dependency ratio projected to climb to 0.75 by 2050, which will be the highest in the world. That increase will be the largest in the world, up from 0.26 in a timespan of only 27 years. Japan is projected to reach a similar old-age dependency ratio in 2050; it already had the world's highest ratio (0.51) in 2023. China also has a rapidly ageing society, which is driving up regional aggregates due to the country's size. Thailand and Singapore are both projected to see old-age dependency ratios above 0.5 in 2050, more than doubling from their 2023 levels.

The speed at which populations are ageing in Asia and the Pacific is alarming. It took 60 years for the age structure in developed economies in the rest of the world to change to the degree that is projected for Asia and the Pacific over the next 27 years. The region as a whole and 16 individual countries in the region are projected to experience old-age dependency ratios in 2050 that surpass current levels in developed economies in the rest of the

26 In 2023, the population of Japan accounted for 60 per cent of the population of high-income countries in Asia and the Pacific.
27 For the purposes of brevity, the term "old-age dependency ratio" is used to denote the ratio of the population aged 65 and above to those aged 15 to 64.

world (0.28 in 2023). This means that economies, labour markets, social security systems and societies in general will have much less time to adapt to the change in circumstances than their global counterparts that are already navigating the challenges related to ageing populations.

▶ **Figure 2.2. Old-age dependency ratio, 2023 and 2050, countries and subregions in Asia and the Pacific**

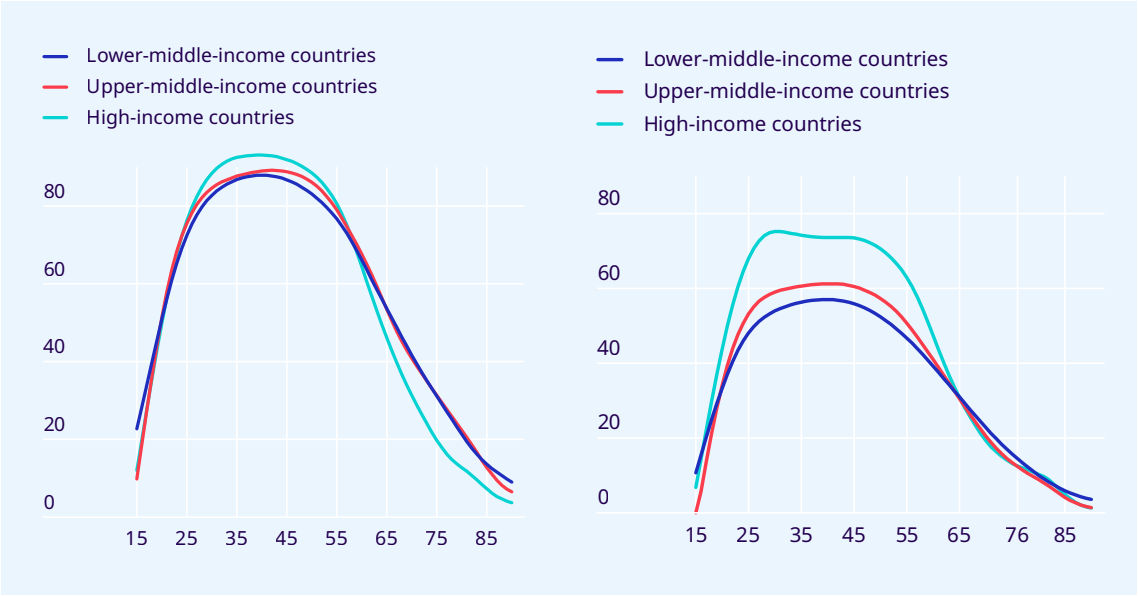


Source: ILO calculations based on UN DESA Population Projections.

2.2.2 Labour force and economic dependency ratio

As people get older, they become less likely to be economically active (meaning no longer part of the labour force) (figure 2.3). Therefore, an ageing population raises the economic dependency ratio (the ratio of those aged 15 years and above who are not employed to those who are employed).[28] The LFPR declines rapidly from the age of 55 years both for men and for women as they enter retirement. While some retirees receive a retirement income, others will depend on their family or other social structures for support. The latter group does not necessarily stop working altogether but might instead conduct activities in the household that do not constitute employment, with the younger generation attempting to earn a living on the labour market. The LFPR of men in high-income countries declines faster with age than in middle-income countries. On average, women in middle-income countries included in the sample tended to have a lower LFPR at prime age than women in high-income countries, while that difference disappears after the age of 65. In high-income countries, there is a dip in women's LFPR at around 30 years, which could be due to life choices, such as childcare responsibilities, or could be a generational phenomenon, leading to a higher future women's LFPR throughout the entire age spectrum.

▶ **Figure 2.3. Labour force participation rates over the life course, by sex and country income group in Asia and the Pacific, average since 2016 (per cent)**



Note: The figure displays the average labour force participation rate over the life course, derived non-parametric kernel regression of local means. The bandwidth for age has been set to two, and the bandwidths for the remaining variables are derived optimally by the procedure. First, an age profile is estimated using a non-parametric kernel regression for each country using data from 2016 onwards, excluding 2020 and 2021. The predicted profile for each country is then included in a non-parametric regression for each income group. This two-step procedure ensures that each country enters the final estimates with equal weight, even when the number of available observations differs. The sample includes 18 lower-middle-income, 7 upper-middle-income and 5 high-income countries in Asia and the Pacific.

Source: ILO calculations based on ILO harmonized microdata repository.

28 Children are also economically dependent. Since this report focuses on trends related to the working-age population (aged 15 years and above), children are excluded from the dependency ratio.

Trends in labour force participation rates

LFPR trends at different ages are a key determinant for the economic dependency ratio. An increasing participation rate by any age group will, to some degree, balance the impact of a growing population aged 65 and above on the economic dependency ratio. This section analyses past trends in the LFPR for four age groups and looks at long-term projections until 2050. The projections assume that past trends, and the factors driving them, will continue to shape trends in LFPR until 2050 (see box 2.1).

▶ Box 2.1. Projecting labour force participation rates

LFPRs have strongly persistent trends, meaning that a certain change over a certain period is likely followed by a similar change over the next period. This characteristic gives a reasonable statistical basis to longer-term LFPR projections. In addition, external factors can play an important role; the decision to participate in the labour force is based on considerations such as macroeconomic conditions, social security systems and cultural determinants. Cultural determinants, for example, is a very important factor in driving trends in gender gaps. While long-term projections of macroeconomic factors, such as GDP per capita and the composition of GDP, are available, existing social security systems are too diverse and complex to quantify them consistently for use in an econometric set up for all countries in the region.

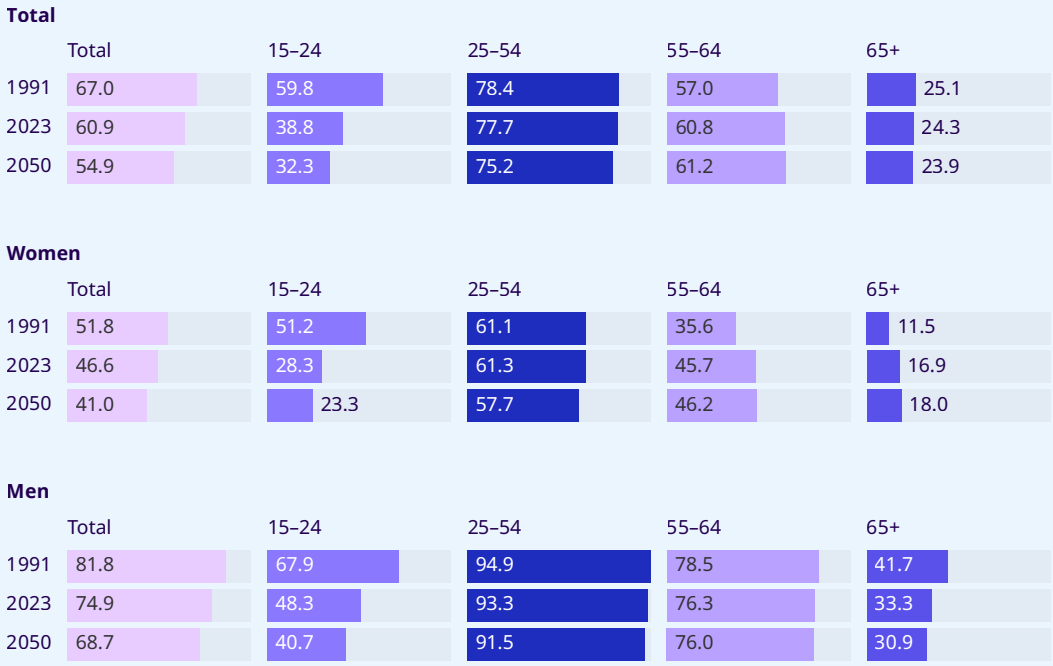
The baseline approach to conducting long-term projections is by trend extrapolation, taking macroeconomic projections into account. This means that the future impact of all unobserved and unquantified determinants on LFPR trends is assumed to be the same as it has been in the recent past. For example, the projection does not make any assumptions about changes in retirement age. As such, the long-term projection presents only one of a multitude (in fact infinite) possible scenarios that could materialize and is thereby subject to substantial uncertainty.

This extrapolation is made within certain boundaries. Besides the obvious boundary that the LFPR needs to lie between 0 and 100, the approach establishes maximum allowed changes with respect to the last observed value, based on past observed changes in data.[29] The LFPR is projected separately for women and men, and for four distinct age groups: 15–24 years, 25–54 years, 55–64 years and 65 years and over. Each of these demographic groups has distinct features and trends.

The aggregate LFPR in Asia and the Pacific has declined from 67.0 per cent in 1991 to 60.9 per cent in 2023 and is projected to drop further to 54.9 per cent in 2050 (Figure 2.4). LFPRs reduced by more than 20 percentage points for young people aged 15–24 from 1991 to 2023 and are projected to decline by around a further 6 percentage points by 2050, to around 32 per cent. The LFPR of prime-age workers (25–54 years) is projected to decline by around 2 percentage points by 2050, but it will nevertheless remain high at around 75 per cent. The LFPR for older workers aged 55-64 is projected to increase slightly, by around half a percentage point by 2050, following an increase of almost 4 percentage points from 1991 to 2023. The LFPR of those aged 65 and above is projected to remain roughly stable, having declined slightly between 1991 and 2023. Around half the decline in the aggregate LFPR is caused by the increasing share of older people in the population, who have a lower LFPR (box 2.2).

29 The boundaries are determined using country-specific and global statistics of the series.

▶ Figure 2.4. Labour force participation rate trends and projections, Asia and the Pacific, by sex and age (per cent)



Note: Appendix B presents this data also for the subregions.

Source: ILO estimates.

▶ Box 2.2. Shifting population weights within and between countries impact aggregate LFPRs

Aggregate LFPRs, whether at country or regional level, are calculated by summing the total labour force and dividing by the total population, which is equivalent to averaging the LFPRs of subgroups (countries or age groups) using the subgroup's population as a weight. Changes in aggregate LFPR can be driven by changes in subgroup LFPR, or by changes in the relative population weight.

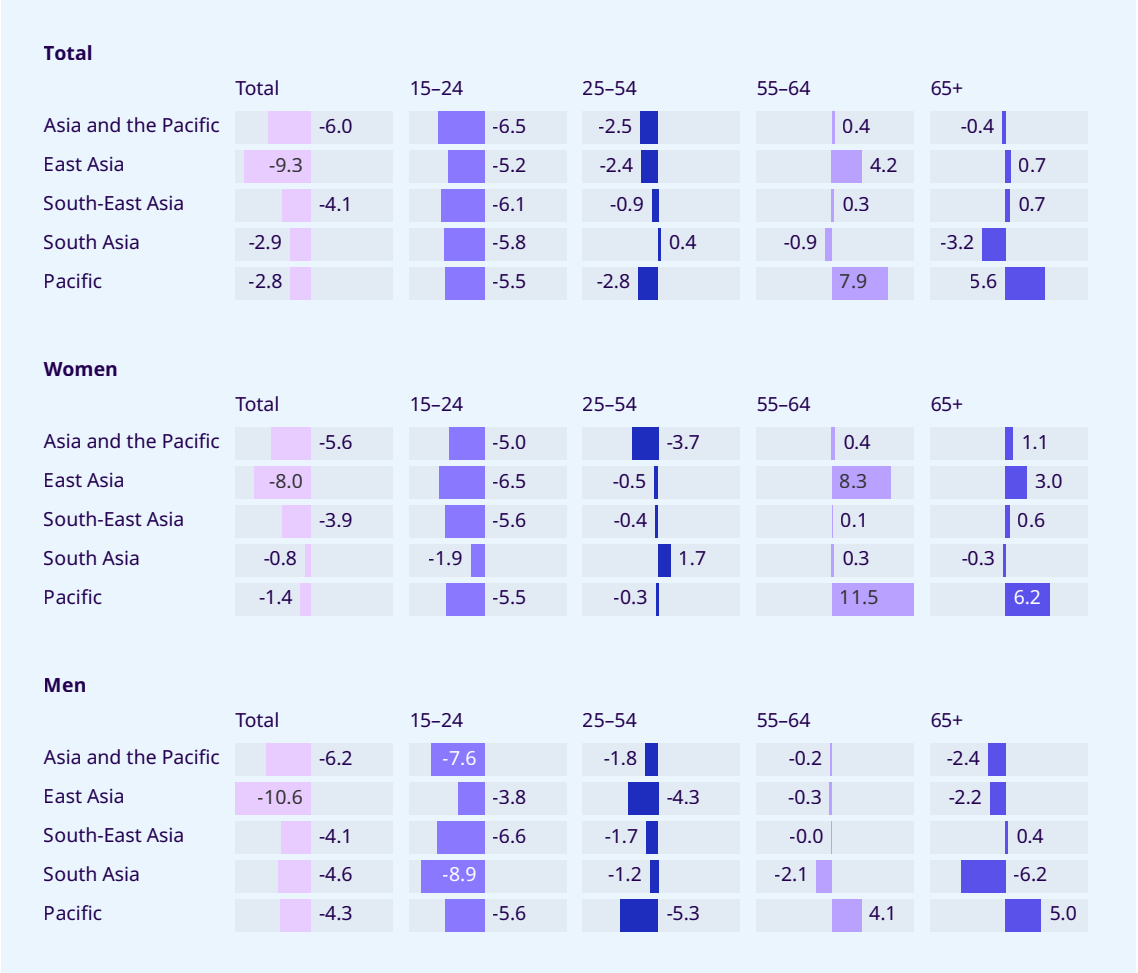
Generally, population weights do not change significantly from year to year; annual changes of aggregate LFPR are driven by movements in LFPRs of subgroups. Over a longer period, however, population weights can shift significantly, both for age groups (older people) and for countries (in particular in South-East Asia, which have higher population growth).

Trends in aggregate LFPR are similar for women and men, with declines of 5 and 7 percentage points, respectively, between 1991 and 2023, and a further decline of around just below 6 percentage points for women and just above 6 percentage points for men projected until 2050 (figure 2.4). There are some differences within age groups, however. The LFPR for young women fell by 23 percentage points between 1991 and 2023, while falling only 20 percentage points for young men over the same period. Young women, however, already had a lower LFPR to start with. For 2050, the gender gap could close slightly, but young women will nevertheless be just over half as likely as young men to be in the labour force by 2050. The LFPR of women aged 55 and over has increased, whereas the LFPR of men of that age group has fallen. For those aged 65 and above, women's LFPR has increased significantly, while that of men has decreased, and those trends are projected to continue. The ratio of male to female participation rates, which in 1991 was 3.6 for those aged 65, is projected to fall to around 1.7 by 2050, a ratio similar to that for all other age groups.

Between 2023 and 2050, the LFPR for the population aged 15 years and over is projected to fall most significantly in East Asia of all the subregions in Asia and the Pacific, with a drop of more than 9 percentage points (figure 2.5). In the other subregions, decreases range from 2.8 to 4.1 percentage points. Youth participation rates are projected to decline substantially (by more than 5 percentage points) in all subregions. LFPRs of prime-age workers are projected to decline by 2.5 percentage points in the region, with a slight increase projected in South Asia. LFPRs of workers aged 55 to 64 years are projected to increase significantly in East Asia and the Pacific, while those of people aged 65 years and over are projected to increase significantly in the Pacific, somewhat in East Asia and South-East Asia, and decline significantly in South Asia. The declines in aggregate LFPR are strongly driven by the demographic shift; the increased proportion of older people, who have a lower LFPR, lowers the aggregate LFPR.[30]

30 Keeping the LFPRs of the different age groups constant, the LFPRs for East Asia and South-East Asia are close to the baseline projection. In South Asia, only half the decline in LFPR is related to demographic shift, while in the Pacific an increased LFPR in the 65 years and over age group overcompensates for the demographic effect.

▶ **Figure 2.5. Projected change in labour force participation rate from 2023 to 2050, by sex, age and subregion (percentage points)**



Source: ILO estimates.

Men are generally projected to experience larger declines or smaller increases in LFPR than women (figure 2.5). The effect is particularly marked among those aged 55 and above. Gender gaps are projected to continue to close based on the assumption that they will follow past trends. The rate at which the gender gap is closing, however, is slow, meaning that sizeable gender gaps are expected to persist in the region in 2050. Furthermore, future progress to close gender gaps will not be automatic but will require policy action.

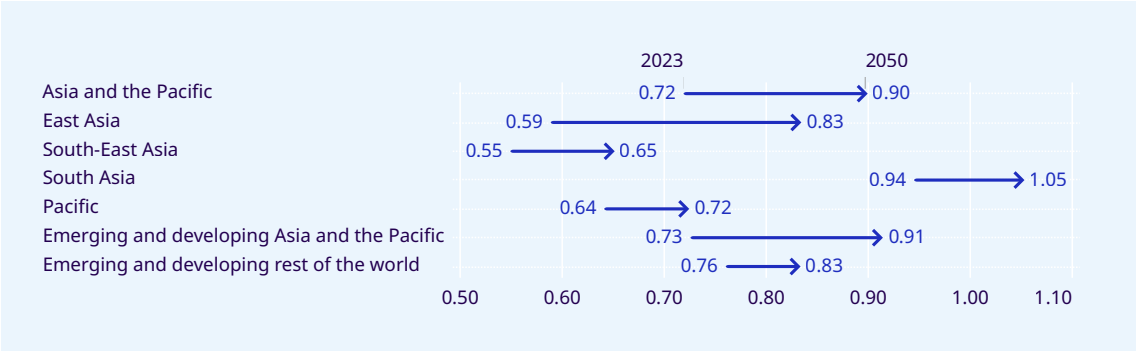
Economic dependency ratio

The economic dependency ratio (ratio of those aged 15 years and above not in employment to those in employment) is the key determinant of potential standard of living and GDP per capita, together with labour productivity. In essence, while output is produced by those in employment, GDP per capita takes account of the entire population. This section focuses only on the population aged 15 years and over to zoom in on the impact of ageing through the lens of labour force participation. Including the entire population (published as the "labour dependency ratio" on ILOSTAT) would mix the dynamics of old-age populations with those of a declining number of children. Section 2.3.1

below considers the latter effect. The economic dependency ratio can be lowered by raising LFPR and reducing unemployment.[31]

In Asia and the Pacific, the dependency ratio is projected to rise from 0.72 in 2023 to 0.90 in 2050 (figure 2.6). This means that for almost every worker there is one person aged 15 or above not in employment. The dependency ratio is projected to rise furthest in East Asia, from 0.59 to 0.84. South-East Asia is projected to have the lowest dependency ratio by 2050, at 0.65 dependent persons per worker. South Asia' dependency ratio, which was already very high in 2023 owing to the very low female LFPR, is projected to rise even further.

▶ **Figure 2.6. Economic dependency ratio (aged 15 years and over), 2023 and 2050**



Note: The figure shows the ratio of those aged 15 years and over who are not employed to those who are.

Source: ILO calculations.

The large gender gap in LFPR in South Asia means that the subregion's economic dependency ratio of 0.94 presents quite a different policy challenge than the projected dependency ratio of 0.83 in East Asia. In 2023, dependent adults in South Asia were, to a large extent, women of prime working age conducting large amounts of unpaid work, living in the same household as an employed person who earned an income for the household. Dependent adults in East Asia in 2050 will, to a large extent, comprise older people who do not have a partner in employment, thereby creating households without an active income earner, which relies on external transfers and services.

2.3 Challenges associated with an ageing population

2.3.1 The productivity challenge

GDP per capita is one key metric to gauge a country's success with regard to economic development. It is also a key determinant for a wide variety of metrics determining human development (ILO 2023c). Asia and the Pacific has been the region with the world's most rapid GDP growth per capita over several decades. Per capita growth comprises two components: the contribution of labour productivity growth, and the growth of labour input relative to the population.[32] Since only persons aged 15 years and above are of working age, the growth of labour input should be divided into the contribution of the growth of the ratio of employment to the population aged 15 years and over, and the contribution of the

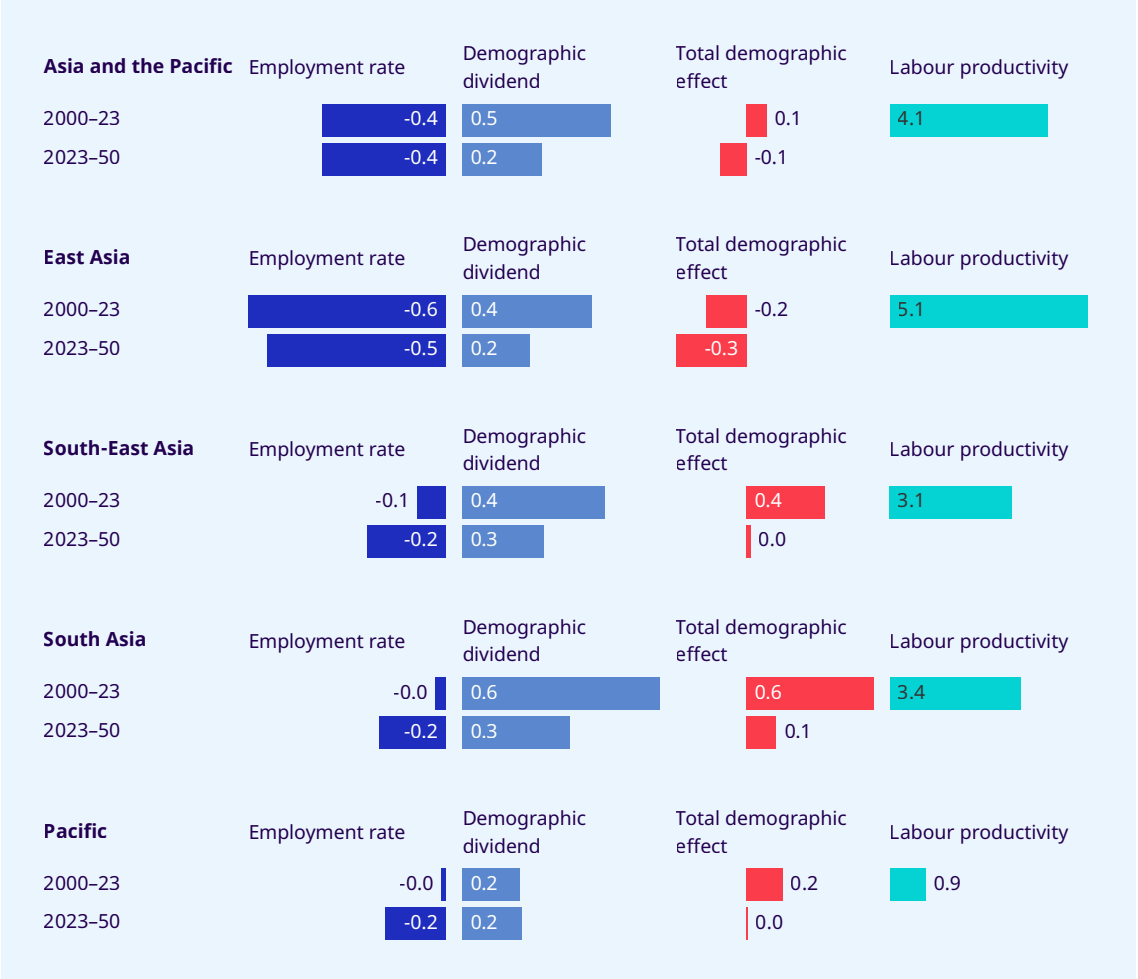
31 While unemployment is cyclical, some countries seem to have structurally lower unemployment rates than others. It is impossible, however, to project which countries would transition to a structurally low or high unemployment rate over the coming 27 years. The recent historical average is therefore used to project a value for 2050.

32 Labour productivity as measured by GDP per worker (ILO 2024b).

declining share of the population aged under 15 years. The positive impact that a rising share of the population of working age can have on GDP per capita is known as the demographic dividend.

In Asia and the Pacific, population ageing is projected to lower GDP per capita growth by 0.2 percentage points per year for the period 2023–50 compared to the period 2000–23 (figure 2.7). This demographic effect is most prominent in South Asia (minus 0.5 percentage points per year), and least prominent in East Asia (minus 0.1 percentage points). South Asia, on the other hand, is projected to experience a continued positive effect of demographics on GDP per capita. In East Asia, however, GDP per capita will decline by 0.3 per cent per year due to demographics if it is not redressed by labour productivity growth. Even small annual declines in growth of GDP per capita will add up to large gaps in standards of living by 2050. For example, in South Asia the projected decline in the employment rate and in the demographic dividend would lower GDP per capita by 11 per cent compared to the per capita growth of 2000–23.[33]

▶ **Figure 2.7. Contributions to average annual growth of GDP per capita, Asia and the Pacific and subregions, 2000–23 and 2023–50 (percentage points)**



Note: Scales are independent across columns.

Source: ILO calculations based on ILO projections of labour force and employment and based on United Nations *World Population Prospects*.

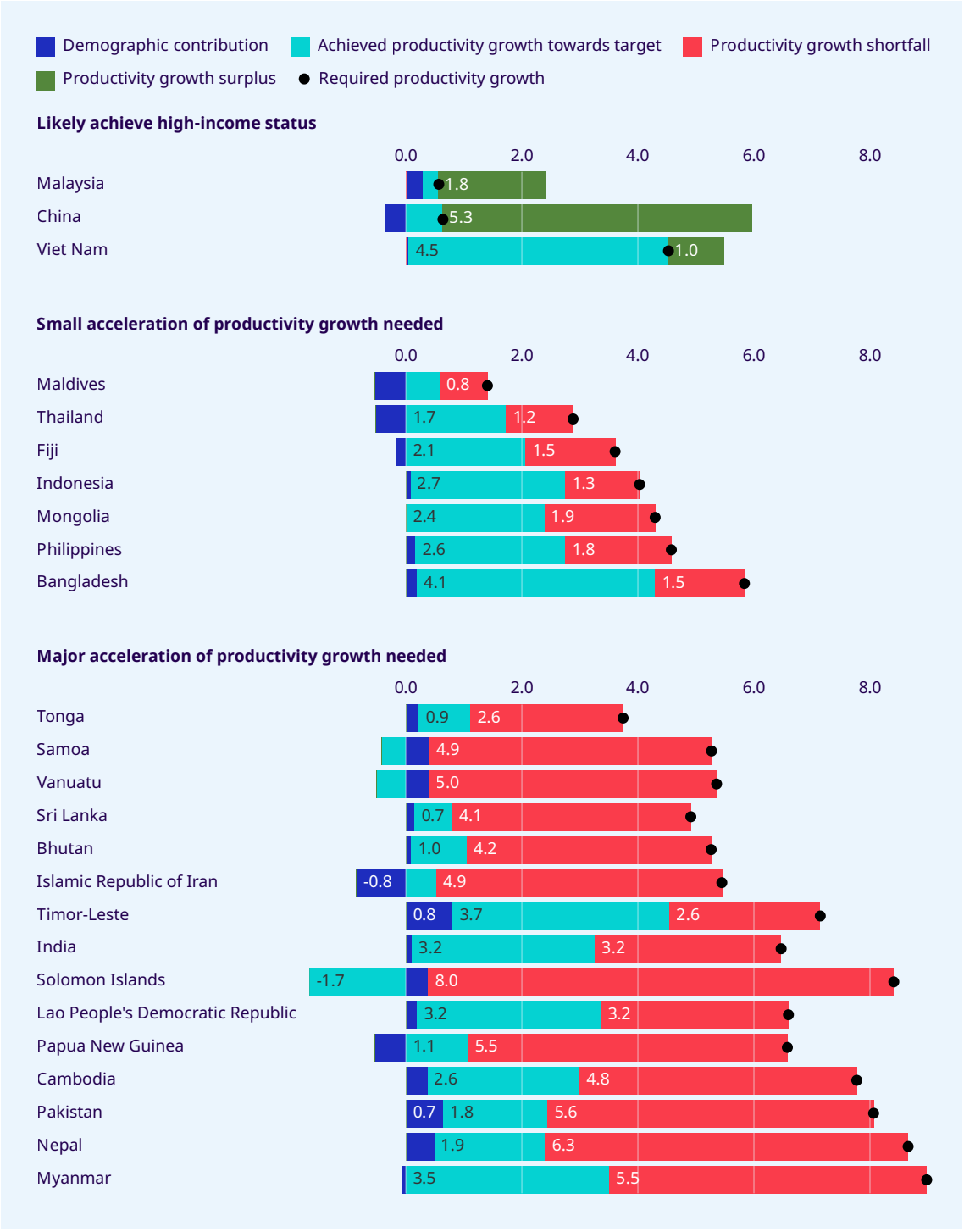
33 The compound effect has been calculated using non-rounded estimates.

If the strong labour productivity growth of the past two decades in Asia continued, GDP per capita growth would remain positive, despite the drag effect of population ageing. However, labour productivity growth rates have been declining as "low-hanging fruit" for raising productivity are becoming scarcer (ILO 2023c; ILO 2022b). Poverty rates and working poverty rates remain high across the region, and many countries require continued strong GDP per capita growth to achieve high-income status.

Only three of the emerging and developing economies in Asia and the Pacific are likely to achieve high-income status by 2050 (figure 2.8). While Malaysia and China do not require large annual labour productivity growth rates to achieve this, Viet Nam would require at least 4.5 per cent annual productivity growth. A further seven countries would require an acceleration of productivity growth by 2 percentage points or less to achieve high-income status. Except for Bangladesh, those countries would require lower annual productivity growth rates than those achieved by China and Viet Nam over the past decade; the objective should be realistic. Over half of the emerging and developing economies in region would require a major productivity growth acceleration of more than 2 percentage points per year, with many countries requiring growth rates in excess of 6 per cent annually. This is a very tall order, given that not even China has achieved that degree of productivity growth over the past decade.

Only five countries in the region are projected to experience a demographic drag on per-capita GDP growth in excess of 0.4 per cent annually, meaning that their per capita growth will fall by that amount compared to the 2013–23 period. In the Maldives and Thailand, the demographic drag is large relative to required productivity growth; without the drag they would get much closer to achieving high-income status by 2050. In many other countries, the demographic contribution pales in comparison to the required productivity growth rates. Maintaining and accelerating labour productivity growth is key to navigating the effects of population ageing. Chapter 3 provides some discussion on this.

▶ **Figure 2.8. Annual labour productivity growth required to achieve high-income status by 2050, average labour productivity growth 2013–23, and demographic contribution, by country in Asia and the Pacific (per cent)**



Notes: Demographic contribution plus required productivity growth gives annual GDP per capita growth required to achieve high-income status (according to World Bank income groupings and thresholds for 2023). In the figure, the green bars refer to countries where the average labour productivity growth rate of 2013–23 exceeds the required growth rate (thereby creating a surplus), while red bars are for countries where the average of 2013-23 is insufficient, creating a deficit.

Source: ILO calculations.

2.3.2 The labour shortage challenge

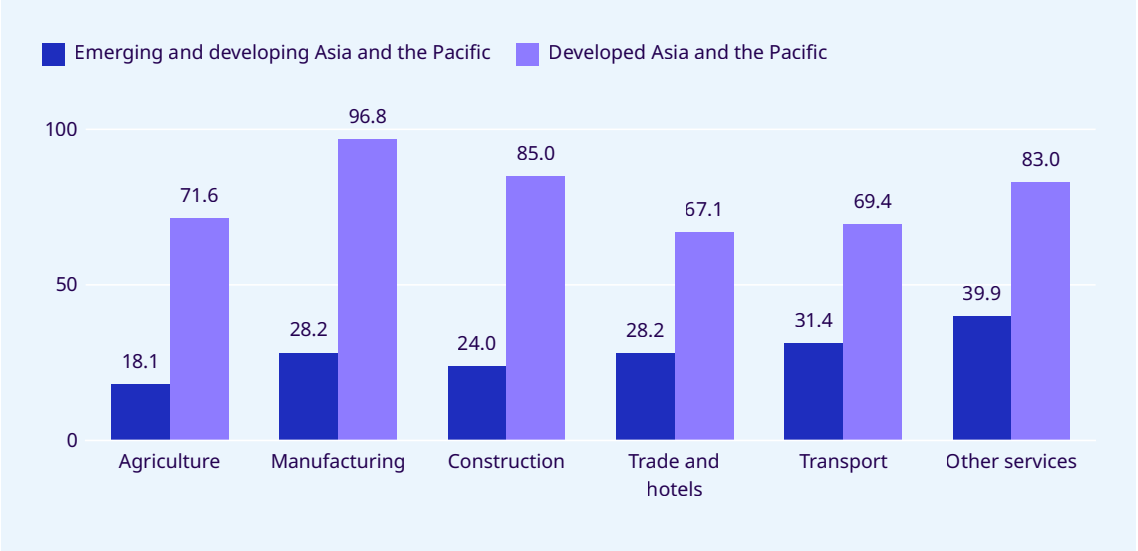
Labour shortage is one of the major fears related to population ageing. Labour shortages arise when employers fail to fill job openings owing to lack of suitable candidates. This can occur because of an overall shortage of workers, a mismatch between required skills and candidate profiles, a disconnect between workers' expectations and the characteristics of available jobs, or a combination of these factors (ILO 2024b). In general, labour shortages in a particular sector or occupation can be alleviated through appropriate training to raise the pool of potentially suitable workers and by offering higher pay and better working conditions to attract more workers. The time and cost required to resolve labour shortages for a given sector or occupation will depend on the training requirements and value of alternatives for potential workers (other jobs, better jobs and activities outside the labour market). Since providing training and improving working conditions can improve workers' productivity, these measures do not necessarily raise unit labour cost and could be a sensible business decision.[34]

A general labour shortage would only occur if all productive resources were already used at their optimum, resulting in sectors and enterprises taking workers from each other in a continuous cycle in an effort to resolve labour shortages. Businesses would respond to rising labour costs by cutting output or streamlining productivity, which could reduce the need for labour (to the extent possible in a sector) thereby alleviating the shortages. Consequently, no general labour shortage would occur in countries where major productivity improvements and reallocation of workers are feasible across a wide range of sectors. Nevertheless, a shortage of workers with certain qualifications or skills could arise, which would be neither quick nor cheap to resolve.

With so many workers still employed in low-productivity, low-paying jobs, Asia and the Pacific should not experience a general shortage of labour if appropriate measures are taken, such as improving training, pay and working conditions. In 2022, the share of employment in agriculture in the region was 29.4 per cent, the share of own-account and family workers was 51.1 per cent and the share of informal workers was 65.7 per cent. Those areas of activity have significant potential for major productivity increases, thereby "freeing" those workers to take up activities with a growing labour demand. In emerging and developing economies in the region, the greatest productivity gaps in relation to developed economies exist in agriculture, followed by construction and wholesale and retail trades and hotels and restaurants (figure 2.9). Yet, without a significant immediate effort, there is no guarantee that the allocation of productive resources can be improved well or swiftly enough to prevent labour shortages from occurring in the region, especially in countries with high dependency ratios.

34 The ILO's Better Work programme brings together all levels of the garment industry to improve working conditions, respect workers' rights and boost the competitiveness of apparel and footwear businesses.

▶ **Figure 2.9. Value added per worker relative to developed economies in rest of the world, by country income group and economic activity, 2022 (per cent)**



Note: Trade and hotels includes the activities of wholesale and retail trades and repair of motor vehicles, as well as the activities of hotels and restaurants.

Source: ILO calculations based on ILOSTAT, ILO modelled estimates, November 2023, and United Nations estimates of national accounts.

Countries in the region face labour shortages in respect of specific skills and for specific sectors, indicating that labour markets fail to achieve an efficient allocation of resources on their own. For example, by September 2023, Thailand's electric vehicle industry was facing difficulties filling over 53,000 positions, of which 44,000 required vocational training and the remainder required higher education (Apisitniran 2023). In India, 76 per cent of manufacturers reported skilled labour shortages hurting their profitability (Bhattacharyya 2023). Japanese businesses have deemed employment conditions to be at their worst in three decades,[35] and 85 per cent of them (the highest rate in the world) report having difficulty filling roles (Manpower Group 2024). As a consequence, more than 40 per cent of Japanese businesses now accept workers aged over 70 years (Motokazu 2023).

Despite the large pool of potentially available workers in the region, there are various reasons why businesses might have difficulty filling vacancies, now and in the future. The most obvious reason is skill mismatch and skill deficiency; firms claim to be unable to find suitable candidates. There could also be a lack of worker mobility, with insufficient workers seeking, or being able to seek, employment in sectors facing shortages. Workers who already have a job with satisfactory pay and working conditions might not wish to take the risk of switching to sectors with labour shortages, especially when if the switch would require major retraining without the promise of high reward. The majority of workers seem to be similarly risk-averse and unlikely to change sector (Farber 1999), despite the fact that a switch would likely result in higher wages (Faberman and Justiniano 2015).

35 The Tankan diffusion index for employment conditions stood at -35 in the fourth quarter of 2023 (Bank of Japan Database).

Skill mismatch and shortage is not easy to measure. While online job databases have improved the identification and quantification of skill requirements for many types of jobs – including their evolution over time (Bennett et al. 2022), workers' true skill set can only be established using extensive (and expensive) testing.[36] Educational mismatch provides a widely available but very imprecise measure, as it only takes account of level of education (primary, secondary, tertiary). Asia and the Pacific has a higher average rate of mismatch (52 per cent) than high-income countries (39 per cent).[37] Undereducation is a problem in the region, with 34 per cent of workers having an educational level that is too low for their occupation. This compares to only 18 per cent in high-income countries. Low levels of education are particularly prevalent among informal workers (ILO 2023b).

Automation, computerization and the use of AI can potentially turn a situation of labour shortages into one of technological unemployment. In the ASEAN-5 countries, nearly three in five jobs face a high risk of automation (Chang and Huynh 2016) when using Frey and Osborne's classification approach (Frey and Osborne 2013). Automation, though, is costly, and just because a job could be automated does not necessarily mean it will be. Newer research on the disruptive potential of generative AI has found that only a small number of occupations face a high risk of being largely replaced by AI (Gmyrek, Berg and Bescond 2023a). Most occupations involve sufficient tasks that cannot be done by AI so that the occupations themselves will not be replaced. The main impact of AI will likely therefore be one of augmentation, whereby some tasks will be done by AI, and the remainder will be done by workers. In Asia and the Pacific, an estimated 2 per cent of jobs has automation potential, while 13.4 per cent has augmentation potential (Gmyrek, Berg and Bescond 2023b). Women are more likely than men to be in occupations with a higher potential for automation and augmentation, meaning that a larger percentage of women workers will be affected. When augmentation through AI raises productivity, it can alleviate worker shortages for firms. Yet, the full labour-saving potential of AI and automation is still unknown.

Massive need for care workers

In Asia and the Pacific, the share of the population comprising those aged 60 years and above who require long-term care is projected to increase from 2.9 per cent in 2023 to 4.9 per cent in 2050 (figure 2.10, box 2.3). The number of workers required to fulfil long-term care tasks would depend on country-specific circumstances regarding how care is provided. In many emerging and developing countries, most long-term care is provided in private households, either by family members or by domestic workers, owing to the lack of available affordable professional care services (box 2.4). Changing household composition means that reliance on paid care work is likely to rise, which will also include residential long-term care.[38] The following analysis assumes that one long-term care worker can take care of between 2.5 and 3 care receivers (box 2.3). A heavy reliance on domestic care workers, where the carer to recipient ratio would be lower, would raise the number of required long-term care workers.

36 Skill measurement surveys include the OECD Programme for the International Assessment of Adult Competencies (PIAAC) survey and the World Bank STEP survey.
37 The figures are based on the normative measure of educational mismatch.
38 Offspring who leave their parents' home for work reasons are often unavailable to provide care. Furthermore, two siblings might be unwilling or unable to share the care responsibility for their parents that, in the past, when birth rates were higher, might have been shared between four siblings.

▶ Box 2.3. Estimating long-term care needs and professional long-term care workers required

The number of persons aged 60 years and over requiring long-term care can be approximated using the healthy life expectancy (HALE) at age 60 and the life expectancy (LE) at age 60 indicators (De Henau 2022).[39] This method also underpins the ILO Care at work report (ILO 2022c). The World Health Organization provides estimates for HALE and LE for the years 2000, 2010, 2015 and 2019. Specifically, the share of persons aged 60 and above that require long-term care is approximated by the formula SH_{care}=0.6(1-*HALE*)/*LE*. The indicator of interest, SH_{care}, changes very little over the period 2000–19, showing that care requirements among the elderly change very little despite ageing. Longer healthy life expectancy seems to correlate with longer life expectancy. A simple time series projection model was used to derive an estimate of that figure for 2050 for all countries.

The required recipient-to-carer ratio is assumed to be 2.5:1 in upper-middle- and high-income countries and 3:1 in low- and lower-middle-income countries (De Henau 2022). The full-time care jobs implied by this approach have been transformed into the required number of care jobs given the most recent estimate of mean weekly working hours in the care sector relative to mean weekly hours worked in full-time employment.

Long-term care workers can be identified to a certain degree of accuracy using labour force surveys. This report considers all workers having care-related occupations in the residential care sector (activity 87 of ISIC Rev. 4) to be long-term care workers.[40] In addition, domestic workers (activity 97 of ISIC Rev. 4) who are personal care workers (53 in ISCO-08) are considered to be core long-term care workers. This latter group, however, does not exist in some countries' labour force surveys (for example in India), meaning that the survey underestimates the number of domestic long-term care workers. The Twenty-first International Conference of Labour Statisticians discussed the need for improved statistics on care work in October 2023 and recommended that a new framework should be developed. This process is commencing in 2024 for discussion and possible adoption of new standards at the next Conference.

The number of workers required to provide long-term care for persons in old age is projected to double between 2023 and 2050, from 46 million to 90 million (Figure 2.10). This corresponds almost to a doubling of the share of workers providing long-term care for older persons in total employment, from 2.3 per cent to 4.3 per cent. East Asia is the subregion projected to require the largest share of those care workers in total employment, at 6.3 per cent, versus 3.1 per cent for South Asia.

39 Taking Japan as an example, the calculation method implies around 6 million people requiring long-term care, while in reality the number of people requiring long-term care or support in 2022 was approximately 6.9 million, while the number of long-term care service users was 5.9 million in 2021 (both figures STATISTA).

40 For a complete description of care employment see ILOSTAT.

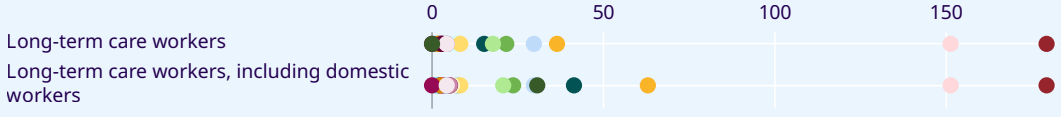
▶ **Figure 2.10. Long-term care need in old age (60+), and number of workers to meet that need, 2023 and 2050**

Region	Year	Persons aged 60+ requiring long-term care: Share of population	Required long-term care workers: Share of employment	Required long-term care workers: Millions
Asia and the Pacific	2023	2.9	2.3	46.3
Asia and the Pacific	2050	4.9	4.3	90.3
East Asia	2023	3.6	3.0	26.1
East Asia	2050	6.5	6.2	45.8
South-East Asia	2023	2.5	1.8	6.2
South-East Asia	2050	4.0	3.1	12.2
South Asia	2023	2.4	1.8	13.4
South Asia	2050	4.1	3.2	31.1
Pacific	2023	3.6	3.1	0.7
Pacific	2050	4.7	4.2	1.1

Source: ILO calculations using methodology in De Henau (2022).

In 2022, an estimated 49 million workers were employed in all activities related to health and social work in Asia and the Pacific, accounting for 2.6 per cent of total employment. In addition, around 22 million people were domestic workers (employed by households). Around 51 million of those 71 million workers were women, highlighting the large sex segregation in care work. While no regional estimates exist for long-term care employment, country data show that in almost all countries the number of care workers is not sufficient to meet long-term care needs (Figure 2.11); 16 out of 23 countries in the region have less than 10 per cent of the required care workers, while only two countries have more than 100 per cent (Cambodia and Japan). Domestic care workers make a significant contribution to overall number of long-term care workers in five out of 12 countries with available data on domestic long-term care workers, but they nevertheless do not take the overall number of care workers to the required level.

▶ **Figure 2.11. Ratio of long-term care workers to required long-term care workers, most recent available year, 23 countries in Asia and the Pacific with available data (per cent)**



Note: The figure shows the ratio of the existing number of long-term care workers to the required number (as a percentage). See box 2.2 for the statistical definition of long-term care workers. Each dot represents a country.

Source: ILO calculations based on ILO microdata repository, United Nations World Population Prospects 2022, and World Health Organization.

In Asia and the Pacific, a large proportion of elderly care is not conducted in residential nursing homes but at home, either by unpaid family members, or as paid work done by domestic workers. In Thailand 97 per cent of domestic care work is unpaid, provided mostly by the adult children of older family members (Box 2.4). Importantly, unpaid domestic care work is neither cost-free for the family nor for the economy. The family loses the potential income of someone who could be active on the labour market if professional care services were available. Likewise, the economy is deprived of potential workers. For Japan, the total cost of family-provided private long-term care services is estimated at 0.5 per cent of GDP, amounting to a quarter of the total cost of long-term care in the country (Fu, Iizuka and Noguchi 2023).

The large reliance on paid and unpaid domestic work is a consequence of a lack of public resources, whether direct government funding or a public or private insurance scheme to fund residential old-age care. The lack of care workers in relation to the number of care workers required is not necessarily the result of a shortage per se but due to a lack of funding (ILO 2022c). Social protection plays a vital role in enabling access to long-term care without incurring hardship (Tessier, de Wulf and Momose 2022).

▶ Box 2.4. Elder care in Thailand

By 2037, approximately 34.4 per cent of Thailand's population will be aged 60 and above. Where care traditionally is provided within the home by family, there is an increasing shift towards smaller family sizes (Teerawichitchainan 2020; UNFPA 2015) and a growing number of women engaging in diverse economic and social roles. As a result, where in 2021, 59.9 per cent of caregivers were the adult children of the person being cared for, this is likely to reduce, with families increasingly relying on paid caregivers for elder care (the majority of which can be classified both as domestic work and care work in homes).

The ILO TRIANGLE in ASEAN programme has conducted a study, in conjunction with Chulalongkorn University, to project 15-year demand for elder care in households in Thailand, using data from the Thai Survey of Older Persons, conducted in 2021, as a baseline.

Care requirements are driven largely by a person's ability to do essential, basic, self-care tasks, in addition to other direct care needs. The share of older persons with activities of daily living (ADL) disabilities or difficulties is projected to increase steadily from 14.8 per cent in 2024 to 19.4 per cent in 2037. This means that the total number of older persons with ADL disabilities will rise from 0.5 million in 2024 to 0.9 million in 2037; and those with ADL difficulties will increase from 1.7 million in 2024 to 3.0 million in 2037.

Using an eight-hour shift as a model for full-time equivalent work, 46 thousand paid carers in homes were required to meet the 2023 care demand. This will increase to 78 thousand in 2037 projecting on current levels of demand.

Notably, the projected need for paid carers is halved when looking at demand based on current practice, meaning there is risk of worker exploitation due to extended working hours, particularly for those caring for individuals with severe dependency. Projected needs based on current practice and health-based demand are 20 thousand paid careers in 2024, rising to 34 thousand in by 2037.

▶ **Box 2.4. (cont.)**

Using the full time equivalent (FTE) model, projections can also be made based on current demand for care, added to data on currently unmet care needs. In these projections, the need for paid carers rose to 127 thousand in 2023, rising further to 213 thousand in 2037. Of the total care workers, the number of migrant workers needed is between 96 thousand and 170 thousand, allowing for fluctuations in the sector's reliance on migrants rather than Thai workers and possible changes in labour and migration regulation.

Certain trends are influencing access to care. Personal preference and increased health literacy manifests as older adults fostering a proactive approach to health management, including through diet and exercise (Intarakamhang, Boocha and Khammungkul 2022). There is also an increase in individuals living alone or in smaller family units, which reduces direct access to informal, family-based care. The future of community care can also impact the demand for paid carers, in particular if there are substantial enhancements to community care services (National Health Security Office of Thailand 2020). Demand for paid carers can also be decreased by access to and adoption of technology, such as remote monitoring devices and telehealth, which make it easier to provide care in households, including for complex medical conditions (Bhavnani et al. 2016).

The projections indicate that stagnation of community care and lack of access to technological resources have a more significant impact on the demand for paid carers than a person's health literacy or whether they live alone. The data also suggests that integration of technology and comprehensive community care may be most effective in reducing the growing demand for caregivers.

Source: ILO forthcoming b.

In addition to long-term care, healthcare services are also likely to face shifting and possibly expanding demands. On the one hand, poverty reduction, medical advances, awareness of healthy habits, changing lifestyles and improvements in sanitary and other health-relevant living conditions mean that people can live a healthy life for longer. As people live longer, however, other medical conditions that require treatment, in particular noncommunicable diseases, become relevant (Garza 2016). In addition, many people in the region, particularly in South Asia, experience hazardous levels of air pollution and other forms of pollution, with severe health consequences (World Bank 2023b). It is unclear whether those hazards will diminish in the near future. Incomplete social health protection coverage in many countries still causes financial hardship and poverty risks (ILO 2021a). Across Asia and the Pacific, 1.6 billion people lack access to social health protection (ILO 2021a) and catastrophic health expenditures are on the rise. The number of healthcare workers in the region needs to increase significantly, not only to respond to the needs of the ageing population, but also to raise the ratio of health workers to population to levels similar to those of other regions.[41]

41 WHO database, skilled health personnel, data by WHO region.

2.3.3 The challenge of maintaining productive labour market attachment

Maintaining the productive capacity of older workers is a key aspect of navigating the challenges that arise with ageing populations. Yet, there is evidence that this does not always occur. In Asia and the Pacific, the incidence of labour market characteristics associated with lower job quality rises as workers get older. Older workers face various challenges, such as reduced access to training, which is essential in times of rapid technological change, and finding good quality re-employment if they have lost their job, which often results in income loss. This section presents evidence of the challenges faced by older workers in labour markets.

Labour market statistics for older workers

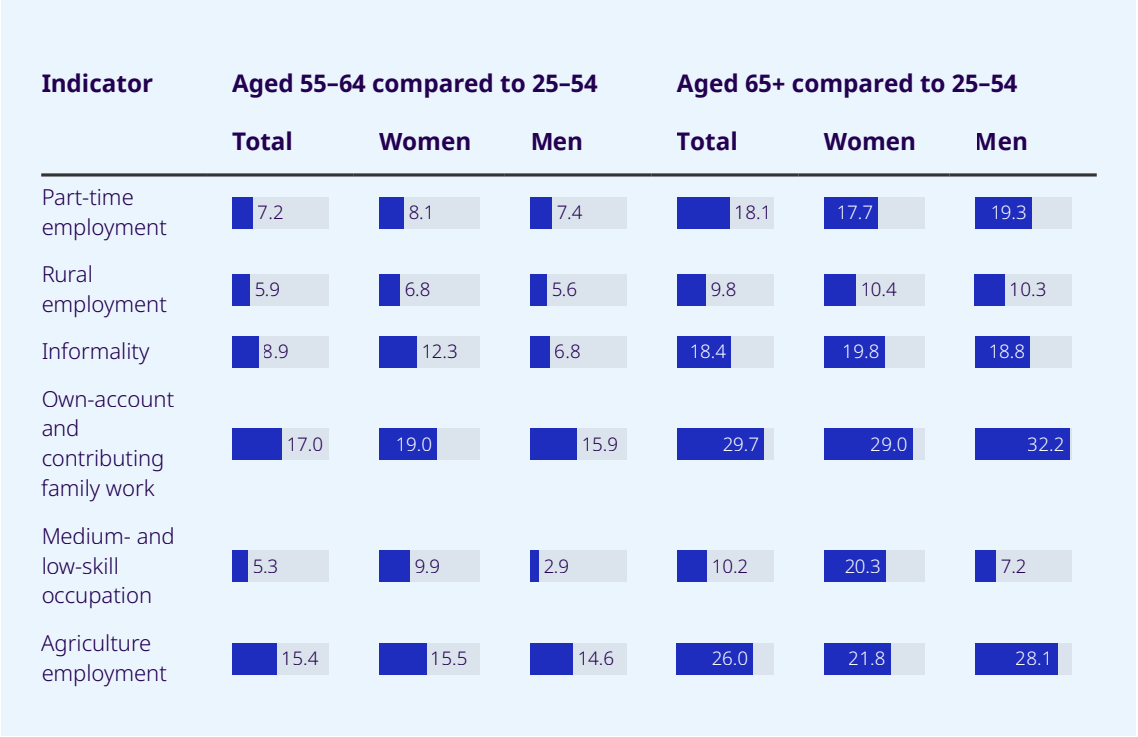
Compared with people aged 25 to 54 years, people aged 55 to 64 years have a lower employment rate and those aged 65 and above have a much lower employment rate (see section 2.2.2). At some point, workers take the decision to retire; sometimes, sooner than they would have if they had been able to keep their job. In general, the employment trajectory is gendered, influenced by policies related not only to paid work but also to caregiving (Worts et al. 2016). Older workers have a lower unemployment rate than those aged 25 to 54, by around 1.8 percentage points on average across countries. However, in eight out of 35 countries in the region with available data, men aged 55 to 64 have a higher unemployment rate than men aged 25 to 54. The incidence of long-term unemployment (over 12 months) is on average the same between workers of different age groups in the region – in contrast to the rest of the world, where older workers face a higher incidence of long-term unemployment.[42] This phenomenon is at least partially driven by a low retirement age in many countries in the region, implying that older people claim benefits as soon as they lose their job (ILO 2021b).

Older workers face a higher incidence of types of jobs associated with lower quality employment, including higher rates of working poverty, lower pay, and less likelihood of social protection and representation (see section 1.2.3). The incidence of own-account and contributing family work, for example, is, on average, 29.7 percentage points higher among workers aged 65 and above than those aged 25 to 54, while the difference is 17.0 percentage points for workers aged 55 to 64 (figure 2.12). There are also significant differences for agriculture employment and for informality. In general, differences in the incidence of part-time employment, rural employment, informality, own-account and contributing family work, employment in medium and low-skill occupations and agriculture are greater for workers aged 65 and above than for workers aged 55 to 64, and in most cases they are greater for women than for men.[43] The incidence of part-time employment for workers aged 65 years and above is almost double that of workers aged 25 to 54, but the available data does not distinguish whether this is by choice.

42 Reliable statistics on long-term unemployment are only available for a small number of countries in the region, given the low prevalence of unemployment in the older population. This indicator has significant variation between countries.

43 These findings are also shown for the specific case of Thailand (Moroz 2021).

▶ **Figure 2.12. Difference in incidence of employment types of older workers relative to those aged 25–54, by sex and age, Asia and the Pacific, most recent available year (percentage points)**



Notes: The figure shows simple averages of the differences in employment shares across 22 (informality) and 36 (all other indicators) countries. Total figures are not necessarily in between the men's and women's figures owing to differences in women's employment shares across countries.

Source: ILO calculations based on ILOSTAT.

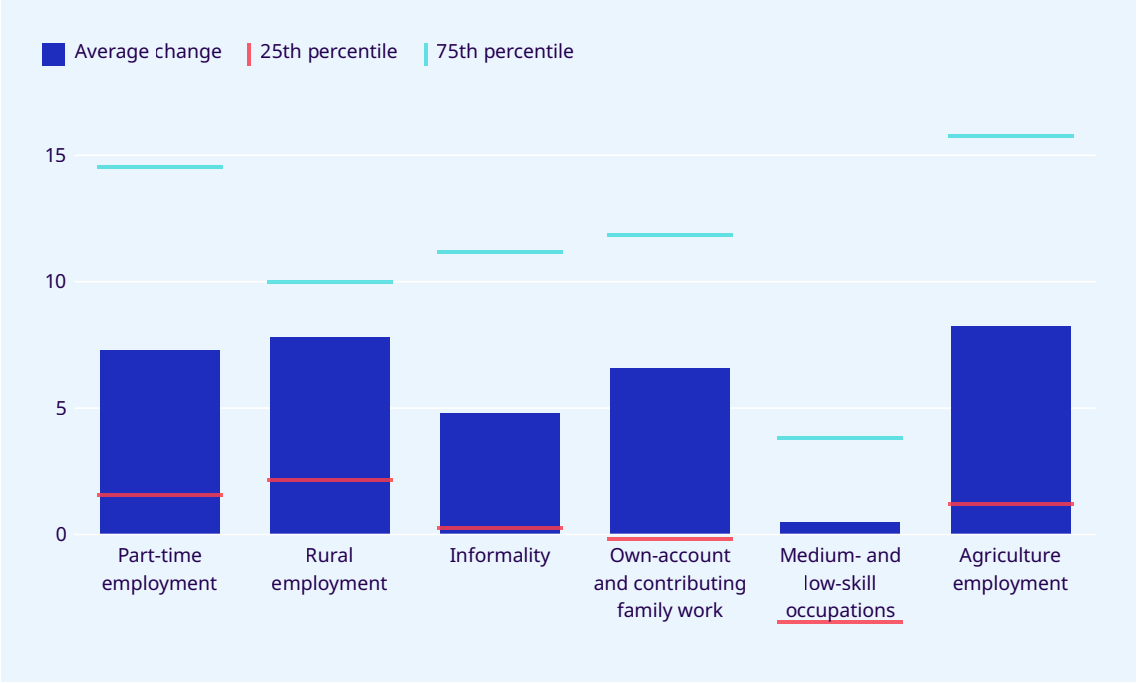
Country studies for Indonesia and South Africa, tracking the employment profile of individuals, show that in old age, workers are more likely to switch to work in the agriculture sector, and to an occupation requiring a lower skill level, despite having previously worked in services or industry, in an occupation requiring a higher skill level (Brehm, Doku and Escudero 2023). In the United States, older individuals coming from unemployment or out of the labour force are more likely to enter occupations that are lower skill, typically part-time, and likely not well paid. Workers remaining employed are most likely to switch to similar occupations, but they are more likely to move down the hierarchy rather than up after age 55 years (Sonnega, Helppie McFall and Willis 2016). This shows that the higher incidence of lower quality jobs among older workers is mostly due to older workers moving into those jobs, rather than the older generation having always had a different employment profile.

The rising prevalence of lower quality employment among older workers is also substantiated by employment data of age cohorts over time for a larger set of countries in the region (figure 2.13).[44] With the exception of medium- and low-skill occupations, on average, the incidence of employment types associated with lower quality jobs and income

44 Labour force surveys are not designed to follow individuals over a long period of time, even when they include a rotating panel. They only allow to track the average employment characteristics of age cohorts over time. For example, one can compare the share of employment in agriculture of the workers aged 55 years in 2012 and those aged 65 years in 2022.

has increased across the region for the cohort aged 65 years and above in the latest available year, compared with the incidence 10 years prior. While the degree of increase varies significantly between countries, an increase was nevertheless observed in at least three-quarters of all countries for all the indicators except skill. Given the large drop in employment rate among those aged 65 and above, the cohort analysis does not allow to distinguish whether changes in incidence are driven by workers moving into those types of employment as they get older, or whether workers already in those employment types tend to retire later. Both factors are likely, to varying degree, depending on the indicator. For example, it is very likely that there is an actual switch into part-time employment in old age, while it seems less likely that many older persons move to rural areas to continue working there.

▶ **Figure 2.13. Average change in incidence of employment type for the cohort aged 65 years and above, latest year available relative to 10 years earlier, countries in Asia and the Pacific (percentage points)**



Notes: The figure displays the difference between the incidence of a given employment type among the cohort aged 55–64 years from a decade before the most recent year available and the incidence among the cohort aged 65 years and above in the most recent year available. It hence shows how incidence has changed for a given age cohort over time.

Source: ILO calculations based on ILOSTAT. For Asia and the Pacific, data are available for 11 countries on informality, 20 countries on rural and part-time employment, and 25 countries on status, sector and occupation.

The challenges faced by older workers

Older workers are considered to be a vulnerable group, meaning that in competitive labour markets their prospects are lower along the dimensions of decent work.[45] From a workplace perspective, older workers are considered more expensive than younger workers due to high compensation, seniority

45 Other vulnerable groups include women, young people, persons with disabilities, migrants, people of certain races (depending on country context). This means that only a minority can be considered "non-vulnerable".

rights and employment benefits. They are also viewed by employers as being less productive owing to physical concerns and skills that may not be up to modern standards (Ghosheh Jr, Lee and McCann 2006; Truxillo 2015). This leads to age discrimination, whereby business are more likely to lay off older workers, and less likely to hire them, than younger workers. In the United Kingdom, for example, older workers have a lower probability than their younger counterparts of returning to employment after an unemployment spell (Charni 2022).

Yet, the perspective on older workers is changing, owing to research and because businesses increasingly need to rely on them in light of demographic change. Research results from the United States show little evidence that older workers reduce productivity or profitability, although there is significant variation between industries (Quinby, Wettstein and Giles 2023). Older workers bring skills and experience, take fewer days off, have a strong work ethic, and retain business knowledge and networks (Finkelstein and Block 2015; Nail 2022). In Japan, an increasing number of companies is willing to hire workers over 70 years old (Motokazu 2023). In ASEAN countries, older workers do not impede the career progress of younger workers; the two groups complement rather than substitute each other (Wijayanti 2018).

When older workers lose their job, they face difficulties finding another one of similar quality and pay (Deelen, de Graaf-Zijl and van den Berge 2018). In the Republic of Korea, older workers who maintain regular work can experience an increase in their earnings under the seniority-based wage system, but those in irregular work or who re-enter the labour market, see their earnings decline (Lee and Lee 2023). Workers who have had a long career but lose their jobs due to restructuring benefit from the occupational community not only to find work but also to provide a collective identity (MacKenzie and Marks 2018). People with adequate finances, either from sustained unemployment benefits until reaching retirement age or from sufficiently generous early retirement packages, tend to remain without employment once they have lost their job (Börsch-Supan et al. 2021; Tatsiramos 2010). Former employees who decide to become entrepreneurs see an improvement in quality of life but lower their income (Kautonen, Kibler and Minniti 2017).

Older workers are much less likely than younger workers to be offered training by human resources departments (Armstrong-Stassen and Cattaneo 2010; Cedefop 2014; Martin et al. 2014; Fleischmann, Koster and Schippers 2015); any such offers seem to be considered a reward, rather than a measure to enhance productivity (Lazazzara, Karpinska and Henkens 2012). Gender, of employees and human resources officers alike, is also relevant; multiple factors influence whether women receive more training than men or less (Lössbroek and Radl 2019). Employees with higher qualification levels are more likely to receive training (Cedefop 2014). Yet, training for older workers is important, as it has a significant positive effect on their productivity and wages (Lee, Kwak and Song 2021). When asked, responses from employees on reasons for not seeking training included: (i) lack of time due to family responsibilities; (ii) conflicts of training with work schedule; and (iii) costs (Cedefop 2014). Those responses show that businesses not only need to fund training but also employees time to participate in it.

Health is a major limiting factor to old-age employment. In Canada, only 33 per cent of workers aged 50–62 years with a health problem remain employed at age 64, compared to 55 per cent of healthy workers (Chen 2019). The existence and typology of health problems also has a bearing on whether workers exit to inactivity or to early retirement. It seems that declining health is more significant than poor health in driving labour force exit (Bound et al. 1999). Work characteristics are more critical than workers' individual capacities when it comes to health outcomes for older workers,

indicating that many more workers could have a long, healthy career if risks to occupational health and safety were minimized (Bohle, Pitts and Quinlan 2010). Yet, there is no conclusive evidence that an increase in the retirement age has any adverse effects on the health of older workers (Pilipiec, Groot and Pavlova 2021). It is possible that those who are able work longer when facing a higher retirement age, while those who for health reasons need to exit the labour market do so regardless.

2.3.4 The distribution challenge

While continued growth of GDP per capita should be achievable in Asia and the Pacific through productivity improvements, realizing adequate income security for older persons will pose a far greater challenge; an increasing amount of the rising national income will need to be redistributed to an economically dependent population. High income inequality makes it unlikely that market-based solutions, such as personal savings and private pension funds, will prevent widespread poverty among older persons. Any voluntary scheme aiming to redistribute will be unlikely to attract high-income earners as contributors. Social protection systems collectivize individual risks and redistribute from those fortunate enough to be able to earn higher incomes to those who are not. A redistributive old-age pension system will be vital to meet the distributive challenge related to ageing (Brown and Prus 2004; Demirgüc-Kunt, Klapper and Panos 2016; Yeung, Desai and Jones 2018; ILO 2021a). Yet, coverage and amount of old-age pensions are often inadequate, as evidenced by the rising income inequality associated with ageing in countries in Asia and the Pacific and the rest of the world (Shaik Saffaraudin et al. 2023).

Ageing will raise the financing needs of old-age pension systems. Establishing sustainable and equitable financing for national pension systems to ensure income security for older persons represents a key challenge for governments. High rates of informality greatly diminish the potential revenue base for contributory schemes, whether public or private, while large shares of workers with very low income implies low revenue. Private pension funds tend to have limited capacities for risk sharing and redistribution, thereby failing to provide old-age incomes to earners of very low incomes. Non-contributory universal schemes rely on governments' capacity to tap a sufficiently large tax base. Contributory schemes embodying social insurance principles are an important instrument for risk sharing based on collective financing by workers (protected persons) and, in the case of employees, their employers. In addition, non-contributory (tax-financed) universal pension schemes are essential for guaranteeing at least a basic old age pension, relying on governments' capacity to generate sufficiently large tax revenues. Globally, most pension systems rely on a combination of mechanisms, predominantly social security contributions and general taxation (ILO 2021a; ILO 2021b).

Expenditures for health and long-term care for older persons also need to be considered in a macroeconomic analysis of financing an ageing population. Many societies finance health and long-term care through social insurance or direct tax-financed provision (ILO 2021a; Tessier, De Wulf and Momose 2022). Current spending on long-term care amounts to only a fraction of that required to provide adequate care (De Henau 2022).[46]

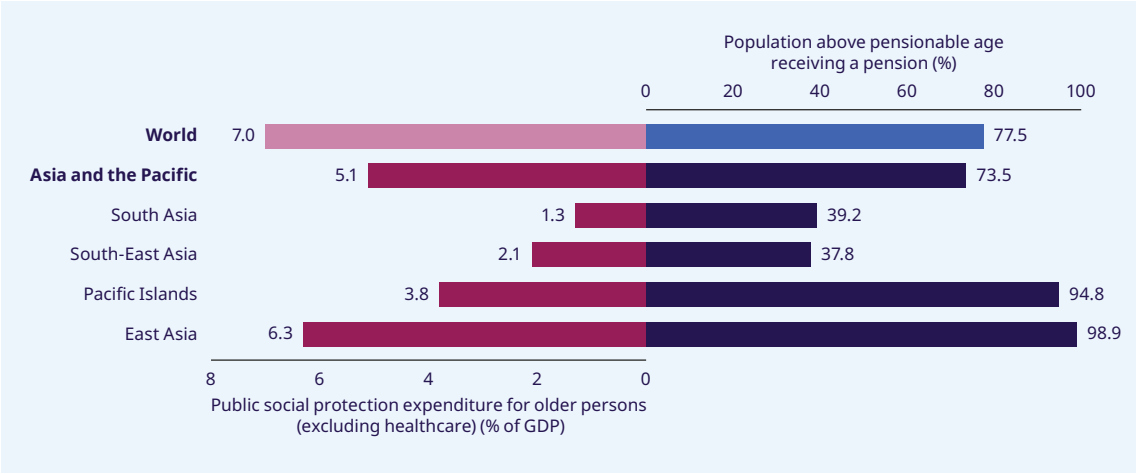
46 In low- and lower-middle-income countries in Asia and the Pacific, current spending as a share of GDP amounts to less than 5 per cent of what would be required for adequate long-term care. In upper-middle- and high-income countries, that share is 15 per cent but the funding shortfall as a ratio to GDP is larger.

The main purpose of this section is to provide an analysis of the labour market and macroeconomic issues related to financing of old-age pensions in the regional context of Asia and the Pacific. It also summarizes existing reports by the ILO and other organizations on the state of pension systems in Asia and the Pacific.

The state of old-age pensions in Asia and the Pacific

Most older persons in Asia and the Pacific (73.5 per cent) have access to pensions or other provisions for old age (figure 2.14). However, coverage rates and expenditure levels vary widely between countries in the region, with an unweighted average of 59.4 per cent. In several countries, protection is offered to less than 10 per cent of the old-age population.[47] In 2020, public social protection expenditure for older persons stood at 5.1 per cent of GDP in the region, lagging behind the global average of 7.0 per cent. Expenditure is particularly low in South Asia (1.3 per cent of GDP) and in South-East Asia (2.1 per cent of GDP) (figure 2.14). The ILO's World Social Protection Report 2020–22 provides a detailed analysis of the state of social protection globally and in the region, including on types and coverage of pension schemes (ILO 2021a; ILO 2021b).

▶ **Figure 2.14. Public social protection expenditure for older persons (percentage of GDP) and Sustainable Development Goal indicator 1.3.1 on effective coverage for old-age protection: Percentage of persons above statutory retirement age receiving an old-age pension, in Asia and the Pacific, 2020 or latest available year**



Note: See Annex 2 of the *World Social Protection Report 2020–2022* for methodological explanation. Global and regional aggregates are weighted by number of persons above statutory pensionable age. Global and regional estimates on expenditure are weighted by GDP.

Source: ILO 2021b.

Countries in the region have anchored old-age protection schemes in law. These include contributory and non-contributory schemes – often in combination – where the latter can be universal or targeted (ILO 2021a). The generic ILO pension model rests on four pillars, where pillar zero is a general social protection floor, while pillars one to three follow the usual convention of pension system classification and denote a social insurance pillar, a voluntary

47 The unweighted average is computed from the country data available on ILOSTAT.

or mandatory complementary scheme and voluntary personal savings (ILO 2018b). In the region, mandatory contributory schemes provide legal coverage to 50.5 per cent of the population aged 15 years and above, with 55.2 per cent of men and 45.6 per cent of women covered.[48] Voluntary contributory schemes provide legal coverage to 11.0 per cent of the population: 9.2 per cent for women and 13.1 per cent for men. Non-contributory (tax-financed) schemes provide legal coverage to 52.0 per cent of men and women alike. Effective coverage does not always align with legal coverage, particularly for voluntary schemes. Gender gaps in contributory schemes largely mirror gender gaps in labour force participation rates and the structure of employment, resulting in higher coverage for women than men, if measured as a percentage of the labour force in the region.

Future gross replacement rates[49] average 52.9 per cent for men and 47.3 per cent for women in a sample of 15 countries with mandatory contributory schemes in Asia and the Pacific (OECD 2022). The replacement rates for women are lower in nine of the countries due to a lower pension eligibility age of women. Low-income workers (earning half the average wage) would receive a gross replacement rate of 64.5 per cent, since most countries try to protect them to some degree from old-age poverty through a minimum pension protection. Since pension incomes are often treated preferentially from a tax perspective, the average net replacement ratio is 58.1 per cent, 5.2 percentage points above the gross rate. For low earners, the rate is 68.0 per cent (OECD 2022).

Among the countries that provide a universal basic pension, amounts tend to be very small relative to average wages, for example only 4.1 per cent in Thailand (OECD 2022) or 4.3 per cent in Bangladesh.[50] Given insufficient coverage and inadequate pension incomes, older persons in the region often rely on informal support networks, mostly their own children, to provide for them (ILO 2021a; ILO forthcoming b; OECD 2022). Rapid demographic change, along with changing economic and social structures, could render those informal channels insufficient (Jones 2012; Yeung, Desai and Jones 2018).

Two interrelated obstacles will likely stand in the way of pension systems in their current form preventing old-age poverty on a large scale. The first is lack of coverage and the second is income inequality with large shares of workers living on very low incomes that limits their capacity to contribute to social insurance or save without falling into consumption poverty. Since old-age pensions, when they exist, are often linked to working-life income, labour income inequalities will propagate into old age.[51] Gender gaps imply that women are more likely to have lower earnings (ILO 2018a) and shorter careers and are therefore more likely to receive lower old-age pensions. In the Republic of Korea, poverty risks increase significantly when workers retire, and a significant number of people re-enter the labour market to earn more, albeit often in low-quality jobs (Lee and Lee 2023). Public pension systems can reduce gender inequalities but cannot fully offset gender inequalities in labour markets and employment.

48 Detailed data on social protection schemes and coverage can be found at https://wspr.social-protection.org/.

49 The gross replacement rate is the level of pension benefits relative to earnings when working. These will depend on individual circumstances. The OECD computes those for workers with average earnings and a full career from age 22.

50 In Bangladesh, pay is BDT 500 per month (ILO social protection database), while the average monthly earnings was BDT 11,800 in 2017 (ILOSTAT).

51 People are also more likely to provide for old age in some form when they have higher incomes. The percentage of people doing so is higher in countries with higher GDP per capita, and higher among those with secondary or tertiary education, which is a strong indicator of having higher household income. These findings come from a study using a set of questions in the 2014 edition of Gallup World Poll, which interviews 1000 people per country (Demirgüc-Kunt, Klapper and Panos 2016).

Macroeconomic considerations in Asia and the Pacific that impact old-age social protection

A pension system can be made sustainable by adjusting the income or expenditure side. The challenge is to design a system that enhances social justice to the greatest extent possible. For example, while lowering pension benefits might render the system sustainable, it will also create large-scale old-age poverty, violating the human right to social security. While raising the retirement age both reduces the number of recipients and increases the number of contributors, such a measure needs to take into account older workers' capacity to work and labour market prospects, with additional provisions for workers in hazardous and hard occupations. Intergenerational and intragenerational equity must also be considered when establishing the degree and distribution of taxes and old-age pension contributions. Population ageing plus the need to expand coverage universally and raise benefits to adequate levels will require countries in the region to muster resources that represent a sizeable and expanding share of GDP.

Circular flow analysis shows that the financing of old-age pensions must be derived from currently earned income (box 2.5). This is also true for funded contributory schemes, where participants' contributions are invested on the financial market in the form of equity, corporate or government bonds or other assets. The composition of financial assests varies considerably across countries, partly due to regulatory differences (OECD 2023). The return on financial assets needs to come from the real economy: dividends, interest payments by companies or interest payments by the government.

▶ Box 2.5. The circular flow: Equality of earned incomes, consumption and production

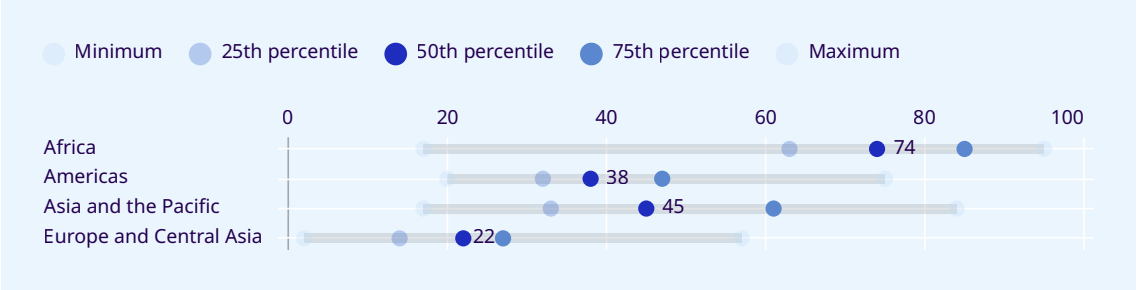
The circular flow of national accounts prescribes that while expenditures require an income, they also create income, and expenditures are made to purchase something, which requires production. When output is being produced and sold, it generates revenues, which are used to pay for labour input, other material inputs, capital investment, or remain as profit (meaning a return for the provider of working capital). The self-employed implicitly receive wages and profits from their enterprise. The government collects taxes and contributions and uses these to make income transfers, expenditures on goods and services, and pays interest on loans, all of which are also an income for someone. Social security contributions and benefits are part of taxes and transfers from a national accounting perspective, although there are important differences. Income taxes are ultimately based on labour or capital income (Bachas et al. 2023). In addition, there are consumption taxes (sales tax, tariffs).

In a closed economy, a country's income and expenditure need to balance. International transactions of goods and services and capital allow countries to have higher consumption than production, and equivalently higher expenditure than income, if other countries can provide the output and the finances. Countries that have built up large net foreign asset positions can potentially sustain excess consumption for long time thanks to the interest received from those assets.[52]

52 A country receiving 3 per cent interest on a net foreign asset position equal to 100 per cent of its GDP can run a trade balance deficit of 3 per cent of GDP indefinitely. The Norwegian Government Pension Global Fund manages assets worth around 300 per cent of Norwegian GDP that are invested outside of Norway.

The high prevalence of informal and low-productivity self-employment in the region means that a large number of workers earn a very low income relative to the national average, and hence have little prospect of contributing meaningful amounts to the pension system. In the median country of Asia and the Pacific, 45 per cent of workers earn less than half of the average wage,[53] with the figure ranging from 17 per cent to 84 per cent (figure 2.15). In eight countries in the region, more than two-thirds of workers earn less than half the national average wage. The share of earners of very low incomes in Asia and the Pacific is somewhat higher than in the Americas (38 per cent at the median) and much higher than in Europe and Central Asia (22 per cent at the median), but also much lower than in Africa (74 per cent at the median).

▶ **Figure 2.15. Share of workers with labour income below half the average wage, 2019, percentiles across countries, by region (per cent)**



Note: The figure shows minimum, 25th, 50th and 75th percentile and the maximum share of workers earning mixed labour incomes less than half the average wage (income of employees) across countries by region. The Arab States are excluded due to insufficient reliable data.

Source: ILO calculations based on ILO labour income estimates.

Taxes and social security contributions on wages alone are not sufficient to finance pensions in most countries in the region. The high prevalence of self-employment, coupled with the relatively low labour income share, mean that wages amount to only 32 per cent of GDP on average across countries, ranging from 10 per cent to just over 52 per cent of GDP. Extending social security coverage to self-employed workers will not only benefit those workers but will also broadens the financing base of old-age pensions (ILO 2021c). Furthermore, general tax revenues can be used to supplement financing, especially when the coverage of contributory schemes is too low or does not provide sufficient resources due to low earnings of contributors. In principle, taxes can be levied on all sources of income, the capacity to tax, however, can be limited. A sizable informal economy, coupled with tax avoidance and evasion, also in the formal economy, can severely limit potential tax and contribution revenues.

Capital incomes and profits could supplement pension financing but might prove difficult to claim. Since high-income earners tend to receive a larger share of their income from profits and asset returns than from wages, progressive income taxes tend to tax capital incomes. Corporate taxes equally play a role. While economic theory predicts that corporate and capital gains taxes raise the cost of capital, in practice the constraining effect on investment seems minimal (Gechert and Heimberger 2022; Hanappi, Millot and Turban 2023).

53 The average wage is derived by dividing the total compensation of employees in national accounts by the number of employees.

Tax avoidance strategies, which allow for taxes to be paid in low-tax jurisdictions, have, however, led to a downward spiral in effective corporate and capital gains taxation. This reduces the progressivity of the tax system and lowers the amount of potential tax revenue from capital and profit incomes for financing old-age pensions (Enache 2023). Asia, for example, has the lowest statutory corporate tax rate in the world, at 19.8 per cent on average, versus 28.4 per cent in South America (Enache 2023).

As some countries in Asia and the Pacific are expanding their pension systems, contributions revenue surpasses benefits expenditure.[54] Investing those excess revenues into well-diversified assets, including corporate ones, would allow those countries to earn returns in future that could supplement pension financing derived from capital incomes. Many countries have (quasi) mandatory contributory pension schemes that are invested at least partially in corporate assets as part of the old-age security portfolio (ILO 2021a).[55] The advantage of having contributions to old-age pension incomes in the form of dividends or interest on corporate bonds is that the interests of the pension system align with those of other financial market participants: to maximize returns. By 2021, however, capital markets were still relatively small in many countries in the region, with limited investment opportunities (Cao and Garcia-Feijoo 2021). If capital markets were developed further to enable secure and well-diversified portfolios, financial investments aimed at financing old-age pensions could also provide funds for productive investment in the region. Total returns on corporate assets for the entire financial system, which arise from dividend payments and interest on corporate debt, can become sizable, reaching 7.2 per cent of GDP in a well-developed financial market, such as the United States of America.[56] The contribution of just a fraction of that income to the financing of old-age pensions would relieve the burden on labour incomes. Nevertheless, the design of the pension system, including whether and to what degree to rely on pension funds invested in financial markets, depends on country circumstances and requires a detailed evaluation.

54 Examples include Cambodia, Lao People's Democratic Republic and Thailand.

55 As of April 2024, the German Government is evaluating a proposal to use government borrowing to purchase a large portfolio of corporate assets, whose future returns are to be used to finance pensions (Bundesministerium der Finanzen 2024; Deutsches Aktieninstitut 2024).

56 In the United States of America, outstanding corporate bonds amounted to 41 per cent of GDP in 2022 (SIFMA 2024), while the stock market capitalization at the end of 2022 stood at 160 per cent of GDP. The historical average real return on corporate bonds is 2 per cent, while the real return on stocks is 4 per cent, comprising an equilibrium dividend yield of around 3 per cent, plus 1 per cent dividend growth (Robeco 2020). In the United States of America, this provides annual returns on corporate bonds and stocks, which are essentially financed by companies' return to capital, of 7.2 per cent of GDP. Importantly, only part of those assets is held by pension funds financing old-age pensions.

3 Policy implications

Asia and the Pacific faces numerous decent work deficits. Informality is high, the rate of elimination of working poverty is declining, inequalities in access to and types of employment are large, and income inequality means that a significant proportion of workers earn very low incomes. In addition, the region has the fastest-ageing population in the world, which poses new challenges. The economic dependency ratio is rising, with fewer workers needing to support an increasing number of economically inactive adults, and the average age of the workforce is increasing.

While the region should be able to achieve sufficient productivity growth to allow continued rising standards of living for all, meeting that objective is a major resource allocation challenge, exacerbated by existing decent work deficits. Many workers are in low-productivity activities; transitioning to a more productive economic structure will require many of them to change jobs. Older workers, who will grow in number, tend to have jobs of lower quality and pay, and receive less training – two factors that impede labour productivity growth. The large number of workers with very low incomes, which is also related to the elevated income inequality, lack the resources to contribute significantly to a contributory pension system. This, combined with relatively low old-age social protection coverage and the small tax base that arises from informality, means that in many countries existing pension systems will likely fail to muster sufficient resources to provide adequate old-age pensions for all.

Tackling existing decent work deficits and meeting the challenges arising with ageing while enhancing social justice will require concerted, multidimensional action by workers, employers and governments. Applying existing international labour standards and recommendations and implementing existing policy initiatives such as the Global Accelerator on Jobs and Social Protection for Just Transitions would go a long way to meeting the challenges facing the region. Governments, workers and employers in the region reaffirmed their commitment to addressing the persistence of decent work deficits in Asia and the Pacific in the Singapore Statement agreed at the 17th Asia and the Pacific Regional Meeting (ILO 2022d).

The United Nations Madrid International Plan of Action on Ageing provides a broad blueprint of three key areas to address ageing populations: (1) older persons and development, which includes strengthening social protection and informal care systems as well as gender equality and the elimination of age discrimination; (2) advancing health and well-being into old age, with the areas of health care provision and its financing; and (3) ensuring and enabling a supportive environment (United Nations 2002; Chang, Cheng and Phillips 2007). Yet, specific policy action is still lacking in many parts of the region, and the 20-year review of implementation of the Action Plan in the Asia-Pacific region urges Member States to "Recognise the reality of a rapidly ageing Asia-Pacific region and revitalize the role of older persons in society" (UNESCAP 2022).

This chapter outlines specific areas related to the world of work where policy is needed to navigate the challenges related to ageing. Attending to those areas will also reduce decent work deficits and enhance social justice.

3.1 Promoting full and productive employment and decent work for all

Removing barriers to access employment and fostering productivity growth are policy measures that raise the average standard of living when the economically active share of the population is shrinking. The large jobs gap is but one indication that a significant number of people are facing barriers to accessing employment. Removing those barriers alleviates major decent work deficits by lowering unemployment and raising the labour force participation rate, in particular for disadvantaged groups. Yet, work needs to be decent, with fair remuneration, rights at work, social protection and social dialogue. Sustaining and accelerating labour productivity growth, especially at the lower end of income distribution, is one key component of raising earnings.

3.1.1 Removing barriers to access employment and handling migration

Enabling people willing to work to participate in the labour force

In Asia and the Pacific, the jobs gap stands at 164 million, including people who want employment but who do not have a job. Aside from the 88.5 million unemployed, there are 76 million people who want employment but who either are not looking for a job or are not available to take up employment. These people, many of them women, are not considered part of the labour force but might become so if the factors constraining their economic activity could be resolved. Reducing the large gender gaps in labour force participation rates has great potential to significantly increase employment. Alleviating women from unpaid care responsibilities is one of many measures that can be taken (ILO 2019; ADB and ILO 2023).

While raising female employment rates would provide the largest benefit in absolute numbers, women are not the only group facing disadvantages in the labour market, nor are they the most disadvantaged. Persons with disabilities have only half the EPR of persons without disabilities (ILO 2022e).[57] Young people also face difficulties obtaining early job experiences, as evidenced by their high unemployment rate. Similarly, older workers who have lost their job struggle to re-enter employment. Providing support to disadvantaged groups to improve their labour market outcomes will advance social justice and raise the aggregate EPR.

Migration

Migration, an important phenomenon in today's world, implies complex challenges in terms of governance, migrant workers' protection, migration and development linkages, and international cooperation. An estimated 169 million international workers globally were migrants in 2019 (ILO 2021a). Inward migration tends to raise a country's employment rate, as migrants tend to have a higher EPR than nationals (ILO 2021d). Globally, in high-income countries, migrants constitute around 18 per cent of the labour force. As of 2019, Asia and the Pacific hosted only around 24 million international migrant workers, who accounted for only 1.2 per cent of the region's labour force (ILO 2021a). Countries of origin benefit greatly from migrants' remittances and the skills acquired during their migration experience. International migration will play some part in the process of adjusting to ageing societies. However, migrants are more likely to suffer human trafficking and forced labour and tend to earn less than nationals (ILO 2020b). The

57 This figure is the unweighted average across 69 countries in the world with available data.

ILO Fair Migration Agenda aims to achieve fair distribution of the prosperity that migrants help to create, and to build migration regimes that respond equitably to the interests of countries of origin and destination, migrant workers, employers and nationals.

Getting the unemployed into employment

Lowering the unemployment rate could raise the EPR by a few percentage points.[58] Many countries in Asia and the Pacific, however, have low unemployment rates, both by global comparison and in absolute terms. Lowering unemployment rates would therefore at best only partially offset the projected decline in LFPR. Labour shortages will help to reduce unemployment rates,[59] though not automatically: mechanisms need to be in place to ensure that available workers are of the types that firms require. Mismatch can lead simultaneously to labour shortages and unemployment.

3.1.2 Raising labour productivity

Continued improvements in the average standard of living in the region require significant growth of labour productivity, especially with the added demographic drag of ageing populations on the growth of GDP per capita. There are two principal drivers of productivity growth for the region: structural transformation – a net movement of workers from low- to high-productivity activities; and productivity improvements within economic activities, driven for example by technological or organizational progress. Yet, the region has experienced a slowdown in productivity growth, income growth, transition to the formal economy and the shift towards better quality jobs. There is also some evidence that ageing decreases productivity growth, due to reduced entrepreneurship and innovation, rising skills mismatch and slower technology diffusion (ILO 2023c).[60] Contrastingly, labour shortages could cause automation through capital deepening, which would increase labour productivity. This report shows that the status quo of productivity growth is insufficient for most countries in the region to attain high-income status by 2050. Yet, most countries in the region do not require technological breakthroughs for a major increase in their productivity; closing the productivity gap with high-income countries by adopting existing technologies and providing the workforce with the necessary skills to utilize them would significantly boost people's livelihoods.

The policy options, mechanisms and institutional arrangements needed for increased productivity growth are well known (figure 3.1; ILO 2023c). A conducive business environment, and public and private investment in production capabilities that enable the development and diffusion of technologies that improve or facilitate sustainable production or consumption of goods and services are known to work (ILO 2023c). Furthermore, policies that support people not only in their initial education but throughout their working life can raise productivity growth. Those policies include social protection and lifelong learning.[61]

58 A reduction of five percentage points in the region's unemployment rate would raise the EPR by 3.3 percentage points.
59 Labour shortages could be a reason behind high-income countries posting record low unemployment rates in 2023, despite lacklustre economic performance (ILO 2024b).
60 The evidence does not imply that older workers are less productive.
61 The ILO World Employment and Social Outlook 2026 report will analyse lifelong learning in detail.

▶ **Figure 3.1. Pillars to boost productivity growth**

Source: Based on Chapter 3 of ILO 2023c.

Improving labour market conditions for older workers would allow them to contribute to their full potential until retirement, which would remedy some of the factors linking ageing to falling productivity growth. This includes better access to training, more support for job seeking upon job loss, making working environments more age-friendly, encouraging volunteerism and a change in culture among businesses to adapt jobs and workplaces to enable older workers to realize their potential (ILO 2019c). Workplace health promotion is key to the retention of older workers. However, further research is needed to demonstrate the full potential of workplace health promotion to improve the work ability, productivity or job retention of older workers (Poscia et al. 2016).

Unlocking the vast potential of workers in low-productivity jobs to fill labour shortages in growing, more productive sectors requires action by employers, workers and governments. Every year around 60 million young people in the region reach working age. While 75 per cent of them will eventually enter the labour market, it is unlikely that businesses can rely on them alone to meet their need for skilled labour.[62] Differences in personal characteristics, interests and skills, as well as lack of access to education or geographical mobility, will mean that businesses in some sectors will need to recruit and train workers from other occupations and from the pool of unemployed and discouraged workers. Career transitions become of utmost importance and need to be facilitated. Improving working conditions to attract workers to fill shortages must be of primary concern as the region transitions rapidly from an abundant supply of labour to a tighter labour market. In India, for example, 22 per cent of surveyed manufacturing businesses suffered from frequent absenteeism due to employees suffering from exhaustion and burnout. This figure that could surely be decreased by improving working conditions (Bhattacharyya 2023).

62 The total youth population in Asia and the Pacific is 600 million, while the aggregate LFPR of those aged 25 to 54 is just over 75 per cent.

3.2 Achieving redistribution for adequate old-age incomes

Universal and adequate pensions for older persons are a human right, enshrined in international standards, including ILO Social Security (Minimum Standards) Convention, 1952 (No. 102) and the Invalidity, Old-Age and Survivors' Benefits Convention, 1967 (No. 128). While unconditional basic pensions can achieve universal coverage, in many cases the benefits provided are not adequate to prevent poverty in old age.[63] Contributory schemes require a broad contribution base, both financial and in respect of enterprises and workers, to achieve wide coverage and adequacy. Yet, the high prevalence of very low incomes means that many workers build up few pension rights through such system, while many more fail to acquire coverage. In many countries in the region, old-age social security therefore fails to meet international standards on social security, as presented in the first part of this section. The challenge will be exacerbated by the rising economic dependency ratio. The second part of the section investigates economic and labour market constraints, the resolution of which would raise the adequacy and coverage of an old-age pension.

3.2.1 International standards for social security in old age

International standards, including ILO Conventions No. 102 and 128, the Invalidity, Old-Age and Survivors' Benefits Recommendation, 1967 (No. 131) and the Social Protection Floors Recommendation, 2012 (No. 202) provide an international reference framework for pensions and other social security benefits. ILO standards set out the following nine core principles of a well-designed pension system (ILO 2018b; ILO 2021a):

1. Progressive realization of universal coverage
2. Social solidarity and collective financing
3. Right to adequate and predictable benefits
4. Overall and primary responsibility of the State
5. Non-discrimination, gender equality and responsiveness to special needs
6. Financial, fiscal and economic sustainability
7. Transparent management and administration
8. Involvement of social partners and consultations with other stakeholders
9. Periodic review of pensions to match the evolution of the cost of living and level of earning

Country circumstances are an important factor in designing and adapting policies to meet the distribution challenge created by population ageing. Existing labour market and employment structures, levels of economic development, social security systems and other political and institutional factors need to be taken into account when enhancing pension coverage. The ILO World Social Protection Report and its regional companion report provide detailed information about existing social protection schemes, including for old age, for all countries (ILO 2021a; ILO 2021b). The ILO Regional Actuarial Services Unit provides actuarial and investment technical support for social security institutions in the region. This includes actuarial valuations, policy analysis, training, actuarial capacity building and investment technical support. The work feeds into analysis and decisions on costing and the design of new schemes, shock resistant measures for social security, financing and investment decisions, and general policy and reform advice and communication thereof. In 2022, technical input into risk management issues was added to the list of areas covered by the Unit.

63 The platform https://www.social-protection.org/gimi/ShowWiki.action?id=63 shows country case studies of China, Mongolia, Nepal, Thailand and Timor-Leste and concludes that universal pensions do not provide adequate incomes.

3.2.2 Economic and labour market considerations for old-age income security

Old-age pension income beyond a universal social protection floor depends on earnings and the capacity to contribute to a pension scheme and make additional savings. At the individual level, workers with low earnings are also likely to receive a low pension. At the macroeconomic level, the contributory base, and therefore the financing capacity of the system, are reduced not just by the fact that a large number of workers have low earnings, but also that, in many countries, coverage is restricted to only some categories of workers. High rates of informality render adherence to contributory pension schemes difficult, especially among the large number of own-account and contributing family workers, and at the same time, limit the capacity of governments to mobilize taxes to subsidize contributions or benefits for those with low incomes. Consequently, raising earnings, in particular at the lower end of income distribution, and comprehensive coverage of workers through contributory pension schemes are of utmost importance to achieve the objectives of adequate and universal coverage of old-age pensions.

Many countries in Asia and the Pacific will need to enhance labour productivity growth, the transition to the formal economy and collective bargaining to raise contributions to social security systems and broaden the contributory base. This can ensure that rising incomes are shared fairly, in particular at the lower end of income distribution, and that workers have the right, opportunity and means to contribute to a pension system. Redistribution of contributions and transfers from the government budget might be required to ensure an adequate basic pension for all. Furthermore, promoting formal entrepreneurship could lead to capital market deepening, providing more investment opportunities for pension funds. When designed in a sustainable and equitable way, those funds use capital income to complement the financing of old-age pensions.

Compliance with labour and social security legislation is key to achieving these objectives. Increasing compliance is tightly related to the transition to the formal economy. It has the direct effect not only of getting more workers covered by contributory social security schemes, but also of raising the incomes of workers at the lower end of income distribution, for example through compliance with minimum wage requirements. However, there is not enough knowledge either about levels of and trends in compliance in the region, or about what works best to increase compliance in the specific circumstances.

3.3 National policies to address the challenges of ageing

The policies to address the challenges of ageing that are discussed and implemented in different countries in the region vary widely (ILO 2019c). Many States have at least one plan or strategy on ageing (AARP and FP Analytics 2023). Some, with relatively young populations which do not yet feel pressures from ageing, have limited policies in place, while others address the full spectrum of challenges, from life-long learning to comprehensive old-age social security schemes (ILO 2019c). In general, all countries recognise the need to provide old-age social protection, although the coverage and adequacy differs. The ILO World Social Protection Report provides a detailed analysis on those policies, including retirement ages (ILO 2021a; ILO forthcoming a). While a full overview of policies and strategies to address ageing goes beyond the scope of this report, some concrete country examples for policies in three key areas identified in this report next to social protection and productivity enhancement are shown in table 3.1.[64]

64 Another comprehensive resource are the results from an analysis of governmental plans for healthy aging from around the world (https://www.aarpinternational.org/resources/healthy-aging/national-plans), published by The American Association of Retired Persons (AARP) International.

▶ **Table 3.1. Examples of policies and strategies to address the challenges of ageing in countries in Asia and the Pacific**

Key area	Country	Description
Health and elderly care	**Australia**	The **Aged Care (living longer, living better)** policy aims to improve availability, accessibility and quality of care services provided to older Australians.
	China	The **Five-year plan on elderly care 2021–2025** aims to expand care services for the elderly.
	Malaysia	The **National health policy for older persons (2008)** establishes six guiding principles, namely maintaining autonomy and self-reliance, recognizing the distinctive needs of older persons, supporting careers, promoting healthy ageing, providing continuity of care, and maintaining the rights of older persons to quality of life and death.
	Thailand	The **Second national plan on the elderly** contains strategies to promote and support the training of caregivers, both professional and otherwise. There is also a volunteer-based care system.
Lifelong learning	**India**	The **National policy on older persons (1999)** covers a broad range of issues to promote the well-being of the elderly. This includes supporting continuing educational programmes for the elderly, whether for career development or creative personal development, while checking discrimination against older persons access to educational and training opportunities. The policy aims to develop distance learning packages for the elderly and facilitate access to libraries at universities and other research institutions.
	Malaysia	The **Blueprint on enculturation of lifelong learning for Malaysia 2011–2020** aims to endow persons of any age with the skills needed in the labour market, thereby encompassing older workers. The Government also introduced a 100 per cent tax rebate on costs to retrain older workers to encourage them to re-enter the labour market.
	Japan	The **Lifelong Learning Promotion Law (1990)** aims to develop the tools needed to help people remain active in the labour market for longer. It was followed up by multiple laws and initiatives, such as the Third Basic Plan for the Promotion of Education, 2018–2022.

Key area	Country	Description
Keeping the elderly in employment	**Australia**	The **Older worker resource hub**[65], under the aegis of the age discrimination commissioner, provides training modules and resources to help employers and employees understand their rights and responsibilities in relation to age discrimination, and navigate strategies for hiring and retaining older workers and harnessing the power of multigenerational teams.
	Cambodia	The **National ageing policy 2017–2030** aims to mainstream population ageing into all development plans, taking account of diversity in needs. It creates a legal and regulatory environment where older persons can participate in the labour market and remain in productive employment, based on their own willingness and capability in an environment free from age-based employment discrimination.
	Japan	The **Organization for Employment of the Elderly, Persons with Disabilities and Job Seekers** provides grants "for the stable employment of the elderly" to employers and serves as a public employment service, specific to the needs of the older job seeker.
	Republic of Korea	The **Elderly Employment Promotion Subsidies System (2022)** aims to stabilize and promote employment among older people by offering partial support to help cover the costs of hiring seniors at companies targeted for preferential support and medium-sized companies, which have a growing number of employees over the age of 60.
	New Zealand	The **Better Later Life strategy 2019–2034** identifies five key areas for action, one of which is achieving financial security and economic participation. This includes older workers being treated fairly, recognized for contributing expertise and skills, and given access to training and upskilling, and provides that people can work as they age, if they so wish or need.
	Singapore	The **2023 Action plan for successful ageing**, includes, among other measures, senior employment credits and part-time re-employment grants for employers. In addition, tripartite partners will introduce a new set of guidelines on flexible work arrangements (MOH 2023).

Source: based on ILO 2019c.

65 https://humanrights.gov.au/olderworkers

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Appendix A

List of countries and economies in Asia and the Pacific by subregion and income group

East Asia

- China
- Democratic People's Republic of Korea
- Hong Kong, China
- Japan
- Macau, China
- Mongolia
- Republic of Korea
- Taiwan, China

South-East Asia

- Brunei Darussalam
- Cambodia
- Indonesia
- Lao People's Democratic Republic
- Malaysia
- Myanmar
- Philippines
- Singapore
- Thailand
- Timor-Leste
- Viet Nam

The Pacific

- Australia
- Fiji
- French Polynesia
- Guam
- New Caledonia
- New Zealand
- Papua New Guinea
- Samoa
- Solomon Islands
- Tonga
- Vanuatu

South Asia

- Afghanistan
- Bangladesh
- Bhutan
- India
- Islamic Republic of Iran
- Maldives
- Nepal
- Pakistan
- Sri Lanka

Low-income countries

- Afghanistan
- Democratic People's Republic of Korea
- Nepal

Lower-middle-income countries

- Bangladesh
- Bhutan
- Cambodia
- India
- Indonesia
- Lao People's Democratic Republic
- Mongolia
- Myanmar
- Pakistan
- Papua New Guinea
- Philippines
- Solomon Islands
- Sri Lanka
- Timor-Leste
- Vanuatu
- Viet Nam

Upper-middle-income countries

- China
- Fiji
- Islamic Republic of Iran
- Malaysia
- Maldives
- Samoa
- Thailand
- Tonga

High-income countries and economies

- Australia
- Brunei Darussalam
- French Polynesia
- Guam
- Hong Kong, China
- Japan
- Republic of Korea
- Macau, China
- New Caledonia
- New Zealand
- Singapore
- Taiwan, China

Appendix B

Long-term trends and projections of labour force participation rate, labour force and population, Asia and the Pacific and subregions

▶ Table B1. Asia and the Pacific

		Labour force participation rate (per cent)			Labour force (millions)			Population (millions)		
Sex	Age	1991	2023	2050	1991	2023	2050	1991	2023	2050
Total	15–24	59.8	38.8	32.3	366.3	258.1	182.6	613.0	665.7	566.2
	25–54	78.4	77.7	75.2	869.8	1452.3	1418.7	1109.5	1869.3	1886.7
	55–64	57.0	60.8	61.2	104.9	270.8	380.8	183.9	445.1	621.8
	65+	25.1	24.3	23.9	38.8	111.1	226.5	154.4	456.1	947.8
Men	15–24	67.9	48.3	40.7	213.6	168.2	118.4	314.5	348.2	290.7
	25–54	94.9	93.3	91.5	538.3	892.6	894.5	567.0	956.5	977.5
	55–64	78.5	76.3	76.0	72.2	167.9	238.5	91.9	220.2	313.7
	65+	41.7	33.3	30.9	29.0	69.0	134.2	69.5	207.0	434.6
Women	15–24	51.2	28.3	23.3	152.8	89.9	64.3	298.5	317.4	275.5
	25–54	61.1	61.3	57.7	331.5	559.7	524.3	542.5	912.8	909.2
	55–64	35.6	45.7	46.2	32.7	102.9	142.3	92.0	225.0	308.1
	65+	11.5	16.9	18.0	9.8	42.1	92.3	84.9	249.1	513.2

▶ Table B2. East Asia

		Labour force participation rate (per cent)			Labour force (millions)			Population (millions)		
Sex	Age	1991	2023	2050	1991	2023	2050	1991	2023	2050
Total	15–24	73.1	47.9	42.8	207.8	88.6	49.9	284.2	184.9	116.6
	25–54	89.8	86.9	84.5	486.9	632.5	445.3	542.2	728.0	527.0
	55–64	58.2	63.2	67.4	56.0	139.6	159.4	96.2	221.0	236.5
	65+	20.9	22.8	23.5	17.6	59.1	110.4	84.3	259.2	469.2
Men	15–24	72.2	50.3	46.5	105.1	49.8	28.1	145.6	99.1	60.4
	25–54	97.3	91.3	87.1	269.2	342.5	243.7	276.8	375.1	279.9
	55–64	76.1	72.5	72.2	36.6	79.3	88.0	48.1	109.4	121.9
	65+	34.1	28.4	26.3	12.4	33.1	56.5	36.3	116.3	215.0
Women	15-24	74.1	45.2	38.7	102.7	38.8	21.8	138.6	85.8	56.2
	25–54	82.0	82.2	81.6	217.7	289.9	201.6	265.4	352.9	247.1
	55–64	40.3	54.0	62.3	19.4	60.3	71.4	48.1	111.6	114.6
	65+	10.9	18.2	21.2	5.2	26.0	53.9	48.1	142.9	254.2

▶ Table B3. South-East Asia

		Labour force participation rate (per cent)			Labour force (millions)			Population (millions)		
Sex	Age	1991	2023	2050	1991	2023	2050	1991	2023	2050
Total	15–24	58.9	43.2	37.1	53.2	46.7	38.2	90.3	108.1	103.1
	25–54	80.3	80.7	79.8	124.1	234.8	251.2	154.5	291.1	314.9
	55–64	65.6	66.6	66.9	15.8	43.4	62.3	24.2	65.2	93.2
	65+	32.1	35.0	35.7	6.1	19.6	45.9	19.2	55.9	128.7
Men	15–24	64.6	49.1	42.5	29.4	27.3	22.5	45.6	55.5	52.9
	25–54	95.0	93.3	91.6	72.6	137.1	147.5	76.4	147.0	161.0
	55–64	82.1	80.0	80.0	9.4	25.1	36.7	11.5	31.4	45.9
	65+	47.4	46.3	46.7	4.0	11.2	26.4	8.5	24.2	56.6
Women	15–24	53.0	36.9	31.3	23.7	19.4	15.7	44.7	52.6	50.2
	25–54	66.0	67.8	67.4	51.5	97.7	103.7	78.1	144.1	153.9
	55–64	50.6	54.0	54.1	6.4	18.2	25.6	12.7	33.8	47.3
	65+	19.9	26.5	27.1	2.1	8.4	19.5	10.7	31.8	72.1

▶ Table B4. South Asia

		Labour force participation rate (per cent)			Labour force (millions)			Population (millions)		
Sex	Age	1991	2023	2050	1991	2023	2050	1991	2023	2050
Total	15–24	43.7	32.6	26.8	102.3	119.3	91.0	234.0	366.3	339.4
	25–54	62.2	68.6	69.0	250.2	570.6	705.2	402.1	832.1	1022.7
	55–64	52.2	54.9	54.0	32.2	84.8	154.0	61.6	154.5	285.4
	65+	30.6	23.2	20.0	14.8	31.3	67.8	48.4	135.0	339.3
Men	15–24	64.0	46.9	38.0	77.4	89.3	66.0	121.0	190.4	173.8
	25–54	91.9	95.3	94.1	191.6	405.3	494.4	208.5	425.4	525.3
	55–64	81.5	80.1	78.0	25.6	61.8	111.2	31.4	77.2	142.6
	65+	52.8	37.9	31.6	12.5	24.1	50.0	23.6	63.7	158.1
Women	15–24	22.1	17.1	15.1	24.9	30.0	25.0	113.0	175.9	165.6
	25–54	30.3	40.6	42.4	58.7	165.3	210.8	193.7	406.7	497.3
	55–64	21.8	29.7	30.0	6.6	22.9	42.8	30.2	77.4	142.9
	65+	9.5	10.1	9.8	2.4	7.2	17.7	24.8	71.3	181.2

▶ Table B5. Pacific

		Labour force participation rate (per cent)			Labour force (millions)			Population (millions)		
Sex	Age	1991	2023	2050	1991	2023	2050	1991	2023	2050
Total	15–24	66.2	55.7	50.2	3.0	3.6	3.6	4.5	6.4	7.2
	25–54	80.3	79.9	77.1	8.6	14.4	17.1	10.7	18.1	22.1
	55–64	46.7	67.5	75.4	0.9	3.0	5.0	2.0	4.5	6.6
	65+	7.6	17.5	23.1	0.2	1.0	2.5	2.5	6.0	10.7
Men	15–24	68.6	56.1	50.5	1.6	1.8	1.9	2.3	3.3	3.7
	25–54	91.8	84.6	79.3	5.0	7.6	8.9	5.4	9.0	11.3
	55–64	62.7	72.4	76.5	0.6	1.6	2.5	1.0	2.2	3.3
	65+	12.2	22.2	27.2	0.1	0.6	1.3	1.1	2.8	4.9
Women	15–24	63.6	55.3	49.8	1.4	1.7	1.7	2.2	3.1	3.5
	25–54	68.5	75.2	74.9	3.6	6.8	8.1	5.3	9.0	10.9
	55–64	30.5	62.7	74.2	0.3	1.4	2.5	1.0	2.3	3.4
	65+	4.1	13.4	19.6	0.1	0.4	1.1	1.4	3.2	5.7

Asia-Pacific Employment and Social Outlook 2024: Promoting decent work and social justice to manage ageing societies

This *Asia-Pacific Employment and Social Outlook 2024* report pulls together the most recent statistics to depict the state of the labour market and its impact on the 3.4 billion people living in the region. Beyond past trends, the report examines the implications of population ageing for labour markets and society. With Asia and the Pacific being the fastest ageing region in the world, labour force participation rates and economic dependency ratios are projected to change significantly by 2050. The ensuing economic, financial and social challenges are exacerbated by persistent decent work deficits such as insufficient social protection, a high incidence of low labour incomes, gender inequality and age discrimination. Addressing these deficits is fundamental to successfully manage ageing societies and requires concerted action by workers, employers and governments.vulnerabilities of migrant workers in the fishing and seafood processing sectors through ensuring that adequate legal protections are in place.

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