

The Workforce We Need

Social Outlook for Asia and the Pacific



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Foreword

The engine of Asia and the Pacific's effort to achieve the 2030 Agenda for Sustainable Development is its workforce. The region's workers generate tax revenues essential to pay for public goods and services, which they also produce and deliver. Workers ensure the wellbeing of many dependent family members. Our workforce is the bedrock of our societies and the engine of our economies. Yet today, the shortage of decent work, the lack of access to health care and social protection deny the majority of workers the means to fulfil their potential. Our workers are ill-equipped to respond to ongoing and emerging megatrends of climate change, ageing societies and digitalization.



The COVID-19 pandemic has brought the workforce's vulnerability into sharp focus. It has demonstrated the weakness of a status quo in which two thirds of the region's workers are employed informally, denied access to affordable health care and social protection. It has laid bare the fragility of systems in which half of the region's workforce is poor or teetering on the brink of poverty. Such vulnerability has far-reaching consequences. Asia and the Pacific's labour productivity has fallen below the global average and sustainable livelihoods remain out of reach for millions. The lack of access to social protection and affordable health care undermines our workers health and the life prospects of millions of families. This lowers productivity, tax revenues and future economic output. During the pandemic, the lack of affordable health care and social protection contributed to pushing 243 million people into poverty.

Yet the case to support our workers better well pre-dates the pandemic. Vulnerable employment is still today the norm. Megatrends compound these challenges. Ever more severe climate induced natural disasters cause businesses to relocate and jobs to disappear. Digital technologies are bringing disruptive change to the world of work and unequal access to them is intensifying inequalities in opportunities, income and wealth. Population ageing means that the number of older people will double by 2050, making policies to support active and healthy ageing ever more urgent. In the twelve months that preceded the COVID-19 pandemic, half of the people in our region had at some point survived without cash income, a quarter without sufficient food and a third without necessary medicine or treatment.

At the United Nations Economic and Social Commission for Asia and the Pacific, we are driven by the conviction that none of these vulnerabilities are inevitable. With the right policies, our region's workforce can be supported to become more productive, healthier and secure. Our commitment to informing the design of such policies has shaped the research and analysis of this report. Research and analysis which demonstrates, unequivocally, the benefits of creating decent jobs, extending social protection to all and ensuring universal health coverage. It shows how Active Labour Market Policies can support a green and just transition into decent employment and improve access to basic opportunities and livelihoods. Our workforce's health, its income security and productivity can be transformed by extending access to health care and social protection. These policies are a priority and are affordable to most countries. Concrete recommendations as to how these policies can be implemented are set out for your consideration.

As we work together to build a sustainable and inclusive future, we have an opportunity to commit to policies that make the workforce more resilient. Our hope is that this report can help build the workforce we need: a workforce given the means to fulfil its potential and achieve the 2030 Agenda for Sustainable Development in Asia and the Pacific.

A handwritten signature in black ink, appearing to read 'A. Salsiah'.

Armida Salsiah Alisjahbana

Under-Secretary-General of the United Nations
and Executive Secretary of ESCAP

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Acronyms

ADB	Asian Development Bank	MICS	Multiple Indicator Cluster Survey
ALMPs	Active Labour Market Policies	OECD	Organisation for Economic Co-operation and Development
CART	Classification and Regression Tree	OOP	out-of-pocket health care expenditures
COVID-19	Coronavirus Disease 2019	NCD	non-communicable Diseases
DHS	Demographic and Health Surveys	PPP	purchasing power parity
ESCAP	Economic and Social Commission for Asia and the Pacific	SDG	Sustainable Development Goals
GDP	gross domestic product	SHP	Social Health Protection
HIES	Household Income and Expenditure Survey	UHC	Universal Health Coverage
ICT	information and communications technology	UNICEF	United Nations Children’s Fund
ILO	International Labour Organization	WHO	World Health Organization
LFS	Labor Force Survey	WVS	World Values Survey
LNOB	Leaving No One Behind	WVSA	The World Values Survey Association

Explanatory notes

ESCAP REGIONS

East and North-East Asia (ENEA): China; Democratic People’s Republic of Korea; Hong Kong, China; Japan; Macao, China; Mongolia; Republic of Korea

North and Central Asia (NCA): Armenia; Azerbaijan; Georgia; Kazakhstan; Kyrgyzstan; Russian Federation; Tajikistan; Turkmenistan; Uzbekistan

Pacific: American Samoa; Australia; Cook Islands; Fiji; French Polynesia; Guam; Kiribati; Marshall Islands; Micronesia (Federated States of); Nauru; New Caledonia; New Zealand; Niue; Northern Mariana Islands; Palau; Papua New Guinea; Samoa; Solomon Islands; Tonga; Tuvalu; Vanuatu

South-East Asia (SEA): Brunei Darussalam; Cambodia; Indonesia; Lao People’s Democratic Republic; Malaysia; Myanmar; Philippines; Singapore; Thailand; Timor-Leste; Viet Nam

South and South-West Asia (SSWA): Afghanistan; Bangladesh; Bhutan; India; Iran (Islamic Republic of); Maldives; Nepal; Pakistan; Sri Lanka; Türkiye

Executive Summary

Asia and the Pacific's success in achieving the United Nations 2030 Agenda for Sustainable Development depends on a healthy, protected and productive workforce. People of working age make up two thirds of the region's population and more than half of the global labour force. We depend on them to power the economic growth, competitiveness and sustainable development needed to accelerate the region's progress towards all 17 Sustainable Development Goals. Our workforce generates the tax revenues needed to pay for essential public goods and services and ensures the well-being of dependent family members. Yet the working-age population of Asia and the Pacific is under pressure, denied the decent work opportunities it needs to fulfil its potential.

Decent work entails equality of opportunity and treatment at work, dignity and safety in the workplace, a fair income and the freedom for workers to organize and participate in decisions related to their work and lives. It provides workers with access to social protection and health care, thereby ensuring that negative coping strategies, such as reducing food intake and selling productive assets, are avoided in the event of job loss or sickness. Decent work is necessary to ensure an adequate standard of living, reduce poverty and inequality, protect people from life cycle contingencies and promote inclusive growth. It is through well-functioning labour markets that the benefits of economic growth can spread to the whole population.

A workforce under pressure

The working-age population in Asia and the Pacific is immense with close to 3.2 billion women and men, among whom more than 2.1 billion make up the labour force. Although progress has been made since 2015, the region's workforce is insufficiently productive, healthy and protected. The main reason is that two in three workers are employed informally, that is 1.4 billion workers, 600 million of whom are found in the agricultural sector. As a result, half the region's workforce is poor or teetering on the brink of poverty, surviving on \$5.5 a day. With more than half the region's population excluded from any social protection, the workforce is highly vulnerable to systemic shocks such as pandemics or economic

downturns. It lacks adequate education and specialized skills needed to access opportunities emanating from global megatrends or overcome related challenges. Vulnerability undermines labour productivity which has fallen below the global average. Sustainable livelihoods remain out of reach for many, particularly women and young people in rural areas.

The absence of affordable health care is detrimental to the workforce's health, its productivity and future economic output. In Asia and the Pacific, people in low and lower-middle income countries can expect to die 13 years earlier than people in high income countries and child mortality rates are 10 times higher. Poor health of children in low and lower-middle income countries is compounded by low investments in health care and education services. This undermines chances of the future workforce to find a decent job. It also hampers future tax revenues and economic output. Only a few countries in Asia and the Pacific have come close to Universal Health Coverage (UHC) and catastrophic out-of-pocket health spending threatens to push more people in our region into poverty than anywhere else. The inaccessibility of affordable health care increases sickness absenteeism and exacerbates poverty. It reduces the productivity of the workforce across the region.

Underinvestment in social protection and high labour-market informality means illness and unemployment, pregnancy and old age, disability and injury, continue to push workers into poverty. The COVID-19 pandemic has provided evidence of the consequence of the lack of social protection. Eighty-five million unprotected people have been pushed into extreme poverty, living on less than \$1.9 per day, and a further 158 million into moderate poverty, living on \$3.2 a day. Even before the pandemic and the war in Ukraine, more than half of all people in the region had survived without cash income at some point during the preceding twelve months, more than a quarter without enough food and a third without necessary medical treatment. Such vulnerability widens inequality and undermines productivity.

Climate change, population ageing and digitalization are megatrends which could create opportunities for some workers and exacerbate the vulnerability of others.

- The region is highly exposed to climate-induced natural disasters with detrimental welfare consequences for workers, as jobs disappear and businesses relocate. It is the region most exposed to climate change-induced risks in the absence of comprehensive adaptation and mitigation measures. Workers in agriculture sector, who constitute about one third of the labour force in the region, are particularly vulnerable in the absence of social protection.
- Digital technologies are bringing disruptive change to the world of work. Their potential to promote decent and productive jobs hinges on access to technologies, but the lack of such access may instead deepen the digital divide and intensify inequalities in income and wealth. Women, older persons, persons with disabilities and rural residents are at a particular disadvantage in a region where a third of the population does not use the Internet. The potential positive impact of digitalization for all hinges on the narrowing of the multiple dimensions of the digital divide and addressing the vulnerabilities experienced by many in jobs created by digital platforms.
- Policies to support healthy ageing and the employment of older workers are urgently needed in line with UN Decade of Healthy Ageing (2021–2030). The population of older people is set to double by 2050 to over one billion. This trajectory will significantly raise the median age of the total population from 32.5 in 2020 and to 40.3 in 2050, with a similar upward shift in the median age of the labour force. As populations age, more people will have to be supported by a shrinking workforce. Expanding decent employment opportunities for all workers, including older workers, will be critical as outlined in the Madrid International Plan of Action on Ageing. Active Labour Market Policies (ALMPs), lifelong learning programmes and affordable health care will be central for building a more productive and healthier workforce, while also supporting older workers to obtain a decent job and remain in employment longer.

The creation of decent jobs including access to health and social protection are priorities which can reset the social contract in Asia and the Pacific. Inequalities are widening, led by significant increases in the most populous countries in the region. The aggregate income of the richest 10 per cent is 8 times that of the poorest 50 per cent in our region. Combined with regressive taxation

and inadequate social protection, inequality is also undermining trust between people and in states across our societies. Raising tax revenues by taxing personal income, wealth and capital gains to finance universal social protection, health care systems and support the creation of decent jobs is critical to improve trust and solidarity.

Decent jobs increase the purchasing power of workers and their families and support the growth of local economies. Universal Health Coverage is a long-term investment in health, human capital and productivity. Responsive social protection schemes will strengthen workforce resilience, enabling it to cope with systemic shocks and megatrends.

Workers need decent jobs

Despite significant growth in GDP over the past 15 years, total employment has grown moderately and has even fallen in some countries. Jobless growth has occurred in much of South Asia, where millions of new jobs are needed. Many workers are therefore forced to accept informal jobs, characterized by no contracts, inadequate earnings, irregular working hours and hazardous working conditions. The share of informal employment increased in 14 out of 19 countries with available data in the region. Similarly, vulnerable workers including own-account workers and contributing family workers in Asia and the Pacific have increased by a net 20 million between 2010 and 2021. In 16 out of the 40 countries for which data are available, the number of vulnerable jobs continued to grow. In seven of these, vulnerable jobs grew faster than total employment. Vulnerable employment is particularly high among women.

Generating new jobs and increasing the share of decent jobs is a priority. Decent employment increases access to basic opportunities, improves household consumption choices, livelihoods and the welfare of other household members. By increasing access to social protection schemes, decent employment strengthens social insurance contributions, increases tax revenue and reduces the pressure on non-contributory social protection schemes, financed by the public purse. Decent employment helps expand pension coverage and access to health care, improving the health of recipient families. By providing greater income security, decent employment also supports higher productivity and contributes to more inclusive growth.

As governments take the necessary steps to encourage the private sector in generating decent jobs, there is also a need to prepare the workforce better. Workers in Asia and the Pacific need support to acquire the skills necessary for improving their productivity and adapt to ongoing and emerging megatrends. This is particularly the case in the agricultural sector, which is strongly correlated with informal employment and low labour productivity. The agricultural sector employs a large share of workers in the region, with over 40 per cent of all workers in South and Southwest Asia. Two thirds of the workers in this sector have only a basic level of education or no education at all. Without adequate support, the green transition impelled by climate change could leave a significant portion of this population in precarity. Tailored policy responses are required to upskill agricultural workers and improve their resilience.

While the digital transition and rapid population ageing are challenges on their own, they are also set to transform labour markets. The increased use of information and communications technology (ICT) in many sectors is already leading to unsettling change. Even in countries with high levels of ICT literacy, up to 40 per cent of the population lacks basic ICT skills and this reaches 90 per cent in countries such as Pakistan and the Philippines. This skills gap is likely to widen inequalities in labour income in the short to medium term, particularly among older persons and rural residents. At the same time, the region's rapid population ageing is likely to push retirement ages forward, making a healthy and skilled older population critical. Over the past two decades, labour force participation rates of older persons increased in the majority of the region's countries. Yet the quality of employment occupied by older persons is often poor. The lack of social protection and major gaps in old-age pension coverage mean that older persons have little choice but to accept informal employment.

ALMPs are central to reskilling the workforce and boost access to decent employment. These should involve public and private employment services, training and higher education institutions, central and local governments, as well as civil society organizations. The type of ALMPs required need to take local circumstances into account and can include skills training programmes, public works programmes, wage subsidies or job assistance services, with priority given to women, young people and people with a lower education. Anticipating future labour market demands to shape training programmes, educational systems and curricula will be key.

Workers need Universal Health Coverage

More than one third of the population in Asia and the Pacific is not protected by a health care scheme: 1.6 billion people. Moreover, 60 per cent of workers finance their own health care costs. Deprived of income protection, they receive no salary when absent from work. Health insurance or private health care is available to only one in five people.

By 2023, nearly one third of the global population without UHC will be residing in South Asia. The latest data on key health indicators, including life expectancy at birth, survival to age 65 and child mortality rates, point to increasing gaps between the health of workers in developed countries compared to those in low and lower-middle income countries.

Poor health continues to widen inequalities within the workforce. Full-time employees are in better health than part-time or self-employed workers. The unemployed suffer the highest levels of poor health. On average, 12 per cent of lower-income earners in the region report poor health, compared to 5 per cent among higher-income individuals. Women, young people, older persons, rural residents, persons with disabilities, migrants and refugees are disproportionately disadvantaged, because they are more often trapped in informal and precarious work.

Integrating UHC within comprehensive social protection systems is the best way to leave no one behind, irrespective of people's demographic, socioeconomic and employment situation. This inclusive approach extended throughout people's lives is imperative to improve the health and productivity of the current and future workforce, particularly in the face of rapid population ageing.

By giving everyone access to health care throughout their life, countries can build trust, deepen solidarity and strengthen the social contract between governments and citizens. In countries for which data exist in Asia and the Pacific, over 90 per cent of the population expects their governments to provide access to health care. When asked about where governments should spend more money, there is a strong demand for more spending on health care and social protection. The COVID-19 pandemic has most certainly not reduced these demands.

Population ageing will affect accessibility, availability and affordability of health care services. Since large out-of-pocket expenditures on health care impose a substantial financial burden on the workforce,

it is important to anticipate the evolution of total health care expenditures and invest in the health of the workforce over the course of its life. Overall health care expenditures in Asia and the Pacific as a percentage of GDP are projected to increase by 80 to 144 per cent by 2060, depending on how healthy the older population will become. Healthy ageing can keep health care expenditures in check and provide sufficient headroom to countries transitioning to an aged society. Accelerating progress toward UHC, increasing the insufficient number of health care workers equipped with skills to tackle emerging and special needs and taking broader health-improving measures is urgently needed to promote a healthy ageing.

Workers need social protection

Social protection is a critical buffer against economic and health shocks for households. Yet coverage levels remain low. Countries with comprehensive, well-resourced and inclusive social protection systems responded better to the COVID-19 crisis. Yet in most countries, only a minority of workers contribute to a social protection scheme. The lack of widespread contributory-based schemes is due to underinvestment, weak administrative capacity and high levels of job insecurity and informality. The dominance of informal employment means that some 1.4 billion people are left unprotected, women first and foremost. Where benefits exist, the levels are often insufficient to cover their basic needs.

Investing in a package of universal child, disability and old-age benefit schemes at global average benefit levels could reduce poverty by 42 per cent on average across the 19 countries for which Household Income and Expenditure Surveys are available. In many countries, a substantial poverty reduction impact could be achieved with a modest child benefit of 4 per cent of GDP per capita. Such benefit would also reduce income inequality, narrowing the gap between the richest 10 per cent of the population and the poorest 40 per cent by 14 per cent on average. Children below the age of 18 would be the main beneficiaries.

Household wealth is the most important variable determining access to essential goods and services. Social protection can thus also safeguard access to these opportunities while boosting workers' productivity and overall economic growth. A modest increase of 4 per cent of GDP per capita in the income

level of the furthest behind households would make a significant boost in their access to opportunities. Social protection allows households to smooth consumption and invest in more nutritious food and children's education. By providing regular, predictable and adequate income security, social protection elevates worker productivity.

The proportion of persons 65 years and over in the region is set to double to one fifth of the population by 2050. In this respect, old-age pensions play a central role. However, the coverage and adequacy of such benefits remain woefully low across the region. This is driving older persons to continue to work beyond retirement age, often with decreasing wages. Those who cannot work rely primarily on families for their income security, putting pressure on household finances and creating a care burden in most cases shouldered by women. Increasing urbanization, migration and evolving family structures make it increasingly unlikely that older persons will continue living with their immediate family, making broader coverage of adequate pension benefits even more urgent.

To enable older persons to live independently and in dignity, the expansion of old-age pensions, through a blend of contributory and non-contributory schemes, is the best way to ensure a basic level of income security for all. Adjustments to design features are needed to reach previously ineligible populations and to take account of gender-specific work patterns, including career interruptions and time dedicated to unpaid care work. Other adjustments, such as retirement ages, contribution rates and benefit calculations would help increase coverage as well as ensure the longer-term sustainability of pension schemes.

To build resilience among populations vulnerable to disasters and encourage the transition to greener societies, social protection schemes need to be adaptive and enable access to basic goods and services in the immediate aftermath of disasters. Non-contributory cash transfers can help households avoid coping strategies that are detrimental to the environment. They ensure food security, facilitate savings, and help households diversify their sources of livelihood. An income boost, though cash benefits or decent employment, of 10 per cent of GDP per capita would significantly enable households to access clean fuels, improve the health of household members and ensure their contribution to green transition.

Conclusions and future direction

Building a productive workforce in Asia and the Pacific requires a strong social contract between the State and its citizens. Its foundation must be decent work for all, supported by ALMPs, an expansion of access to social protection and universal health coverage. Fundamental to realize this are enabling environments that support fair development outcomes. Their relevance becomes particularly important in lower-middle and low-income countries, where policymaking plays a major role in securing advancement of marginalized groups.

While limited fiscal space is an important concern if the financing of an inclusive recovery from the COVID-19 pandemic is to be sustained and resilience to global megatrends improved, the sectors highlighted in this report must be prioritized. In progressing toward universal health coverage and universal social protection, member States need to spend smart and tax fairly. Tapping into digital technologies can help minimize waste and improve efficiency. Broadening the tax base and improving the composition of tax revenue is needed for a sustainable financial position of economies across the region.

Develop normative frameworks and dedicated institutions

Apply a rights-based approach to pro-equality policies. Base policies on principles of non-discrimination and equality, participation, empowerment, accountability and transparency, in line with the International Convention on the Elimination of All Forms of Racial Discrimination, the Convention on the Elimination of All Forms of Discrimination against Women as well as the Asian and Pacific Ministerial Declaration on Population and Development. The rights-based approach lies at the core of the 2030 Agenda for Sustainable Development and remains key to leaving no one behind, rebuilding trust and deepening solidarity.

Strengthen cross-sectoral and inter-ministerial collaboration. Addressing the needs of the workforce entails policy action to support decent work and extend universal health coverage and universal social protection. Integrated policies can better reach population groups at the highest risk of being left behind. Success in this area requires that policy reforms are underpinned by multisectoral and multi-stakeholder involvement at all stages, from

development and design to implementation and monitoring. Such collaboration will further enhance confidence in governments.

Build stronger institutions and promote meaningful participation. Strong political commitment, active participation by communities and stakeholders, including the private sector and labour unions, broad public support as well as capable and accountable institutions governed by transparent regulatory frameworks are prerequisites for inclusive and effective service delivery. For this to become a reality, meaningful participation of groups that are left behind in public life and in policymaking is necessary.

Introduce an effective tax system. Enhancing public revenues facilitates increasing investments in essential services, such as health care, social protection and ALMPs. Reforming tax structures to reallocate resources and reduce their adverse effects on the poor, through progressive taxes on personal income, property and wealth, is essential for preventing an excessive concentration of wealth and power in the hands of a few, and for ensuring greater equality of opportunity within and across generations.

Improve data collection and analysis. To identify the impact of policies and change course when needed, governments need to identify those at risk of being left behind and to direct policymaking at certain population groups. For this, national data collection needs to allow for more granular disaggregation, analysis, dissemination and evaluation.

Improve access to decent jobs through Active Labour Market Policies

Formalize jobs and advance the decent work agenda. Countries need to progressively transition the large share of informal workers into formal, green and decent jobs. With the majority of the region's labour force trapped in informal employment, most workers do not benefit from international labour standards, including access to social protection. The abundance of informal employment and low-skilled occupations contributes to social exclusion and marginalization. It also hampers countries' development prospects.

Expand access to quality Active Labour Market Policies. Promoting lifelong learning is vital in enabling workers to keep up with technological changes and adapt to new green jobs, as a response

to climate change. It is also increasingly important in the context of rapid population ageing and the changing world of work. Upgrading of skills can happen through, for example, vocational, on-the-job, technical and entrepreneurial skills training. These programmes need to be tailored to the needs and skill levels of participants, as well as to local labour market demands. These programmes have great potential in fostering opportunities for individuals to acquire competencies that enable access to productive and decent employment. For higher impact, training schemes should be combined with other activation measures such as cash grants or access to subsidized loans.

Harness the synergies between Active Labour Market Policies and social protection. Linking participation in active labour market programmes with income security from a specific social protection benefit is important to facilitate the full and effective participation as well as completion rates of programme participants. This is essential for workers in the informal economy, where salaries are generally much lower and access to social protection uncommon.

Extend access to health care for all

Expand coverage of health care services supported by adequate funding. Governments need to extend health protection to all, including workers in all forms of employment. While progressively expanding coverage, priority should be given to lower-income groups, enabling access for example through subsidies. This provides opportunities for risk pooling, aligned with the principles of solidarity and equity. It also limits discrimination against the poor at the point of care.

Focus on primary and preventive care, not just curative health protection. Strengthening primary health care and community services has been the entry point for many countries that have made good progress towards UHC. Such expansion requires an increase in health facilities and human resources. Mobile outreach from fixed health care sites, digital technologies and national campaigns can rapidly deliver health services to a substantial portion of people previously left behind.

Enhance access to health care by extending access to social health protection. Social health protection guarantees income security by compensating for the loss of income in case of sickness. Health care benefits for the workforce should be integrated within

comprehensive social protection systems. This leaves informal workers less exposed and vulnerable. Health care protection should be extended to the household rather than the individual to ensure broader coverage and include children, women and older persons.

Anticipate evolving needs and expectations. As life expectancy rises and people's incomes increase, providing public affordable care arrangements for long-term care of older persons, chronically ill persons and persons with disabilities must be included in UHC expansion strategies. Expanding good quality health services under UHC and social health protection will require more than 40 million jobs to be created by 2030.

Broaden social protection coverage

Allocate sufficient resources and capitalize on regional cooperation. To make social protection systems effective requires a significant but affordable increase of public spending, between 2 and 6 per cent of GDP, depending on the size of the benefits and the country in question. Existing expenditures must be reprioritized and revenues increased by broadening the tax base, introducing progressive taxation and extending social insurance. This requires embedding universal social protection into national development agendas to garner political support. The Action Plan to Strengthen Regional Cooperation on Social Protection in Asia and the Pacific can guide action through its shared strategy for broadening social protection coverage.

Design inclusive social protection schemes and adapt for an ageing society. To include all workers, governments need to integrate contributory and non-contributory schemes in a coherent and complementary manner and provide individual entitlements along the life cycle. Schemes must provide adequate social protection to women in the workforce by recognizing and rewarding unpaid care work. Schemes also need to be adapted for an ageing population so that older persons who want to work can remain in employment.

Build adaptive systems and leverage emerging digital technologies. New technology can facilitate the identification and registration to social protection programmes and reduce the risks of fraud and duplication. Adaptive social protection schemes can build resilience of populations in vulnerable situations by ensuring access to basic goods and services in the immediate aftermath of a disaster.

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Chapter 1

A healthy, protected and productive workforce built around people-centred development

With less than eight years of the 2030 Agenda for Sustainable Development remaining, the outlook for achieving the Sustainable Development Goals in the Asian and Pacific region is bleak. Asia and the Pacific is not on track to reach any of the 17 Sustainable Development Goals and the region is expected to achieve only 9 out of 104 indicators that underpin the SDGs by 2030.¹ Focusing on the 112 targets that relate to the social dimension of the Sustainable Development Goals, which range from access to basic services (target 1.4) to full employment and decent work (target 8.5), only six are expected to be achieved by 2030 at the current pace of change.² Millions of people are still being left behind and poverty, inequality and vulnerability threaten our social fabric.

To reverse this trend and accelerate progress towards sustainable development in all its dimensions, the region needs a healthy, protected and productive workforce. The effective participation of the working-age population in the labour force is a precondition for economic growth, competitiveness and sustainable development. In Asia and the Pacific, the working-age population constitutes on average two thirds of the total population. The region accounts for more than half of the global labour force.³ The workforce is a driver of economic growth that generates goods and services as well as tax revenues and workers contribute directly to the wellbeing of family members and society as a whole. For every two working-age people, there is on average one dependent person in Asia and the Pacific.⁴

The workforce in Asia and the Pacific is not sufficiently healthy, protected or productive. While some progress towards the Sustainable Development Goals has been observed since 2015, none of the targets related to a healthy, protected and productive workforce are expected to be achieved by 2030 if current rate of progress

is maintained. Close to two in three workers lack decent employment opportunities, with women and youth being disproportionately distant from sustainable livelihoods (Goal 8).⁵ More than half of all people in the region are excluded from any form of social protection (Goal 1), and almost one in five risk facing catastrophic out-of-pocket health expenditures (Goal 3).⁶ Groups of people with certain demographic and socioeconomic backgrounds such as the bottom 40 per cent of the income or wealth distribution, those with lower education, women, persons with disabilities and rural residents are at highest risk of being excluded from mainstream development, spotlighting the pressing need to reach those who are furthest behind.



The workforce is not productive

With limited access to decent employment, the workforce in Asia and the Pacific faces substantial challenges. Access to decent jobs promotes productivity, provides social protection, offers stability of work as well as adequate earnings. Despite notable progress in recent years, the majority of workers in the region are still found in informal jobs with 68 per cent on average employed informally.⁷ Working poverty persists in many countries, particularly in South and South-West Asia, South-East Asia and the Pacific. Left with insufficient earnings to meet basic needs, around half of the workforce is poor or on the verge of poverty, surviving on just \$5.5 a day (figure 1.1). This leaves the majority of workers extremely vulnerable to systemic shocks like the COVID-19 pandemic or normal life cycle contingencies.⁸ Only 14 per cent of the unemployed across the region receive unemployment benefits and more than half of all workers have no income security when they fall sick.⁹

1 United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) (2022). *Asia and the Pacific SDG Progress Report 2022: Widening disparities amid COVID-19*. ESCAP, Bangkok.

2 Out of the 169 targets under the SDGs, there are 112 targets that are closely related to social development. These targets belong to SDGs 1–11 and SDG 16.

3 World Bank estimates used for average working-age ratio in Asia-Pacific; ILO projections used for labour force ratio of Asia-Pacific compared to other regions in the world. The Asia-Pacific average is similar to that of Latin America and the Caribbean.

4 World Bank estimates, based on age distributions of United Nations Population Division's *World Population Prospects: 2019 Revision*.

5 International Labour Office (ILO) (2020). *Asia-Pacific Employment and Social Outlook 2020: Navigating the crisis towards a human centred future of work. Decent employment proxied by formality of employment*. ILO, Bangkok.

6 International Labour Office, World Social Protection Database. Available at <https://www.social-protection.org/gimi/WSPDB.action?id=32> (accessed on 29 March 29, 2022).

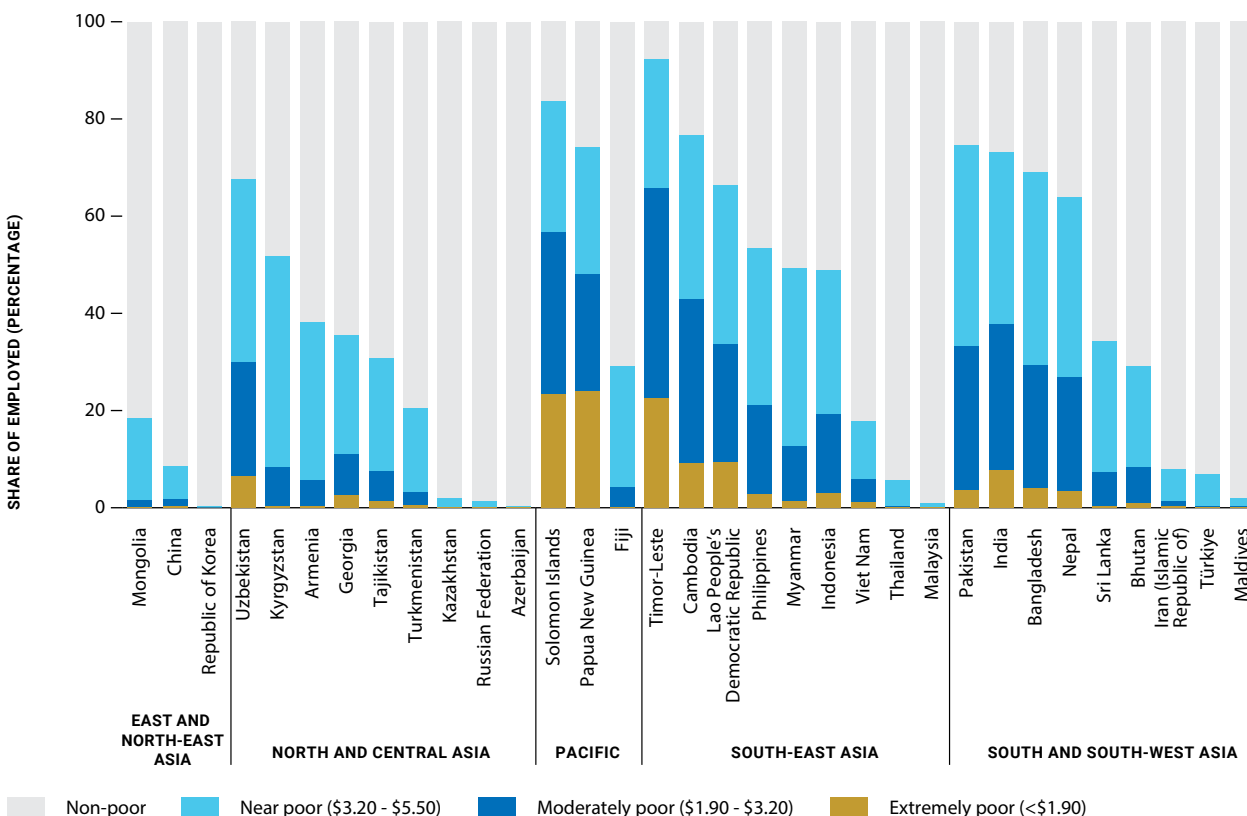
7 International Labour Office (ILO) (2020). *Asia-Pacific Employment and Social Outlook 2020: Navigating the crisis towards a human centred future of work*.

8 Author's calculations based on ILO Stat accessed in January 2022 through www.ilo.org/data.

9 International Labour Office (ILO) (2022). *Extending social health protection: Accelerating progress toward universal health coverage in Asia and the Pacific*.

FIGURE 1.1 Working poverty is prevalent throughout the Asia-Pacific region

Share of workforce classified as extreme, moderate and near poor in 2021



Source: ILO (2022), ILOSTAT. Available at www.ilo.org (accessed on 17 March 2022).

Note: ILO modelled estimates are presented for 33 countries in 2021. The disaggregation of poverty within the workforce follows the three international poverty lines corresponding to income levels of countries. While extreme poverty is more applicable to low-income developing countries, moderate poverty is more relevant for lower and upper-middle-income countries. The last threshold applies to higher income countries. Subregional grouping in figure 1.1 follows ESCAP subregional classifications.

The workforce is exposed to life cycle contingencies as well as systemic shocks and this impedes sustainable growth. Decent work is necessary to provide an adequate standard of living, reduce poverty and inequality, and protect people from normal life contingencies. The advantages of decent employment reach far beyond individual gains. For most workers in the formal sector, it is through work they contribute to social protection and health care benefits for themselves and their families. Increasing the share of workers in decent employment also supports the wellbeing of people outside the family and reduces the pressure on non-contributory social protection schemes. Currently, lower educational attainment as well as high prevalence of jobs at lower and middle broad skill levels in the region pose challenges to accessing decent work for the majority of the workforce, especially in the face of climate change, digitalization and ageing societies.

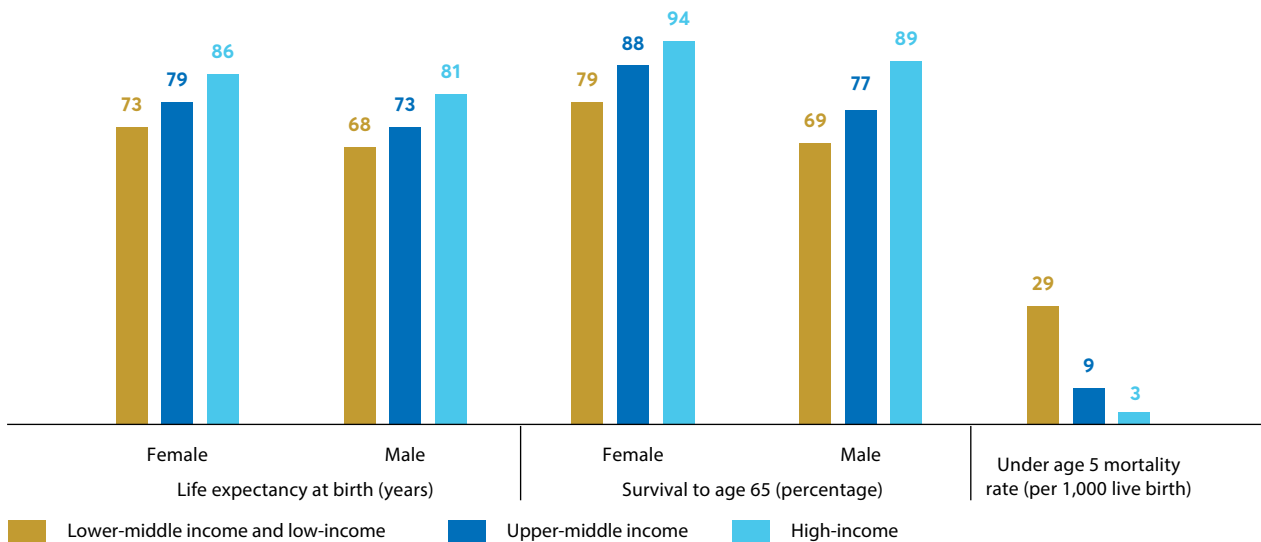
The workforce is not healthy

The poor health of people in Asia and the Pacific carries dire ramifications for its future workforce. On average, people in low- and lower-middle income countries in the region are expected to die 13 years earlier than people in high income countries (figure 1.2). While over 90 per cent of people in high-income countries are expected to live beyond the age 65, this figure drops below 75 per cent in low- and lower-middle income countries. Child mortality is almost 10 times lower in high-income countries than in low- and lower-middle income countries. High child mortality attrits future labour force and has negative long-term impact on economic output, including by lowering investments in children’s human and physical capital formation.¹⁰ The health of children has direct implications on the education level, skill profile, chances of finding a decent job

10 World Health Organization (WHO) (2009). *WHO guide to identifying the economic consequences of disease and injury*. WHO, Geneva.

FIGURE 1.2 Today's health status is closely linked to a country's development and impacts current and future workforce

Selected health outcomes by sex and level of income in Asia-Pacific, 2018



Source: OECD (2020). Health at a Glance in Asia-Pacific.

Note: Data are available for 27 countries in the Asia-Pacific region in 2018 with sex disaggregation. Income groups follow OECD-WHO classification.

and the productivity of the future workforce; with direct implications for future economic outputs of goods and services and tax revenues.

With only a handful of Asian and Pacific countries providing universal health coverage, the region hosts the highest number of people around the world who could be impoverished due to out-of-pocket health spending. In 2017, over 16 per cent of people in Asia had household spending on health greater than 10 per cent of total household budget, a critical threshold for catastrophic out-of-pocket expenditures (SDG 3.8.2). The region is behind Africa and Latin America and the Caribbean where less than 10 per cent of the total population is exposed to impoverishment from health spending. Latest estimates from the World Health Organization (WHO) show that over 50 million people in the Asia-Pacific region were pushed into extreme poverty and over 90 million people into moderate poverty in 2017 as a result of out-of-pocket health expenditures. In some countries across the region, such as Afghanistan, Armenia, Bangladesh, China and Georgia, over 20 per cent of the population is exposed to catastrophic out-of-pocket expenditures.¹¹ The inaccessibility of health care as a result of high out-of-pocket payments increases the likelihood of sickness absenteeism and undermines the productivity and output of the

current and future workforce. It can also exacerbate poverty at the individual level and hinder economic growth and development at the national level.

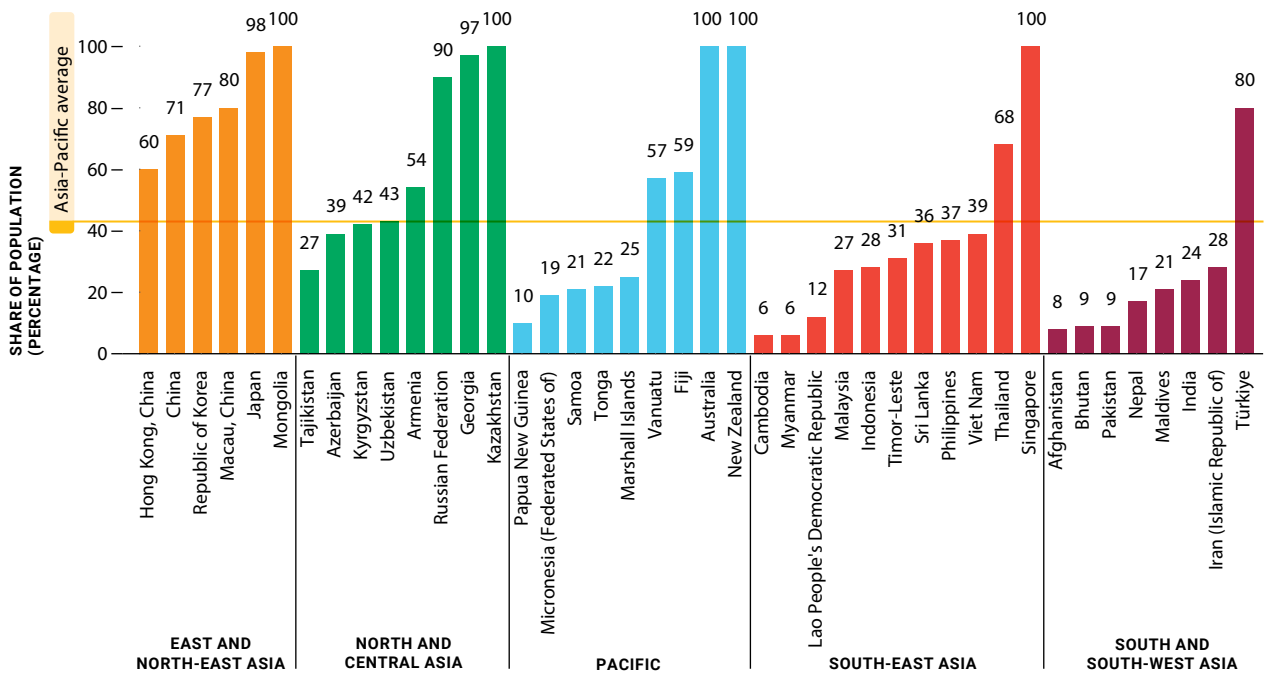
The workforce is not protected

Less than half of the population in the region has access to a social protection scheme. Excluding China, the coverage falls to one third of the population (figure 1.3). Significant underinvestment in social protection, absence of schemes and high labour-market informality are key reasons for the social protection deficit. When schemes do exist, benefits levels are often too low to have a real impact. The low political commitment to step up investment in people means that social protection is reduced to a marginal area of public policy in most parts of the region. For social protection to fulfil its potential and support more inclusive, resilient and sustainable socioeconomic development, existing architectures need to be improved. This could be facilitated by a renewed social contract that strengthens public trust in governments' ability to extend social protection, with the private sector and the working-age population fulfilling their responsibilities in return.

11 World Health Organization (WHO) (2022). The Global Health Observatory.

FIGURE 1.3 Less than half of Asia-Pacific’s population is covered by at least one social protection scheme

Share of population covered by at least one social protection scheme, 2020



Source: ILO (2020), World Social Protection Database. Available at <https://www.social-protection.org/gimi/WSPDB.action?id=32>.

Note: Data are available for 45 countries across the Asia-Pacific region on percentage of population (population weighted averages), latest available year grouped by ESCAP subregional classification.

An indication of the social protection deficit in the region is the rising level of poverty and the number of people facing a food crisis. It is estimated that the COVID-19 pandemic pushed some 85 million people into extreme poverty, below \$1.9 per day. The number of people in moderate poverty, at \$3.2 a day, is estimated to have increased by 158 million.¹² South Asia has been particularly hard hit with 49 million people falling back into extreme poverty.¹³ The *Global Report on Food Crises 2022* estimated that in South Asia alone close to 29 million people suffered from acute food and livelihood crisis in 2021, twice as many as in 2020. South Asian countries that are reliant on wheat imports from Ukraine and the Russian Federation are likely to suffer further due to the ongoing war in Ukraine.¹⁴

High shares of people in vulnerable situations pose a grave threat to the productivity of the current and future workforce. Based on data from 26 countries in the region, the World Values Survey reveals that

almost half of all people had gone without cash income during the past 12 months prior to the COVID-19 pandemic and current conflict (figure 1.4). More than one quarter had gone without enough food to eat and over one third had gone without medicine or treatment when they needed it. The situation is worse among the unemployed. Individuals who are unemployed are on average about 10 per cent more likely to have experienced at least one of these shortages than those employed. Experiencing such shortages does not only cripple the productivity of the current workforce but that of the future workforce. When people are faced with these shortages during particular stages in life such as childhood or pregnancy, it could cause loss in human and physical capital and ultimately labour productivity. In Asia and the Pacific, labour productivity has already fallen behind the world average. Failure to address this gap risks creating a vicious cycle of widening inequalities in outcomes and opportunities across the region.

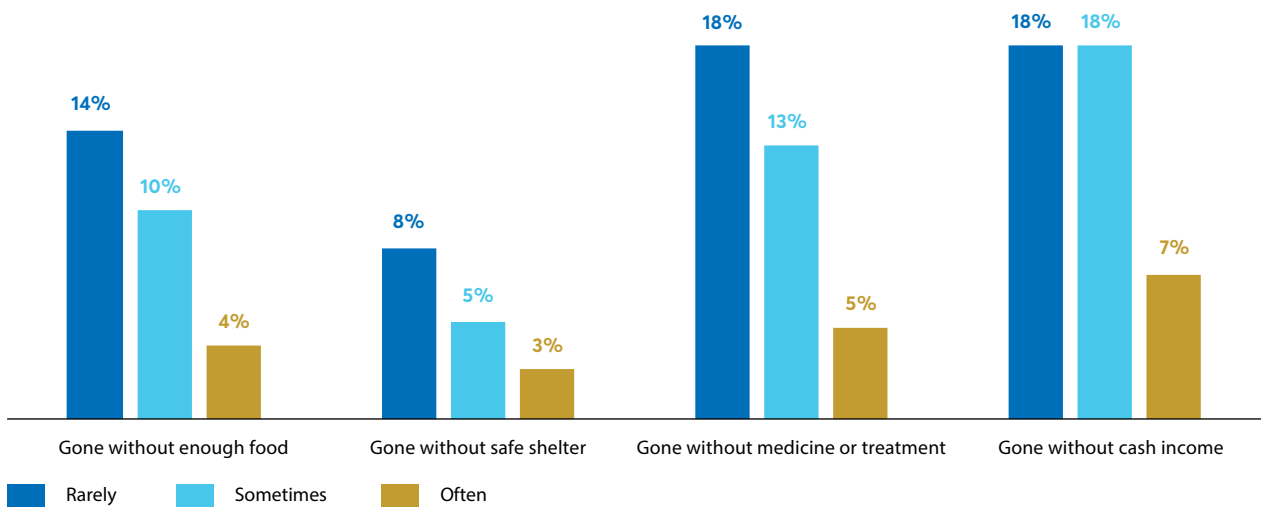
12 United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) (2022). *Economic and Social Survey of Asia and the Pacific (2022): Towards post-COVID-19 resilient economies*. ESCAP, Bangkok.

13 World Bank (2020). *Monitoring Global Poverty, Poverty and Shared Prosperity 2020: Reversals of Fortune*. World Bank, Washington D.C.

14 Food Security Information Network (FSIN) (2022). *Global Report on Food Crises 2022: Joint Analysis For Better Decisions*.

FIGURE 1.4 A high share of vulnerability indicates a social protection deficit

Share of total population in the Asia-Pacific region having gone without basic needs in the past 12 months (2017–2020)



Source: WVSA (2022). World Values Survey, Wave 7. Available at <https://www.worldvaluessurvey.org/> (accessed in January 2022).

Note: Data are available for 26 countries in 2017–2020 period across the Asia-Pacific region. Weighted averages are presented in all 26 countries across Asia and the Pacific.

The workforce is vulnerable to megatrends

Still grappling with poverty and vulnerabilities exacerbated by the pandemic, the region's workforce is vulnerable to ongoing and emerging megatrends. The workforce has been directly affected by the pandemic and the livelihoods of a substantial portion have not yet recovered. Millions of people lost their jobs and informal workers fell through the cracks of government support systems. This leaves a majority of the workforce trapped in a cycle of uncertainty and vulnerability, unable to invest in building a more secure and productive future. Even as the region slowly starts to recover from the economic impact of the pandemic, the workforce continues to be exposed and unprepared to face looming megatrends such as climate change, population ageing and digitalization.

Asia and the Pacific is highly exposed to climate-induced natural disasters, and its workforce is not ready to cope with the green transition underway.

Eight of the ten most disaster-prone countries in the world are found in Asia and the Pacific.¹⁵ In the absence of comprehensive adaptation and mitigation measures, the region is more exposed to physical climate risk than any other part of the world.¹⁶ ESCAP's analysis reveals that at the business-as-usual rate, the number of people at high risk will soar to around one third of the population of Asia and the Pacific.¹⁷ Natural disasters cause particularly severe damage to small businesses and have adverse welfare consequences for workers due to sudden sectoral reallocation and job losses.¹⁸ Climate change may push those in vulnerable situations into poverty, while global and national policies introduced to slow down the climate change could potentially marginalize lower-skilled workers. As countries introduce measures to green their economies such as sustainable agricultural practices or the provision of stronger incentives to circular businesses, major shifts are expected in the demand for labour. The ability of the workforce to respond to these shifts will partly depend on its level of human capital.

15 United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) (2021), *Asia-Pacific Disaster Report 2021: Resilience in a Riskier World*. ESCAP, Bangkok.

16 McKinsey Global Institute (2020). *Climate risk and response in Asia (2020)*. McKinsey Global Institute.

17 United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) (2021), *Asia-Pacific Disaster Report 2021: Resilience in a Riskier World*. ESCAP, Bangkok.

18 Martina Kircherberg (2017). Natural disasters and labor markets, *Journal of Development Economics*, vol. 125, pp. 40–58.

Digital technologies offer numerous opportunities for societies but they also risk leaving many people behind.¹⁹ Digital technologies are accelerating the pace of globalization, transforming labour markets and redefining societal structures.²⁰ While digital technologies can promote decent and highly productive jobs and facilitate the workforce's transition to formal economy, the benefits of digital technologies are not shared equally. Inequalities in access to digital technologies can intensify inequalities in income and wealth. In the region, less than two thirds of the population uses the Internet, while among developed countries globally, the average is 90 per cent. At regional level, the digital divide is narrowing between men and women but the gap remains wide between youth and older persons and urban and rural residents.

Analysis by ESCAP indicates that there is wide variation across countries in the region in Internet usage.²¹ In 2019, for instance, the gap between the furthest behind groups and furthest ahead groups was staggeringly high. In Kiribati and Nepal, Internet usage in the groups furthest behind²² was 13 per cent and 5 per cent respectively, compared to 85 per cent and 76 per cent in the groups furthest ahead. There is a substantial gap between persons with and without disabilities in the use of the Internet, as high as 30 percentage points in some countries.²³ Digitalization does not automatically create decent jobs. Emergence of digital platforms has given rise to unregulated and informal job markets, underlining the importance of regulations that ensure that all workers' rights are recognized and enforced.²⁴

The region is ageing at an unprecedented pace, underscoring the importance of anticipant policies to ensure healthy ageing of all and promotion of employment of older workers. According to the World Health Organization (WHO), healthy ageing is a process that builds the functional ability

needed to ensure wellbeing in older age.²⁵ The population of older persons aged 65 and over in the region increased from 171 million in 1990 to 445 million in 2021 and is projected to more than double by 2050 to over 1 billion.²⁶ This trajectory will significantly raise the median age of the total population from 32.5 in 2020 and to 40.3 in 2050 with a similar upward shift in the median age of the labour force.²⁷ As populations age, fewer people in the workforce have to support more people outside the workforce. Between 2015 and 2050, the number of persons 65 and older as a proportion of the working-age population is estimated to rise in all countries in the Asia-Pacific region except Timor-Leste.²⁸ It therefore becomes increasingly important to expand the range of decent employment opportunities for older workers and support them to remain productive and in full health through a healthcare system that meets the needs of older persons. This will provide income security in older age, increase labour supply in the market and tax bases for governments, and bolster economic growth.

Climate change, population ageing and digitalization will have profound implications on the current and future workforce. A global transition towards a greener economy and the whirlwind adoption of digital technologies will open a multitude of opportunities for people across the region. However, this requires sufficient preparation and inclusive policies. A just transition for the workforce requires adequate support for the current and future workers to equip them with the skills requisite to meet the shifting demand in the job market. Active Labour Market Policies (ALMPs) such as lifelong learning programmes, in combination with adequate social protection systems, can facilitate the upgrading of skills and the continued participation of productive older workers in full health.

19 United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) (2018). *Inequality in Asia and the Pacific in the era of the 2030 Agenda for Sustainable Development*. ESCAP, Bangkok.

20 United Nations (UN) (2018). *Promoting Inclusion through Social Protection. Report on the World Social Situation 2018*. UN, New York.

21 United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) (2020). LNOB Platform. ESCAP.

22 In both countries, the furthest behind groups include people from the bottom 40 per cent of the wealth distribution, with lower education and aged over 25. The furthest ahead groups include people from the top 60 per cent of wealth distribution, with at least secondary school education and aged 15–24.

23 United Nations Department of Economic and Social Affairs (UNDESA) (2019). *Disability and Development Report: Realizing the Sustainable Development Goals by, for and with Persons with Disabilities, 2018*. UNDESA, New York.

24 International Labour Office (ILO) (2021). *World Employment and Social Outlook 2021: The role of digital labour platforms in transforming the world of work*. ILO, Geneva.

25 World Health Organization (WHO) (2019). *Decade of Healthy Ageing 2020–2030*. WHO, Geneva.

26 United Nations Department of Economic and Social Affairs, Population Division. *World Population Prospects 2022 Special Aggregates*. Available at <https://population.un.org/dataportal/home> (accessed 14 July 2022).

27 Ibid.

28 United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) (2017). *Sustainable Social Development In Asia And The Pacific: Towards A People-Centred Transformation*. ESCAP, Bangkok.

It is time to renew the social contract through a lens of decent work, universal healthcare and social protection

Supporting the workforce with decent work, universal healthcare and universal social protection is also of paramount importance to rebuild trust. Implementing social protection, health and labour market policies requires government revenues. Currently, the region's expenditure on social protection is low and progressive taxation uncommon. A renewed social contract is required to adopt progressive taxation systems that tax personal income, wealth and capital gains that help governments raise revenues and apportion them where needs are the greatest. This requires a common understanding by governments, individuals and the private sector, of the many benefits such an investment would have on society. An inclusive social dialogue is needed in each country to shape and agree on a strategic vision. The provision of decent jobs, universal healthcare, and social protection cannot be achieved without societies joining forces around a common agenda and a strong social contract, underpinned by solidarity and trust. Governments must convince the public that increased government revenues and expenditures will be used effectively and efficiently. By investing in policy areas critical for the workforce today and in the future, governments can deepen

solidarity and re-build trust, thereby accelerating the implementation of the 2030 Agenda for Sustainable Development (figure 1.5).

Existing high inequalities in Asia and the Pacific stand in the way of reinforcing the social contract. The aggregate income of the richest 10 per cent is at least 8 times the aggregate income of the poorest 50 per cent, reaching up to 20-fold.²⁹ Wealth inequality between the wealthiest 10 per cent and the poorest 50 per cent is much higher than income inequality with top-to-bottom ratio ranging from 45-fold to over 200-fold. Inequalities in wealth are also widening in many countries in the region, led by significant increases in China, India and the Russian Federation. Inequality in access to basic opportunities compounds the inequality in outcomes.³⁰ ESCAP estimates reveal that the average gaps between the furthest behind and furthest ahead groups across 13 basic opportunities in 23 countries reach an access gap of 55 per cent for Internet usage (figure 1.6), followed by 52 per cent for clean fuels and 45 per cent for access to a bank account.³¹

The region's growing inequalities in outcomes and opportunities can break down solidarity, erode trust and weaken the social contract. Although uncovering the direct link between inequality and social consequences requires a careful investigation, initial findings suggest that income inequality is negatively correlated with generalized trust (figure 1.7). In Asia and the Pacific, only a quarter of the population agrees that most

FIGURE 1.5 A virtuous cycle for inclusive and sustainable development



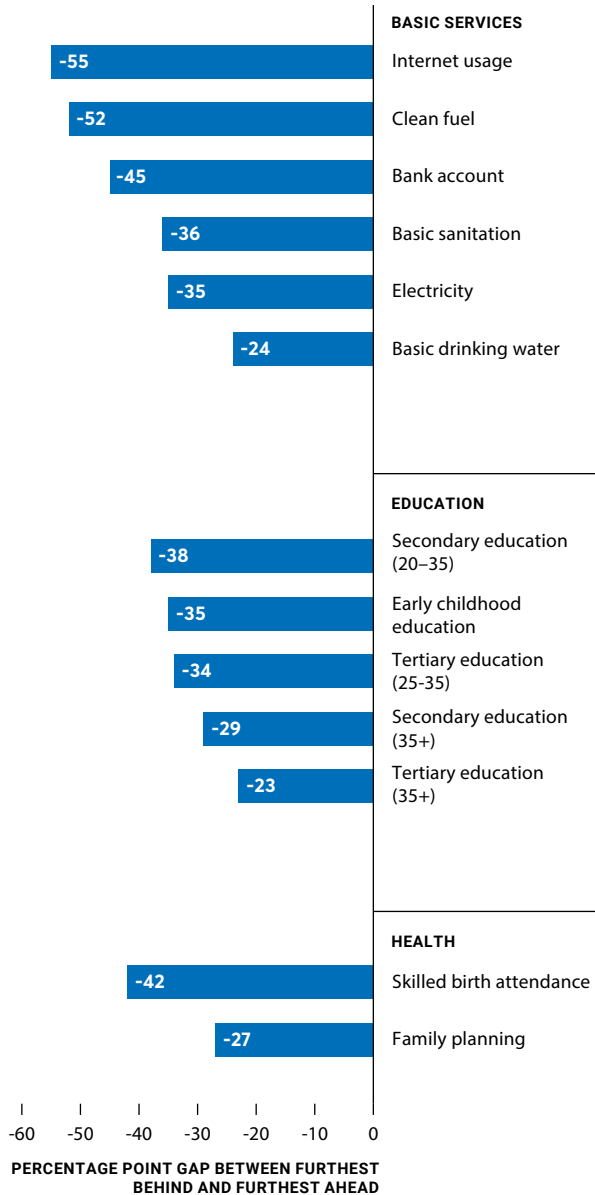
29 ESCAP elaborations based on key income and wealth inequality indicators from 2021 in World Inequality Database accessed online in April 2022.

30 United Nations (UN) (2020). *Report of the UN Economist Network for the UN 75th Anniversary: Shaping the Trends of Our Time*.

31 United Nations Economic and Social Commission for Asia and the Pacific (ESCAP). *Leaving No One Behind*. ESCAP.

FIGURE 1.6 Gaps between the furthest ahead and furthest behind in access to basic opportunities, Asia-Pacific

Difference in access rate between furthest ahead and furthest behind groups, latest years



Source: ESCAP, Leaving No One Behind (LNOB). Available at <https://lnob.unescap.org>.

Note: ESCAP LNOB platform identifies the furthest behind and furthest ahead groups in access to basic opportunities based on DHS and MICS surveys across 29 Asia-Pacific countries at national and subnational levels. However, not all indicators are available for each country. The average gap between furthest behind and furthest ahead is calculated based on simple average of gaps in each country with available data with relevant indicators varying from country to country.

people can be trusted. The range is wide from as low as 5 per cent in Indonesia and the Philippines, to over 60 per cent in New Zealand and China. A growing body of studies warns that a high level of income inequality sets back the development of social capital by preventing individuals from meaningfully contributing to the shaping of their life and impedes social cooperation, leading to greater social divides.³²

Boosting access to decent jobs, universal healthcare and social protection for the workforce can reduce inequalities. By deepening trust and solidarity government policies can be strengthened. A strong body of evidence demonstrates the effectiveness of tax regimes, universal health coverage and social protection in reducing inequality.³³ By implementing policies that are anchored around the comprehensive vision of people-centred development and a commitment to leave no one behind, governments can accelerate the virtuous cycle of deepened solidarity and trust among people, as well as between people and the government, which will then feed back into solidifying the foundation for inclusive and comprehensive policies for all. Such an approach with credible commitments by all stakeholders was evident in the East Asian miracle.³⁴ With a strong social contract in place within countries, Asia and the Pacific can create a regionally shared vision, strategies and collaborative platform to build the workforce the region needs.

By zooming in on the opportunities to create a healthy, productive and resilient workforce, governments invest in long-term development and prosperity where no one is left behind. Decent jobs increase the purchasing power of workers and their families, fueling the growth of local economies. Universal healthcare coverage equates governments' long-term investment in human capital and healthy ageing. It improves productivity of the current and future workforce while curtailing sickness absenteeism and providing protection against financial hardships. From mitigation to adaptation, a variety of social protection schemes help build resilience and prosperity of the workforce in facing a number of ongoing and emerging

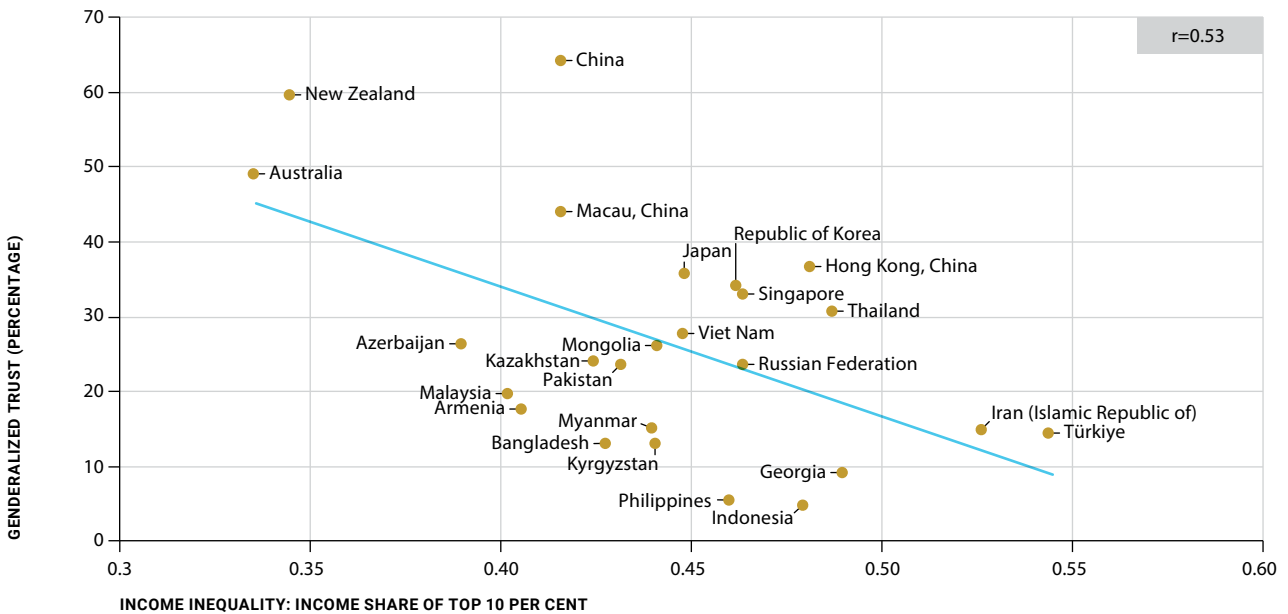
32 Philippe Nel (2006). "The Return of Inequality", *Third World Quarterly*, 27 (4):689-706.; Nel, P. (2008). *The Politics of Economic Inequality in Developing Countries*. New York: Palgrave-Macmillan.; Ayse Kaya and Andrej Keba. (2011). "Why Global Inequality Matters: Derivative Global Egalitarianism", *Journal of International Political Theory*, 7(2):140-164.; Kate Pickett and Richard Wilkinson, *The Spirit Level: Why More Equal Societies Almost Always Do Better* (2009).

33 Beneberu Assefa Wondimagegnhu, Beyadegie Wubie Worku, Amelmal Afework Tamene, Almaz Giziew Adugna. "Struggling to Keep the Wolf from the Door"? Analysis of Rural Poverty Using a Consumption-Based Approach in West Belesa District, Ethiopia, *Social Indicators Research*, 10.1007/s11205-021-02749-w, 159, 1, (319-350), (2021).; Miqdad Asaria, Shehzad Ali, Tim Doran, et al, How a universal health system reduces inequalities: lessons from England, *J Epidemiol Community Health* 2016;70:637-643.; Xianguo Huang and Naoyuki Yoshino (2016), *Impacts of Universal Health Coverage: Financing, Income Inequality, and Social Welfare*, Asian Development Bank Institute Working Paper No. 617.

34 Jose Edgardo Campos and Hilton L. Root (1996). *The Key to the Asian Miracle: Making Shared Growth Credible*. Washington, DC.

FIGURE 1.7 Rising inequalities can erode trust

Levels of generalized trust among populations and income inequality



Source: WVSA (2022). World Values Survey, Wave 7. Available at <https://www.worldvaluessurvey.org/> (accessed in January 2022) and World Inequality Database (2019). Available at <https://wid.world/>.

Note: Generalized or interpersonal trust is measured by the following question: "Can most people be trusted?" Data are available for only 26 countries in 2017–2020 period. Data are available for more countries on income share of top 10 percentile of national income distribution as of 2019.

megatrends as well as life cycle contingencies and system-wide shocks. Decent jobs, universal healthcare and social protection are guarantors of a resilient workforce, higher productivity and increased tax revenues. They empower workers as actors of development. They are a bulwark against inequality and vulnerability that contributes to inclusive economic growth, resilience and harmonious societies.

The premise of this report is that the future of social development in the region is at a crossroads and that building a resilient workforce that is healthy, protected, and productive is urgently needed for people and countries to prosper together, while achieving inclusive and sustainable development. Such a workforce is a bare necessity if it is to overcome a plethora of emerging and ongoing challenges, including climate change, population ageing and digitalization. While the COVID-19 pandemic highlighted the need to leave the business-as-usual approach, there is now the

necessary momentum to build a stronger social contract. While fiscal space is a concern for many countries in the region, spending for progress toward universal health coverage and universal social protection floor is an essential investment for an inclusive recovery.³⁵

Against this background, Chapter 2 explores the links between the productivity of the workforce and access to decent employment. Chapter 3 shows how a healthy and secure workforce is shielded from individual or systemic health shocks, thereby avoiding negative coping strategies while ensuring long-term people-centred development. Chapter 4 focuses on social protection and how it can reduce poverty and inequality, but also help workers access basic services that are central to improving their health, productivity and securing a decent job. Chapter 5 brings all three aspects together and makes the case for renewing the social contract for the workforce we need along with actionable policy recommendations.

35 United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) (March 2022). *Economic and Social Survey of Asia and the Pacific (2022): Towards post-COVID-19 resilient economies*. ESCAP, Bangkok.

A decorative border surrounds the page, featuring various icons and shapes. At the top, there are icons for a gear, a brain, a hand, a hammer, and a person. Below these are a red checkered pattern, a blue rectangle, and a white person icon. On the left, there are a yellow pill, a red circle, and a blue pill with a dollar sign. At the bottom, there are a red pill, a blue rectangle, a blue checkered pattern, a red checkered pattern, and a green pill. The background is a solid blue color with white dashed lines.

Chapter 2

The need for more and better jobs

The vast majority of workers in the region are in informal jobs. This leaves the workforce exposed to life cycle contingencies as well as systemic shocks, be they economic, health-related or climate-induced. Megatrends are increasing the demand for green and digital jobs. This demand is likely to constitute a considerable share of decent job creation in the future. To better match this demand with existing and future supply of labour, the skill set of all the workers in the region requires upgrading. There is a strong role for Active Labour Market Policies (ALMPs) to equip the workforce with the requisite skills prioritizing those who are already left behind with timely and tailored programmes.

Decent jobs are necessary to raise living standards, reduce poverty and inequality, protect people from life contingencies and promote inclusive growth. It is through well-functioning labour markets that the benefits of economic growth can spread to the whole population.³⁶ In Armenia, for example, improved job opportunities and increasing labour incomes contributed significantly to reducing poverty between 2004 and 2017.³⁷ Keeping the same pace of inclusive development requires higher shares of total employment to transition into decent jobs, particularly in the formal sector. With the majority of workers in informal jobs, upgrading skills and extending protection to informal workers is urgent. In countries such as Thailand and Viet Nam, extending social protection to informal sector workers is proving effective to expand coverage to the working poor and those in vulnerable employment.³⁸

Increasing the share of the workforce in decent employment strengthens social insurance contributions, increases tax revenue, and reduces the pressure on non-contributory or tax-financed social protection schemes. It also responds to the demands of the private sector and enables it to grow and take advantage of technological change. Moreover, increasing women's labour force participation and the quality of their jobs and fostering the transition to formal employment are key policies to ensure the sustainability of social

protection systems. In India, the International Labour Organization (ILO) estimates show that reducing the 2018 gender gap in labour force participation by 25 per cent by 2025 would decrease the old-age dependency ratio in the short term, while contributing to better social protection for pensioners in the medium and long term. Increasing the share of individuals in formal employment ensures better pension coverage, promotes higher levels of productivity and contributes to inclusive growth.³⁹

2.1 Workforce productivity lags the global average

The workforce in Asia and the Pacific is not sufficiently productive. The sector, status and type of employment that prevails in most labour markets across the region drive these results. Labour productivity, as measured by output per hour worked,⁴⁰ lags the world average and that of other developing regions except Africa. Countries in the region reveal mixed developments of labour productivity, with a significant dip in productivity in 2020, partly as a result of the COVID-19 pandemic. Across subregions, labour productivity is particularly low in many countries in South and South-West Asia and South-East Asia (figure 2.1). Nevertheless, equipped with the right policies, significant progress can be attained in the productivity of the workforce. The experience of China is notable as output per hour worked more than doubled from 2010 to 2020, albeit from a relatively low level. In India, Myanmar, Uzbekistan and Viet Nam, a substantial increase of at least by 75 per cent was observed during the same period.

Another indicator of labour productivity is output per worker. Annual growth in this indicator is an SDG indicator measuring progress toward target 8.2 of inclusive and sustainable growth and full, productive and decent employment. Out of 48 countries with available data,⁴¹ annual labour productivity growth was high and positive, increasing by at least 2 per cent per year

36 Sarah Elder, Phu Huynh and Christian Viegelah. (2020). *Asia-Pacific employment and social outlook 2020: navigating the crisis towards a human-centered future of work*. ILO, Thailand.

37 Maddalena Honorati, Sara Johansson de Silva and Florentin Kerschbaumer (2019). *Work for a better future in Armenia*.

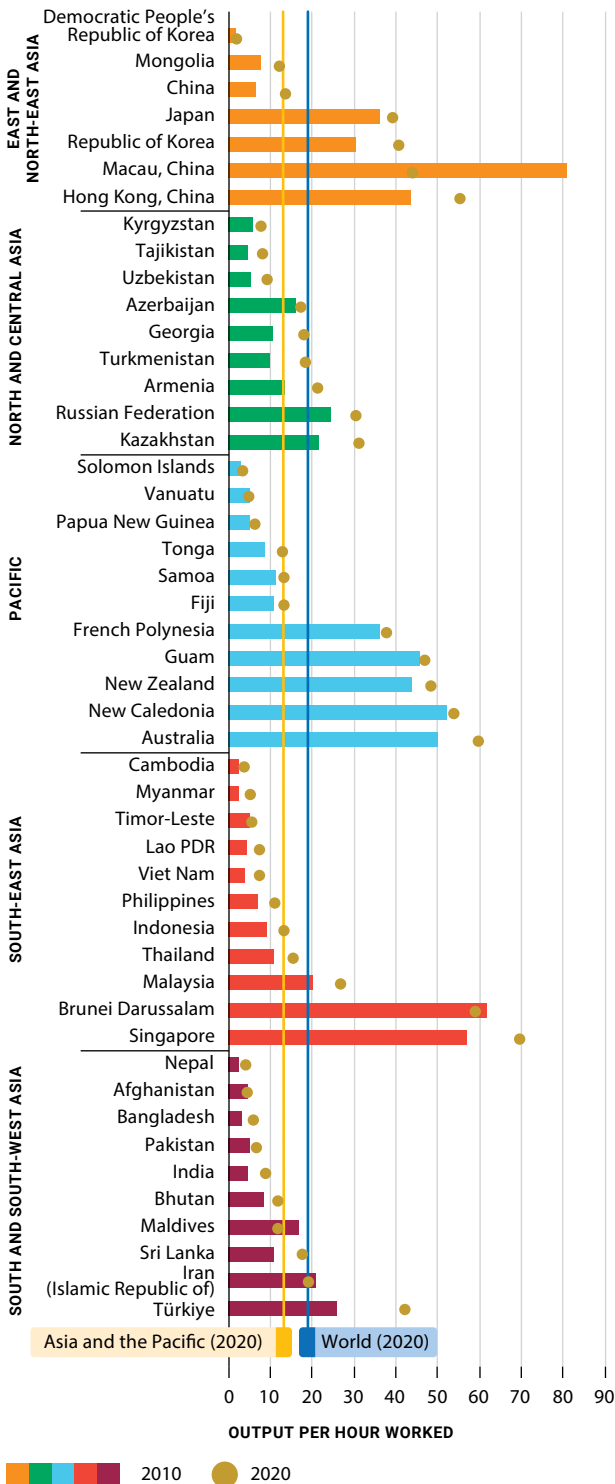
38 Santosh Mehrotra (2020). *From Informal to Formal: A Meta-Analysis of What Triggers the Conversion in Asia*. International Labour Organization. ILO.

39 International Labour Office (ILO) (2019). *Promoting Decent Employment for a Sustainable Social Security System*. ILO.

40 An alternative indicator of labour productivity is output per worker. Since this indicator is closely linked to GDP per capita and does not take into account full-time and part-time employment differences between countries, output per hour worked is preferred for a regional overview.

41 ESCAP elaborations based on ILO (2022), ILOSTAT. Accessed on 6 July 2022.

FIGURE 2.1 Labour productivity in the Asia-Pacific region is below the global average



Source: ILO (2022), ILOSTAT. Available at www.ilo.org (accessed on 6 July 2022).

Note: ILO modeled estimates for 48 countries in Asia and the Pacific in 2020 are presented by ESCAP subregions. Labour productivity is measured by output per hour worked where output is GDP in constant 2017 international dollars at purchasing power parity.

in 19 countries between 2015 and 2021. It was negative in 13 countries and remained stagnant in 16 countries. Countries in East and North-East Asia experienced the largest growth in labour productivity. The Pacific is falling behind with negative growth in many countries. Climate-change related shocks are partly standing in the way and reversing the gains made in the past.

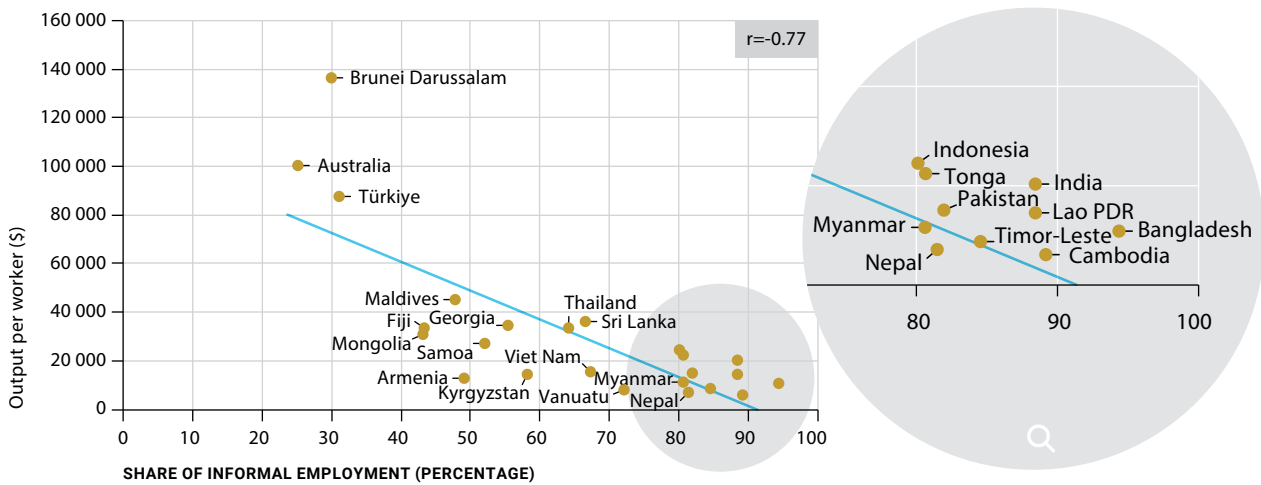
Low productivity is particularly common in countries with a high share of informal labour. Informality covers a wide range of employment types and arrangements. These include the self-employed, domestic workers or migrant workers in formal or informal enterprises or households, as well as non-standard forms of employment such as temporary work, part-time work, home-based work or platform work.⁴² There is a strong negative correlation between countries' share of informal employment and labour productivity (figure 2.2).⁴³ Overall, informality is high in the region, reaching beyond 60 per cent in many countries. It is more evident in South and South-West Asia where around 80 per cent of those with a job are employed informally. Only in a handful developing countries, such as Brunei Darussalam, Maldives and Türkiye do the majority of workers have a formal contract.

Throughout the region, productivity is notably lower in the agricultural sector, which is also dominated by informal employment. Out of 26 countries with sex and sector disaggregated data in the region, informal employment in agriculture is over 90 per cent reaching virtually 100 per cent in Bangladesh and India. The climate change induced green transition will affect the agriculture sector and rural economies significantly, requiring tailored policy responses to re-skill these workers, increase their productivity and ensure a just transition. Improving working conditions in the agricultural sector is critical. Outside agriculture, informal employment is still high, particularly in the services sector, at above two thirds of total employment in 9 out of the 26 countries. This is particularly the case in South and South-West Asia and South-East Asia, notably so in Bangladesh, Cambodia, India and Myanmar.

42 International Labour Office (ILO) (2004), Statistical definition of informal employment: Guidelines endorsed by the Seventeenth International Conference of Labour Statisticians (2003), 7th Meeting of the Expert Group on Informal Sector Statistics (Delhi Group) New Delhi, 2–4 February 2004. Ralf Hussmanns.

43 The relationship between informality and productivity is highly complex and requires a formal empirical analysis beyond the scope of this Report. The negative association depicted in figure 2.2 is descriptive in its nature and should not evoke a causal interpretation. The results are qualitatively similar when output per hour worked is used as a proxy for labour productivity.

FIGURE 2.2 As informality increases, labour productivity decreases in the Asia-Pacific region



Source: ILO (2022), ILOSTAT. Available at www.ilo.org (accessed on 22 April 2022)

Note: There are 24 countries in the Asia-Pacific region with available data. The latest year of available data for SDG 8.3.1 is on the x-axis representing the proportion of informal employment in total employment mostly in 2017–2021 period. Output per worker is measured by constant 2017 international dollars at PPP. Both indicators are matched by year.

Informality also has a gender bias. Over half of employed women are in informal jobs in 16 out of 27 countries.⁴⁴ Relative to men, women are also more likely to occupy an informal job in 15 of the countries. This gap is particularly high in Türkiye, the Marshall Islands, Nepal and Pakistan. Women’s overrepresentation in the informal economy is also independent of whether they work in agricultural and non-agricultural sectors. Achieving decent employment requires tailoring policies to place women at the center, with additional support for transitioning to formal and decent work, particularly in the garment sector. Impact evaluations from India⁴⁵ and Nepal⁴⁶ show that vocational training programmes can improve skill accumulation and productivity among women and lead to improved labour market outcomes.

Persons with disabilities are overrepresented in informal employment. Across 11 countries in Asia and the Pacific, the median percentage of adults in informal work was 80 per cent for persons with a functional difficulty compared with 66 per cent for persons without difficulty.⁴⁷ This is at stark odds

with the first goal of Incheon Strategy to “Make the Right Real” for Persons with Disabilities in Asia and the Pacific which aims to reduce poverty and enhance work and employment prospects during the Asian and Pacific Decade of Persons with Disabilities.^{48, 49}

Informal employment is most prevalent among own-account workers and contributing family workers. These two forms of employment are often referred to as vulnerable employment. Recent data from the ILO suggest that across developing countries in Asia and the Pacific, half of all workers are in vulnerable employment, reaching more than three quarters of total employment in Afghanistan, Lao People’s Democratic Republic, Democratic People’s Republic of Korea, Nepal and Papua New Guinea. Across subregions, South and South-West Asia leads the way with 66 per cent of all workers in vulnerable employment followed by the Pacific (excluding Australia and New Zealand) at 64 per cent, South-East Asia at 53 per cent and East and North-East Asia with 44 per cent. With around 15 per cent of workers in vulnerable employment,

44 There are 27 countries with available data on SDG 8.3.1 which measures the share of informal employment in total employment. There are however 26 countries for which data are available at sex and sector disaggregated level for informal employment based on different sources harmonized by ILO.

45 Pushkar Maitra and Subha Mani (2017). Learning and earning: Evidence from a randomized evaluation in India. *Labour Economics*, 45, 116–130.

46 Shubha Chakravarty, Juliane Zenker, Plamen Nikolov, Juliane Zenker. (2019) Vocational training programs and youth labor market outcomes: Evidence from Nepal. *Journal of Development Economics*, 136, 71–110.

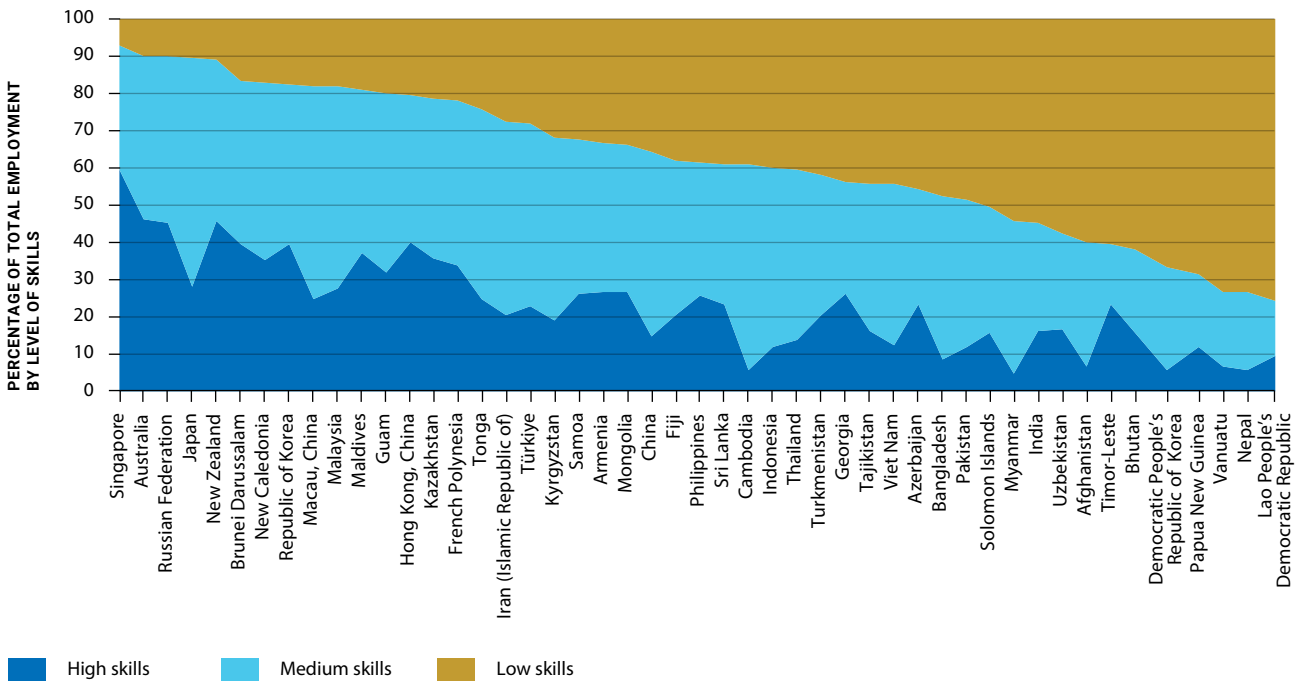
47 United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) (2021). *Disability at a Glance Report: The Shaping of Disability-Inclusive Employment in Asia and the Pacific*. ESCAP, Bangkok.

48 The Asian and Pacific Decade of Persons with Disabilities (2013–2022) was proclaimed during the 68th session of the Economic and Social Commission for Asia and the Pacific in Bangkok on 17–23 May 2012.

49 United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) (2012). *Incheon Strategy to “Make the Right Real” for Persons with Disabilities in Asia and the Pacific*. ESCAP, Bangkok.

FIGURE 2.3 Broad skill levels of the workforce across the Asia-Pacific region

Share of total employment by level of skills



Source: ESCAP elaboration based on ILO modelled estimates from 2020. Available at www.ilo.org (accessed in May 2022).

Note: According to the ILO, employment comprises all persons of working age who during a specified brief period, such as one week or one day, were engaged in any activity to produce goods or provide services for pay or profit, irrespective of formality. Following the International Standard Classification of Occupation (2008), occupations such as managers, professionals, technicians and associate professions are categorized under broad skills levels three and four (high). Occupations such as clerical support workers, service and sale workers, skilled agricultural, forestry and fishery workers, craft and related trades workers, plant and machine operators and assemblers are categorized under broad skill level two (medium). Finally, elementary occupations are categorized under broad skill level one (low).

North and Central Asia is the subregion doing significantly better compared to other subregions. Informal jobs and vulnerable employment often go hand in hand, characterizing a large section of the workforce without access to decent employment and in low productivity sectors.

Currently, the region's workforce in lower-middle income and low-income developing countries is largely employed in occupations that require lower levels of education,⁵⁰ skills and specialization (figure 2.3), justifying the need for more investments in active labour market programmes (ALMPs). Distinguishing between education and skills is important when it comes to employment, as the latter is much more complex and less hierarchical than the former. ALMPs are particularly helpful in building skills for those outside the formal general or vocational education system. Countries must

also ensure that the future workforce receives a relevant and high quality education and that skills are developed through lifelong learning.

ALMPs around the world have been instrumental in supporting women into self-employment through skills development, particularly in entrepreneurship. Yet ALMPs cannot change structural barriers faced by women including the persistence of social norms which impact on how women are able to use their time. Compared to men, women in the region spend more than four times as long and up to 11 hours a day on unpaid care work, which is higher than global averages. This is a formidable barrier to accessing and securing decent employment and thereby economic empowerment.⁵¹ Recognizing this burden disproportionately shouldered by women, highlights the importance of affordable child and elderly care services.

50 ESCAP elaborations based on ILOstat for the indicator of employment by level of education shows a very similar picture to that shown in figure 2.3. Since International Standard Classification of Occupations (2008) explicitly categorizes occupations by broad skill levels, this Section kept the narrative with a focus on occupations.

51 United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) (2021). *Covid-19 and the Unpaid Care Economy in Asia and the Pacific*. ESCAP, Bangkok, Thailand.

2.2 The slow progress of decent job creation

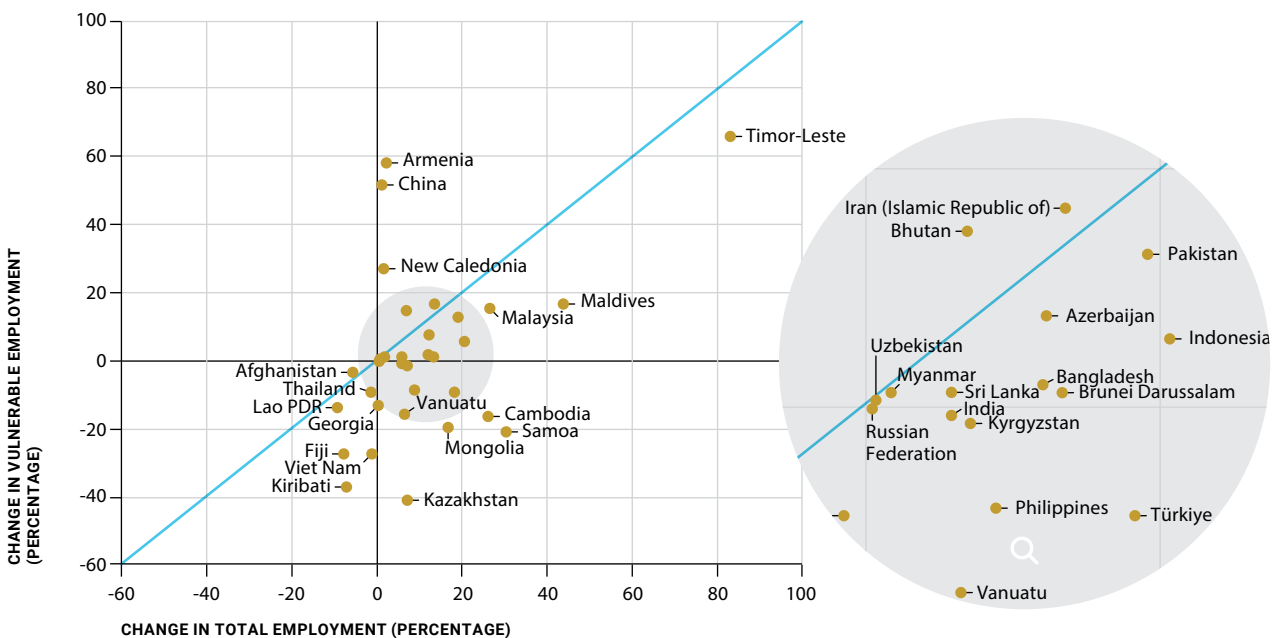
Decent employment is a luxury available to a minority of workers in the region. To reduce unemployment, underemployment and inadequate employment, there is an urgent need for the creation of more decent jobs along with skills development of the workforce. The role of governments is first and foremost to introduce and enforce a conducive legal, policy and macroeconomic environment in which the private sector can generate decent jobs. In this context, labour laws together with tripartite social dialogue⁵² play a key role through incentives and enforcement measures in ensuring that quality jobs are created with rights, decent wages and working conditions and that informal jobs are increasingly formalized.

Despite significant growth in GDP over the past 15 years, total employment grew only moderately and in some countries even fell. Jobless growth has been observed in many countries in the region. The challenge is greatest in South Asia with a need to

generate millions of decent jobs.⁵³ Without adequate social protection coverage, unemployment is not a luxury the majority of workers can afford. As a result, many have to accept informal jobs often without a contract and characterized by inadequate earnings, irregular working hours and a hazardous work environment. As such, informal jobs undermine workers' fundamental rights, including that of freedom of association and the right to collective bargaining. They defy the effort to guarantee safe and healthy working environments to all workers and to eliminate all forms of forced or compulsory labour, child labour and discriminatory practices at work.⁵⁴

Despite the importance of creating more decent jobs, vulnerable jobs continue to grow in the region (figure 2.4). Vulnerable jobs, a proxy for quality of jobs particularly in developing countries comprising of own account workers and contributing family workers, increased in 13 countries, including in some of the most populous countries in Asia and the Pacific such as Bangladesh, China, Indonesia and Pakistan. The growth in vulnerable jobs outpaced total job growth in five out of the

FIGURE 2.4 Change in total employment and vulnerable employment, 2010–2021



Source: ILO (2021), ILOSTAT. Available at www.ilo.org. (accessed in April 2022).
 Note: Data on employment status by sex (in thousands) is harmonized by ILO using HIES and LFS data across 33 developing countries in the Asia-Pacific region. Employment status follows definitions used in ICSE-93. Data availability determined the period in which change in vulnerable and total jobs are computed, with early years largely reflecting early 2010s and latest years from early 2020s. In countries below the diagonal line, but above the horizontal dotted line, overall employment increased faster than vulnerable employment. Since vulnerable employment in developed countries is not comparable to that in developing countries, seven high-income countries with available data are excluded in figure 2.4.

52 See ILO's flagship publication entitled "Social Dialogue Report 2022" for a demonstration of how social dialogue has played a crucial role during the pandemic and how it can further help tackling future challenges.

53 United Nations (UN) (2016). *Decent Work and Economic Growth: Why It Matters*. UN.

54 International Labour Office (ILO) (2022). *ILO Declaration on Fundamental Principles and Rights at Work*. ILO, Geneva.

13 countries, particularly in Armenia, China and Timor-Leste where vulnerable jobs grew by more than 50 per cent. Vulnerable jobs remained stable in five countries including most notably India where about three quarters of workers are in vulnerable employment. On a positive note, overall job growth exceeded vulnerable job growth in nine countries most notably in Kazakhstan, the Republic of Korea and Samoa. In six countries, both vulnerable jobs and total jobs decreased, particularly in South-East Asia. Nevertheless, the absolute number of vulnerable workers in Asia and the Pacific increased by a net 25 million during the 2010–2021 period, with an overrepresentation of women.

Informal jobs followed a similar pattern. The share of informal employment increased in 14 out of 19 countries with longitudinal data, especially in Timor-Leste and Samoa. The absolute number of informal jobs increased in many countries across the region from 2010 to 2020, according to ILO data. Countries in South and South-West Asia and South-East Asia dominated the growth in informal jobs including India at over 35 million informal jobs followed by Bangladesh, Indonesia and Pakistan where over 20 million informal jobs were created jointly in the same period. There is a dire need to implement the ILO Recommendation 204 to transition the workforce from the informal to formal economy.

2.3 Who has access to good quality jobs?

To explore gaps in access to good quality jobs⁵⁵ and the characteristics of those who are left behind, Labour Force Surveys from Georgia, Mongolia, the Philippines and Türkiye (2020) have been used. In addition to identifying those excluded from good quality jobs, differences in income and productivity have been explored to assess overall gains of a productive workforce. Profiling access to good quality jobs requires accounting for demand-side, supply-side and institutional barriers reflecting the realities of the labour market in each country. Against this background, an indicator of “good quality jobs” in the form of a composite index has been developed (table 2.1).⁵⁶ It measures the share of the employed population with a job that guarantees: (1) a fair income; (2) a secure form of employment and safe working conditions; and (3) access to social protection for the workers and their families.⁵⁷

According to the above definition, only 56 per cent of the employed population in Georgia has a good quality job. The share is lower for workers in Mongolia, the Philippines and Türkiye, where only 40 per cent of them have a good quality job. These results reflect a variety of country-specific barriers.

TABLE 2.1 Characteristics of a good quality job by country based on Labour Force Surveys

	GEORGIA	MONGOLIA	PHILIPPINES	TÜRKIYE
Adequate earnings	Earns more than low pay rate (less than $\frac{2}{3}$ of median earnings)	Earns more than minimum wage	Earns more than minimum wage	Earns more than minimum wage
Decent hours	Not working more than 48 hours per week; Not time relatedly underemployed.	Working at least 40 hours or work per week	Working at least 40 hours per week	Working at least 40 hours per week
Stability and security	Formally employed; Not in vulnerable employment; Not in precarious/casual employment.	Formally employed; Permanent job or without limit of time; Employer pays contribution to a pension fund, or health/unemployment insurance.	Formally employed; Full-time and permanent job; Not in vulnerable employment.	Formally employed; Full-time and permanent job; Not in vulnerable employment; Registered in a social security institution.

Note: Only employed persons with a wage or salary are considered.

55 In spite of containing a wealth of information, Labour Force Surveys do not lend themselves to the measurement and analysis of decent employment which is a concept defined by ILO Decent Work Agenda across 10 dimensions and 42 indicators. As such, this section follows a narrower approach covering only three dimensions of “Decent Work Indicators”.

56 This index is close in spirit to the four pillars of the ILO Decent Work Agenda: “Promoting jobs and enterprise, guaranteeing rights at work, extending social protection and promoting social dialogue”. However, it misses the remaining six pillars and therefore does not capture decent work.

57 Data availability and comparability are major constraints on creating a composite indicator for good quality jobs. Further research and data collection is needed to capture all aspects of good quality and decent jobs.

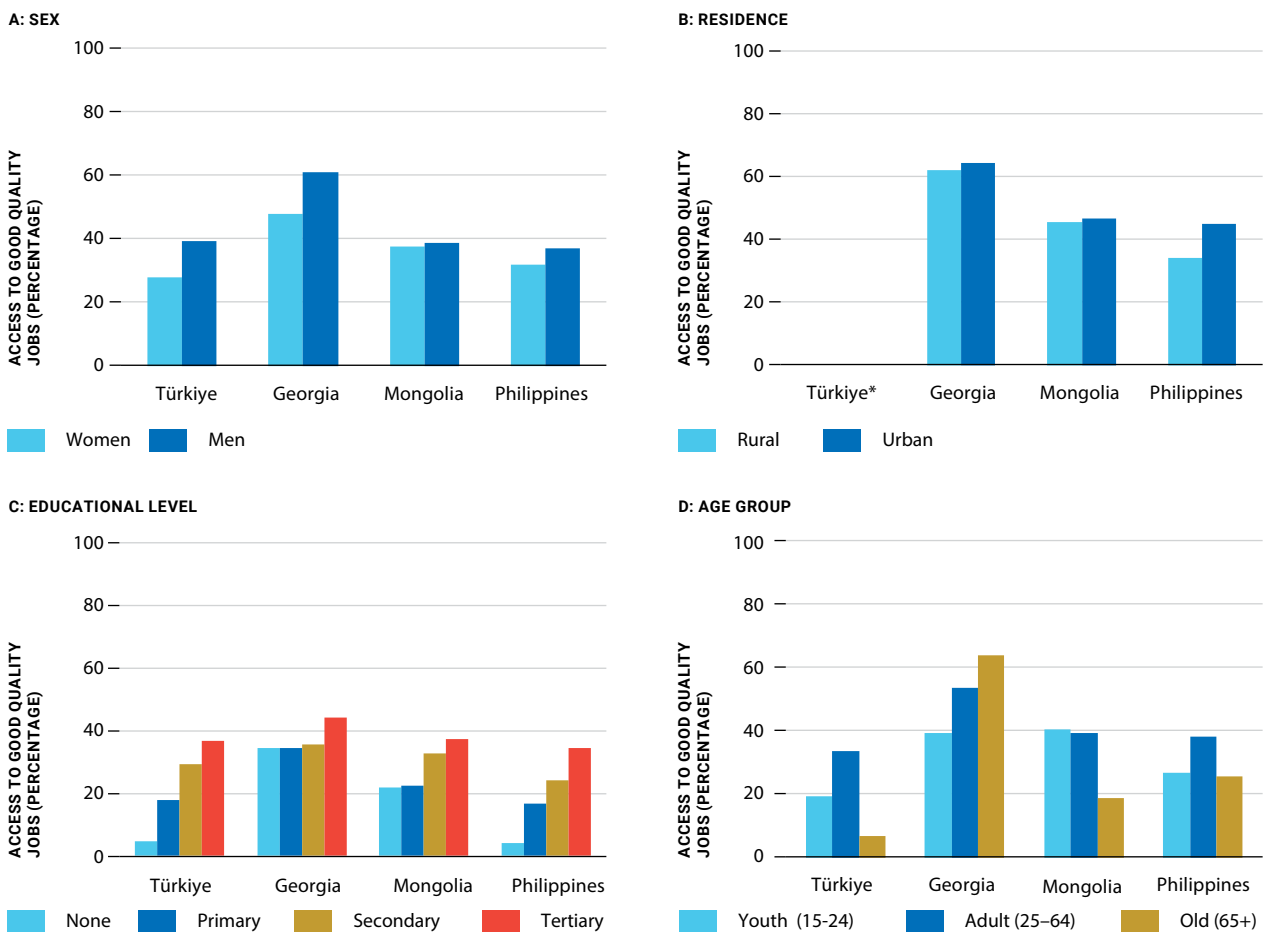
When disaggregating the share of those with good quality jobs by characteristics such as sex, place of residence, age group and educational level, the analysis reveals big gaps. In Türkiye, men are 41 per cent more likely to have a good quality job than women of which only around one in four have a good quality job (figure 2.5, Panel A). A similar picture is seen in Georgia where women are more likely to be unpaid family workers and work in the agricultural sector.⁵⁸ In contrast, differences are small in Mongolia and the Philippines. In Türkiye, sectoral and occupational differences play a critical role in accessing good quality jobs. According to the ILO and TURKSTAT this gender gap further widened during COVID-19.⁵⁹

Access to good quality jobs is also determined by location. Urban residents are generally better-off than their rural counterparts in the Philippines,

while there are almost no differences in Georgia and Mongolia (figure 2.5, Panel B). In the Philippines, 43 per cent of workers in sectors with a strong urban component such as electricity, gas, steam and air conditioning supply, are found in good quality jobs, compared to only 6 per cent of rural workers in the agriculture, hunting, forestry and fishing sectors.

Higher education is positively linked to good quality jobs. In the Philippines and Türkiye, individuals with secondary and tertiary education are four to five and eight to ten times more likely to have a good quality job than those with no education (figure 2.5, Panel C). In Georgia and Mongolia, these results are much less pronounced. Across the four countries, good quality jobs are more prevalent in occupations that are categorized as having higher and broader skill levels such as professionals, managers, technicians and associate professionals.

FIGURE 2.5 Access to good quality jobs among key socioeconomic groups



Source: ESCAP elaborations based on Labour Force Surveys (2020).

Note: The Labour Force Survey of Türkiye does not identify the location of individuals. Age groups are defined in the following brackets: Youth (15–24), Adult (25–64) and Old (65+).

58 UN Women (2020). *Analysis of the Gender Pay Gap and Gender Inequality in the Labor Market in Georgia*. UN Women, Tbilisi, Georgia.

59 International Labour Office (ILO) (2020). Gender Wage Gap is 15.6 per cent in Türkiye, according to the joint study by ILO Turkey Office and TURKSTAT. ILO.

In Georgia, 80 per cent of individuals working in the intermediation sector have a secure form of employment with fair remuneration.

Young and old workers in the Philippines and Türkiye are less likely to have a good quality job (figure 2.5, Panel D). Conversely, in Mongolia young workers appear to be better off than other age groups in terms of access to a good quality job, while in Georgia older workers are better off than other age groups. Moreover, two thirds of all young workers in Georgia receive a lower wage, work excessive hours or are in vulnerable employment. In response, the government of Georgia launched a youth entrepreneurship training and support programme to assist them set up their own business.⁶⁰

This analysis demonstrates that access to good quality jobs is a privilege enjoyed by a few, depending on sex, age, education and location, a situation similar across the region. Among the four countries analyzed, good quality jobs are enjoyed by around half of the employed population, but this can easily fall to levels of 4 to 7 per cent for those with lower education or in older ages. Too many groups are left behind and in urgent need of better jobs that protect them from life contingencies and allow them to fulfil their potential.

This brief assessment of Labour Force Surveys of selected countries highlights the importance for the region to provide more and better jobs that promote well-functioning labour markets and

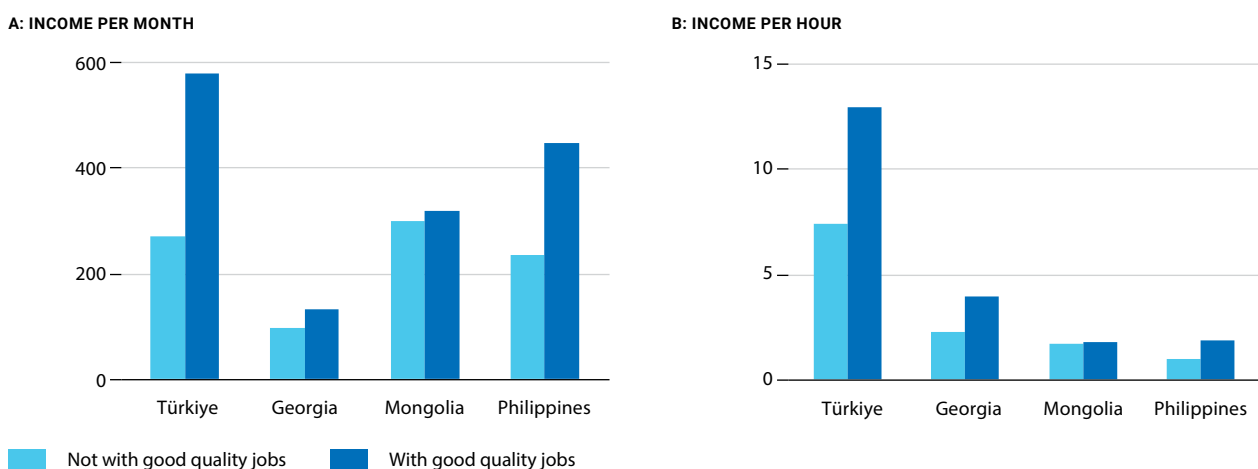
guarantee a protected and productive workforce. It highlights that supporting particularly vulnerable groups in accessing good quality jobs can help lower inequalities in outcomes within the workforce, which has far-reaching implications for society as a whole. In addition to short-term labour policies, the results speak to the important role of education in achieving labour market outcomes. With green and digital transitions already penetrating most economies, the role of education is expected to become more prominent if we are to leave no one behind.

2.4 The life-changing impact of good quality jobs

Good quality jobs help boost access to basic opportunities, improve household consumption choices and improve livelihoods and welfare of other household members. Workers holding good quality jobs in the Philippines and Türkiye earn, on average, more than twice the monthly income of workers without such jobs (figure 2.6, Panel A). Income per hour shows similar gaps, except for Mongolia, where wage gaps are driven by premiums across sectors (figure 2.6, Panel B). Workers in the mining and quarrying industry and the real estate sector, for example, have the highest average monthly incomes in the country.⁶¹

Good quality jobs provide social protection and access to healthcare, ensuring that negative coping strategies are avoided in the event of job loss or

FIGURE 2.6 Good quality jobs pay higher wages



Source: ESCAP elaborations based on Household Labour Force Surveys (2020). Note: Wage rates standardized in USD \$ as of December 2020.

60 International Labour Office (ILO) (2017). *Inclusive Labour Market for Job Creation*. ILO.

61 Results computed from last month payment for all employed persons who receive a wage or salary.

sickness. For the households left furthest behind in their access to basic opportunities, the impact of a modest household income increase of 10 per cent (as a consequence of holding a good quality job)⁶² is simulated using Household Income and Expenditure Surveys from Armenia, Cambodia, Mongolia, Kiribati and Türkiye. The simulation follows ESCAP’s Leaving No One Behind Methodology based on a classification and regression tree analysis (CART) (see Box A2 and A3 in Appendix for more details).

In all three countries, a 10 per cent increase in disposable income would generate clear benefits for the groups furthest behind (figure 2.7, Panel A). Cash flow, housing conditions and other living standards would register marked improvements. For example, the share of furthest behind households reporting good living standards would increase from 18 to 44 per cent in Kiribati. Making ends meet would become easier in Türkiye among the furthest behind, increasing from 40 to 63 per cent. In many cases, improvement among groups furthest behind would outperform improvement among average households.

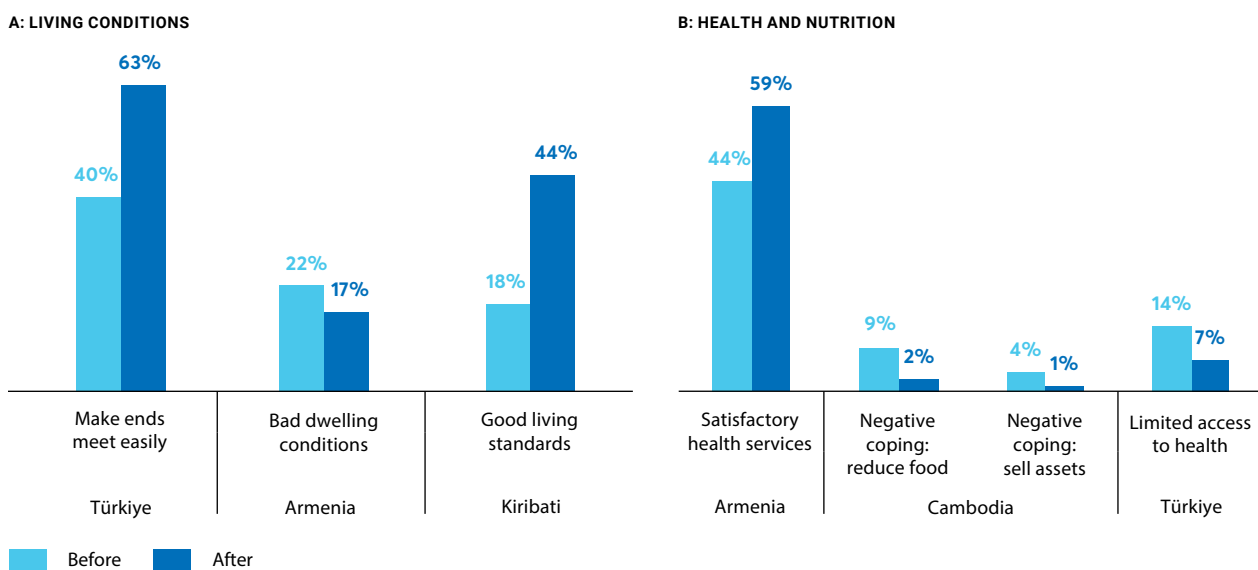
Access to essential services would increase. In Kiribati, for example, access to clean water would increase from 54 to 76 per cent. In Mongolia, chances

of having a bank account would double from 10 to 21 per cent and access to Internet at home would increase over sevenfold from 4 to 29 per cent.

Beyond these positive impacts, good quality jobs could improve health outcomes within households left furthest behind (figure 2.7 Panel B). For instance, in Armenia, a 10 per cent increase in total monthly expenditures would increase households ratings of health services as satisfactory from 44 to 59 per cent among furthest behind. In Türkiye, the prevalence of limited access to health services among the furthest behind groups would halve, from 14 to 7 per cent. In Cambodia, a 10 per cent increase in total monthly household expenditures would place the furthest behind groups in a situation where negative coping strategies such as reducing food intake or selling productive assets would fall from 9 to 2 per cent and from 4 to 1 per cent, respectively.

Household welfare, measured by monthly income, expenditures, or stock of assets, is only one of the drivers of inequality in access to opportunities. The groups furthest behind are mostly identified through a combination of individual and household circumstances which interact in country-specific ways to systematically leave certain population groups behind. While household welfare is

FIGURE 2.7 How a 10 per cent increase in household income can improve welfare among the furthest behind



Source: ESCAP elaborations based on selected HIES (2018–2020).

Note: The simulation takes household expenditures as a more reliable measure of household welfare. All additional income in this case accruing from decent employment is assumed to be consumed.

62 The simulation exercise does not take into account potential general-equilibrium effects of an increase in total disposal household income driven by access to good quality jobs. In addition to household income, the simulation includes location, highest level of education in the household and age and sex of household head. See Box A2 and A3 for more details.

a critical determinant for many outcomes, other factors are more pertinent to others. Therefore, while a monetary boost from social protection or good quality jobs can improve access to most opportunities, access to the Internet in Mongolia and Türkiye depends more on age and educational background than income. Policies should therefore be informed by rigorous “Leaving No One Behind” (LNOB) analysis to understand the key determinants of inequality in access to opportunities.

2.5 Active Labour Market Policies for decent jobs

A key policy tool in boosting access to decent employment is Active Labour Market Policies (ALMPs).⁶³ In Asia and the Pacific, ALMPs date back to the 1980s when micro-credit schemes were extensively implemented in South Asia to generate self-employment.⁶⁴ The 1997 Asian Financial Crisis saw a boost in ALMPs in Eastern and South-East Asia. Since the adoption of the 1999 ILO Decent Work Agenda, ALMPs have gained traction, involving public and private employment services, training and higher education institutions, central and local governments, and civil society organizations. These actors play a critical role in the provision of skills training services, job search assistance and entrepreneurship support. The profile of people who lack decent employment in the region, means it is crucial that different types of ALMPs (see Table A1 in Annex for details of these measures), such as skills training programmes, public works programmes, wage subsidies or job assistance services must prioritize women, youth and people with lower education and equip them with the relevant skills in demand. For the workforce of the next generation, educational systems and curricula need to be modernized to meet modern labour market demands. The skills needed in the labour market are evolving and becoming much more specialized than those currently imparted by general education systems or ALMPs.

With the regional average of annual spending below 0.2 per cent of GDP, ALMPs have a limited impact in Asia and the Pacific, despite their potential.⁶⁵ The scale of coverage of ALMPs in the few countries for which information is available shows a significant variation. In Kyrgyzstan and Viet Nam, on average 10 per cent of the population participates in an ALMP every year.⁶⁶ In countries such as Armenia, Azerbaijan, Bangladesh, Cambodia, India and Myanmar, participation is much lower.⁶⁷ Most countries, however, do not use these measures effectively, if at all.

Most countries spend very little on training schemes despite the large share of low-skilled workers in the region, particularly among female workers in the South Asian region. Expanding this support is particularly important given that in many countries in the region more than 20 per cent of the employed population are engaged in low-skilled occupations, often in the informal economy.⁶⁸

Digital technologies are accelerating a premature deindustrialization in developing countries, which is likely to disproportionately impact low- and medium-skilled workers. Developing well-functioning ALMPs, in combination with higher education and social protection systems, is key to continuously upgrade the skills of the labour force and improve the job-matching mechanisms between workers and employers. In this respect, there is a strong role for technical and vocational education training (TVET) and lifelong learning in digital skills. While upgrading skills, they can also tackle digital exclusion.⁶⁹

In the context of developing countries, social protection and ALMPs are complementary policies. For example, unemployment insurance benefits—often based on contributions by employers and employees—provide income security and prevent unemployed workers and their families from falling into poverty. Beneficiaries are often required to enrol in labour market services, training schemes

63 The discussion on ALMPs here and the policy recommendations in Chapter 5 are based on ESCAP Social Development Division Working Paper as a technical background paper prepared by Niño-Zarazúa and Torm (2022).

64 Mathilde Maitrot and Miguel Niño-Zarazúa (2017). Poverty and Wellbeing Impacts of Microfinance: What do we know? WIDER Working Paper No. 190/2017. UNU-WIDER.

65 Clemente Pignatti and Eva Van Belle (2021). Better together: Active and passive labor market policies in developed and developing economies. *IZA Journal of Development and Migration*, 12(1).

66 ESCAP elaborations based on the World Bank ASPIRE database. Note that the figures represent the annual average of the percentage of the entire population participating in ALMPs (includes direct and indirect beneficiaries) based on household surveys in the 2006–2019 period. The extent to which information on specific programmes is captured in the household surveys can vary significantly across countries. Often household surveys do not capture the universe of ALMPs in the country, at best only the largest (public) programmes.

67 ESCAP elaborations based on ASPIRE (2021) database including only 11 countries for which information was available.

68 ESCAP elaborations based on ILOSTAT (2022) accessed online on 15 April 2022.

69 Organization for Economic Cooperation and Development (OECD) (2019), *Economic Outlook for Southeast Asia, China and India 2020: Rethinking Education for the Digital Era*, OECD Publishing, Paris, <https://doi.org/10.1787/1ba6cde0-en>.

and even entrepreneurial support programmes to find employment while at the same time facilitating job search and retraining.

Public works are more common and can be seen as part of both no-contributory social protection schemes and public employment programmes, often in combination with training schemes. In Nepal, the Rural Community Infrastructure Work Programme offers job opportunities to unskilled workers along with skills development and training. In the Philippines, the Integrated Livelihood and Emergency Employment Programme provides temporary emergency jobs to disadvantaged seasonal and displaced workers, together with training in entrepreneurship.

Evidence indicates that public expenditure on ALMPs correlates positively with the perception of employment security and job quality,⁷⁰ suggesting that such policies may have a positive impact on access to decent jobs. The necessity of reinforcing the links between social protection and ALMPs has become even more pertinent in light of current green and just transition, demographic transitions and a rapid digitalization of the economy and the COVID-19 pandemic. These will further exacerbate unemployment and underemployment, working poverty and labour market informality.⁷¹

2.6 Skills needed to face mega trends

Asia and the Pacific is currently undergoing three main transitions: the green and just transition associated with climate change; the demographic transition associated with rapid population ageing; and the digital transition associated with rising digital technologies. Each transition requires the development of specific skills. Supporting job growth in decent employment should be shaped by the green and digital sectors and skills development through ALMPs, combined with access to social protection.⁷² Building a productive, dynamic and resilient workforce depends on this policy priority.

People in the region need to be upskilled to cope with the green transition. A global transition towards a greener economy, including the adoption of sustainable practices in the energy and agriculture sector, higher use of electric vehicles, increased energy efficiency of manufacturing processes, and stronger incentives given to reuse and recycle, would create about 24 million new jobs globally.⁷³ At the same time, it is estimated that about 6 million jobs will be lost as countries scale back their carbon-intensive and resource-heavy industries and introduce new measures to produce and use energy efficiently. A major shift is expected in employment in the agricultural sector across regions as less labour-intensive conservation agriculture and organic farming practices that promote biodiversity and deter environmental degradation are adopted. Although a net increase in jobs across the world is expected, implications differ across regions and industrial sectors.

In Asia and the Pacific, the sectors that will be most affected by measures needed to support the green and just transition employ about 52 per cent of the workforce (figure 2.8). These sectors are agriculture, forestry and fishing; mining and quarrying; manufacturing; electricity gas, steam and air conditioning supply; water supply, sewerage, waste management and remediation activities; constructions, and transportation and storage. As a key contributor to greenhouse gas emissions, the energy sector will see major challenges. However, the employment share in this sector accounts for less than three per cent of the region's workforce. Conversely, agriculture employs a large portion of the workforce in many subregions, particularly in South and Southwest Asia, where 43 per cent of the population is employed in agriculture.⁷⁴ A green transition in the agriculture sector could lead to up to 100 million job losses in the region.

The agriculture sector is often characterized by its highly informal and vulnerable employment. In the region, close to 90 per cent of those who work in agriculture are informally employed compared to only 50 per cent in non-agriculture sectors.⁷⁵ Among workers in the agricultural sector, over

70 Sandrine Cazes and Alena Nesporova (2004). Balancing flexibility and security in Central and Eastern Europe. Transfer: European Review of Labour and Research, 10(2), 332–334.

71 International Labour Office (ILO). (2021). *Extending social health protection: Accelerating progress towards Universal Health Coverage in Asia and the Pacific*. ILO, Geneva.

72 International Labour Office (ILO) (2022). *World Employment and Social Outlook: Trends 2022*. ILO, Geneva.

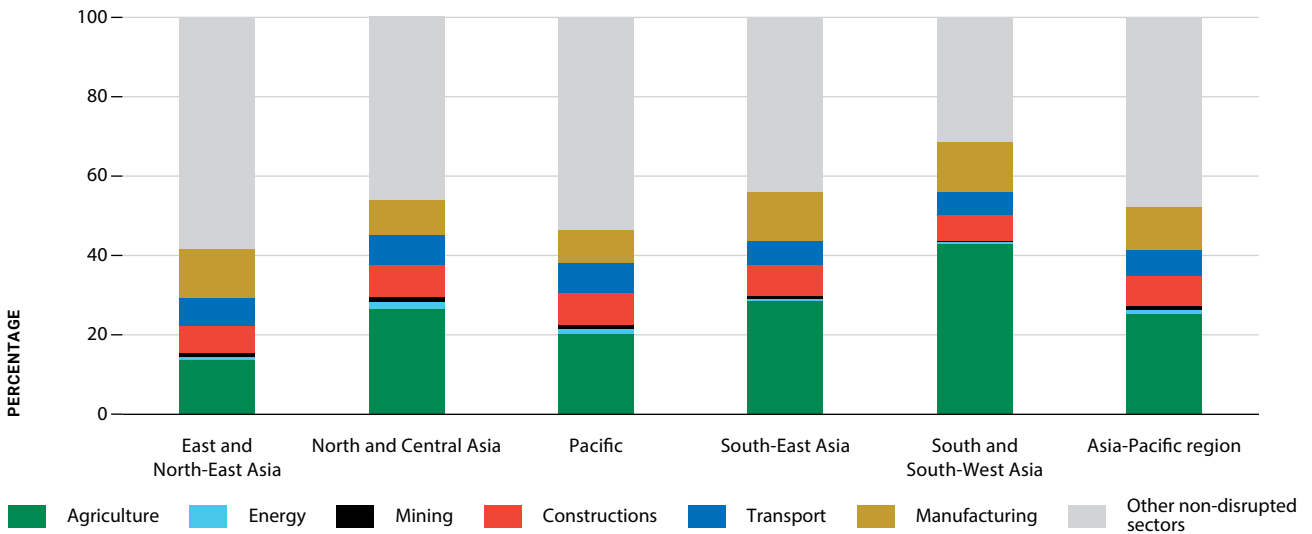
73 International Labour Office (ILO) (2018). *World Employment and Social Outlook 2018: Greening with jobs*. ILO.

74 ILO modelled estimates, November 2020.

75 ILO latest figures, Informal employment rate by sex and economic activity (per cent), annual.

FIGURE 2.8 Sectors expected to be disrupted during the green transition employ the majority of workers in Asia-Pacific

Share of total employment by sector



Source: ILO (2022). ILOSTAT database. Available at www.ilostat ilo.org. (accessed on 6 April 2022).

Note: ILO modelled estimates in 2019 from 45 countries for employment by economic activity (thousands) at annual frequency.

three quarters have a basic or less than basic level of education which can be a barrier to adopting greener technologies and acquiring relevant skills.⁷⁶ Without targeted policies and support systems, the green transformation in agriculture could be severely unjust and leave a quarter⁷⁷ of the region’s workforce in a precarious situation.

As jobs are created and destroyed across sectors, it is imperative to reduce skills mismatches by anticipating and monitoring future labour market demands. The Labour Force Surveys from the four countries discussed reveal a worrisome picture as less than 2 per cent of all workers in some countries had participated in any on-the-job training in the four weeks preceding the survey. Those in the sectors that are expected to go through a significant transition are about half as likely to have participated in a training.⁷⁸ Many firms across the region identify an inadequately educated workforce as a major constraint, reaching up beyond 30 per cent of firms in the 2019–2020 period in Armenia, Georgia, Kazakhstan and Kyrgyzstan.⁷⁹

A green transition does not only require environmental policies but also reskilling and upskilling of the workforce for it to be a just transition, as well. ALMPs can help equip the workforce accordingly. ALMPs can also help improve the productivity of the agriculture workforce and support diversification into alternative jobs. Equally important is the region’s rapid demographic transition. Efforts are needed to ensure that older workers can prolong their working lives and fully participate in the transition.

The increasing use of ICT in many sectors and occupations requires digital skills development. One of the key mechanisms through which digitalization will widen inequalities in opportunities and outcomes is through the transformation of labour markets. As efficient as they are, digital technologies are likely to widen inequalities in the workforce given existing disparities in ICT skills (figure 2.9). Even among high-performance countries, up to 40 per cent of the population lack basic ICT skills measured

76 ILO latest figures, Employment by sex, economic activity and education (thousands), Annual. ‘Less than basic’ level of education includes: no schooling and Early childhood education in ISCED-11 standards and no schooling and Pre-primary education in ISCED-97 standards. ‘Basic’ level of education includes: primary education and lower secondary education in ISCED-11 standards and primary education or first stage of basic education and lower secondary or second stage of basic education in ISCED-97 standards.

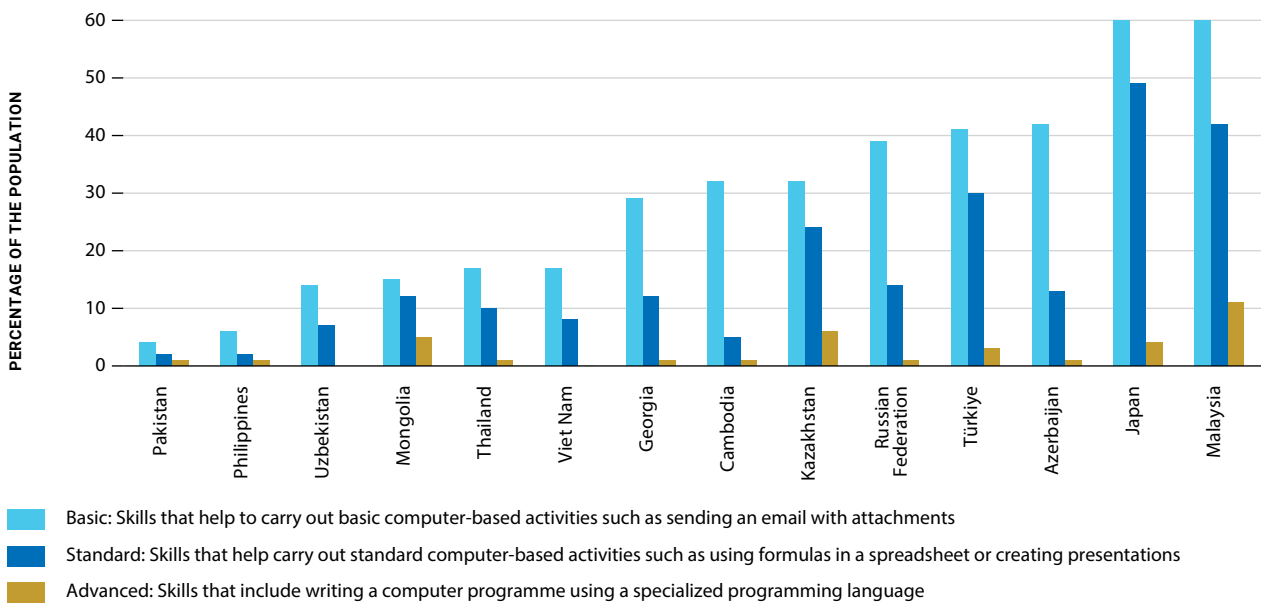
77 ESCAP elaborations based on ILO data on employment by education and economic activity from 37 countries in Asia Pacific (latest years).

78 The sectors that are categorized to be most affected by the green transition in Asia Pacific include: agriculture, constructions, energy, manufacturing, and mining, based on ILO 2018.

79 ESCAP elaborations based on World Bank Enterprise Surveys accessible online at www.enterprisesurveys.org.

FIGURE 2.9 The majority of people is lacking basic and standard ICT skills

Share of population by different levels of ICT skills, per cent, 2021



Source: International Telecommunication Union (ITU) (2021). Measuring digital development: Facts and Figures 2021. ITU, Geneva.

by computer-based activities such as copying and moving files or folders, sending emails with attachments, and moving files between devices. This figure reaches beyond 90 per cent in Pakistan and the Philippines. Surviving the digital transition and participating effectively in the labour market will require standard ICT skills, especially for women who suffer from pervasive gender employment gaps among ICT specialists.⁸⁰

Globally, an estimated 1.8 billion jobs in developing countries are susceptible to automation.⁸¹ However, forecasting the impact of labour-saving technologies such as automation, artificial intelligence and adoption of robots remains elusive. In developed countries, mass-scale unemployment and underemployment is anticipated particularly for low- and medium-skilled workers in the manufacturing sector.⁸² Beyond losing their jobs, workers may also find it difficult to get new ones. Retrospective studies suggest that labour saving technologies may not

lead to massive unemployment.⁸³ This is consistent with the expectation that less than 10 per cent of all occupations would be fully automated and that for 60 per cent of all occupations less than one third of tasks would be automated.⁸⁴

Digital technologies are set to widen inequalities in labour income, at least in the short-to-medium term. As automation increases demand for skilled labour and raises wage premiums for skilled workers, medium- and low-skilled workers are left behind.⁸⁵ In addition to the demand for higher skills, certain competencies in line with non-cognitive tasks and non-specialized skills will be demanded.⁸⁶ Yet as newly created tasks by digitalization get standardized, low-skilled workers may also be able to perform more complex tasks.⁸⁷ Investing in skills development of the workforce with particular emphasis on vulnerable workers and workers that are directly impacted by digitalization is urgently needed to ensure that the workforce is equipped for the future world of work.

80 Organization for Economic Cooperation and Development (OECD) (2019), *Economic Outlook for Southeast Asia, China and India 2020: Rethinking Education for the Digital Era*. OECD Publishing, Paris. <https://doi.org/10.1787/1ba6cde0-en>.

81 World Bank (2016). *Digital Dividends. World Development Report*. World Bank, Washington, DC.

82 United Nations (UN) (2020). *Report of the UN Economist Network for the UN 75th Anniversary: Shaping the Trends of Our Time*.

83 Mariagrazia Squicciarini and Jacopo Staccoli (2022). Labor-Saving Technologies and Employment Levels: Are Robots Really Making Workers Redundant? *OECD Science, Technology and Industry Policy Papers*, January 2022, No. 124. OECD.

84 MGI Global Automation Impact Model: McKinsey Global Institute Analysis.

85 Jun Wang and Zhiming Zhang (2021). Skill-biased technological change and labor market polarization in China. *Economic Modelling*, 100(105507), 1-12.

86 Roman Chinoracký and Tatiana Čorejová (2019). Impact of Digital Technologies on Labor Market and the Transport Sector. *Transportation Research Procedia*, 40, 994-1001.

87 Daron Acemoglu and Pascual Restrepo (2017). *The Race Between Man and Machine: Implications of Technology for Growth, Factor Shares, and Employment*.

Digitalization and the digital economy do not automatically create decent jobs. For instance, the bulk of jobs created by digital platforms does not entail direct employment. These platforms act as an intermediary which can blur the distinction between wage and self-employment. Workers in this context face major challenges in accessing decent employment with regular work and income, good working conditions and access to social protection. Particularly with application-based platforms, informal and non-standard forms of work are on the rise with lower job security. A recent survey confirms these challenges among workers dependent on online web-based digital platforms as well as application-based taxi and delivery sectors.⁸⁸ The survey also finds that the most dominant worker profile for jobs created by such platforms is urban young men with a relatively high level of education.

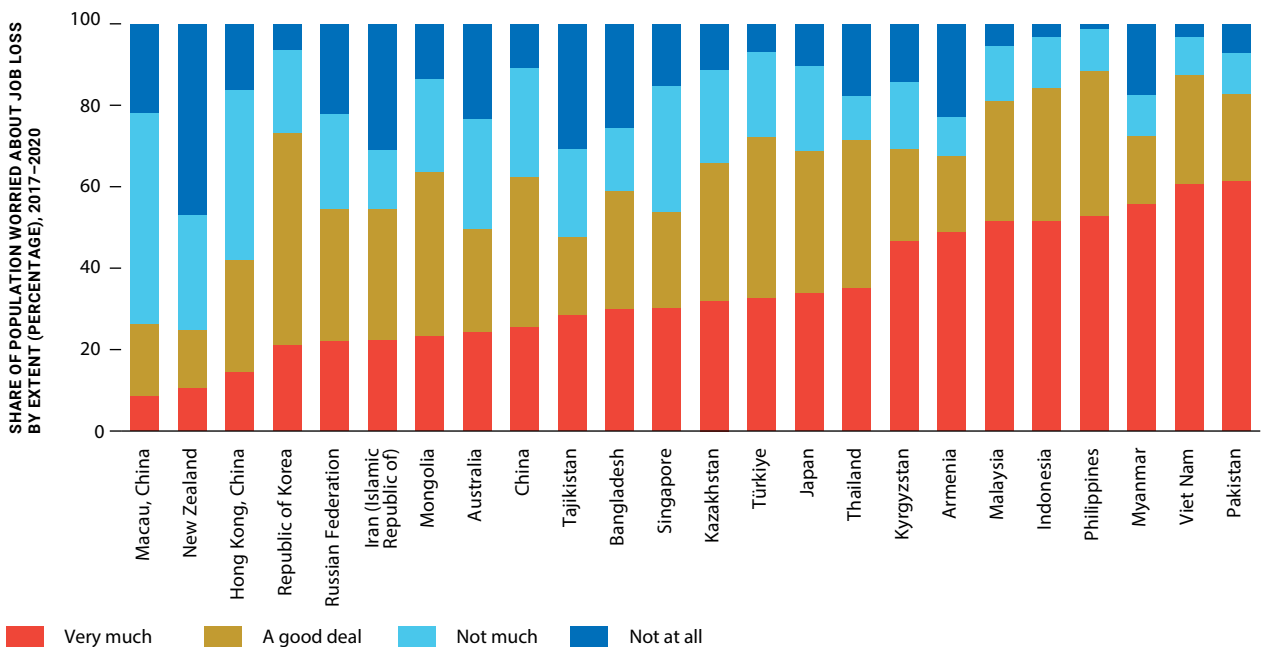
Almost two thirds of people in the region worry about losing their job or not finding one. There has been no significant change from 2010–2014 period (figure 2.10). People in South-East Asia are relatively

more worried about job loss than people in other parts of the region. Across the region, almost three quarters of youth aged 16–24 are worried about losing their job, or not finding one.

While there is no significant difference between men and women, the level of education and income, as well as location of residence, creates significant differentials between people. Among employed people, job loss worry is significantly higher among semi-skilled workers, unskilled workers and agricultural workers. Climate change is also contributing to worries about the future world of work, particularly in agriculture and energy sectors.

The region’s rapid population ageing is likely to push retirement ages forward. Ensuring a healthy and skilled population of older persons is therefore intrinsically important. In the past two decades, labour force participation rates of older persons increased in a majority of the region’s countries with the exception of high-income countries.⁸⁹ This increase has been much more pronounced for men than for women and is driven by a necessity. At the

FIGURE 2.10 A majority of people in the Asia-Pacific region are worried about losing their jobs or not finding one



Source: World Values Survey (WVS) (2020). Wave 7 (2017–2020). Available at: WVSA (2022). World Values Survey, Wave 7. Available at <https://www.worldvaluessurvey.org/> (accessed in January 2022).

Note: Data are available for 27 countries in the Asia-Pacific region from various years between 2017 and 2020.

88 International Labour Office (ILO) (2021). *World Employment and Social Outlook 2021: The role of digital labour platforms in transforming the world of work*. ILO, Geneva.

89 United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) (2021) Population Data Sheet 2021.

same time, quality of employment for older people remains weak. The recent increase in participation rates is characterized by informal employment.

Lack of social protection plays a key role. Major gaps in old-age pension coverage and benefit adequacy persist in the region. Excluding China, only about half of the population above statutory retirement age receive some form of pension. While non-contributory old-age pension schemes help increase pension coverage, by targeting only the poorest among older people, they leave a substantial portion of the population with no pension at all which will continue to push seniors and near-seniors (55–64) to remain active in the labour force.

As Asia and the Pacific is driving the ageing of the world's labour force,⁹⁰ it is of paramount importance that older people are equipped with the requisite skills to survive the green and digital transitions. ALMPs will need to pay attention to older people

as much as they focus on youth. Given the wide disparity in access to Internet by age, digital skill development will undoubtedly form a critical aspect of ALMPs for older people willing and able to work. At the same time, there is an opportunity to boost employment in the long-term care sector, which could help formalize informal care work. Several countries in the region have a sizable share of long-term care workers operating overseas whose return would elevate the level of skills and experience needed to deliver long-term care.⁹¹ Labour migration from lower-middle income and low-income countries, particularly in the Pacific, is a critical constraint on maintaining a cadre of skilled health care workers. Equally important is the need to increase the number of health care workers equipped with specialized skills to support older persons. In addition to skills development, the transition to aged societies in the Asia-Pacific region also elevates the importance of the health of the workforce.

90 International Labour Office (ILO) (2018). *What about seniors? A quick analysis of the situation of older persons in the labor market*. ILOSTAT Spotlight on Work Statistics. ILO, Geneva.

91 According to Asian Development Bank (2022), Indonesia has some 540,000 long-term care workers operating overseas.



Chapter 3

The need for Universal Health Coverage

The COVID-19 pandemic is a stark reminder that health is not to be taken for granted and has put the spotlight on social determinants of health and many existing gaps and challenges in the region's health care systems. Over 40 per cent of all countries globally reported disruptions in availability and quality of services.⁹² Major challenges have included a lack of health care resources and an entrenched distrust of certain services. In addition to being important in its own right,^{93, 94} good health is central to human capital formation.⁹⁵ Recent simulation results suggest that additional investments in health would increase GDP per capita and significantly decrease poverty in low-income countries. There is also a wealth of empirical studies that link good health to positive economic growth, including in South Asian countries.^{96, 97}

When the workforce is healthy and has access to healthcare, everyone wins.⁹⁸ When workers' basic rights are upheld, their wellbeing and productivity increases, opening a range of opportunities for workers and their households. Firms enjoy increased productivity, lower absenteeism, a larger pool of qualified jobseekers and higher levels of staff retention. Governments would see higher output and tax revenues. When workers' need for healthcare is not met, access bars many working-age adults from participating in the labour force. This comes with a plethora of social and economic costs to individuals, families and society, including loss of income, productivity and premature death. Each year, the lack of affordable health care results in catastrophic health expenditures and high out-of-pocket payments that push millions of households into poverty.⁹⁹ Achieving a healthy workforce is a tangible measure that generates a virtuous cycle, underpinned by solidarity.

Shielding the workforce from financial hardship as a result of individual health emergencies as well as global health shocks requires Universal Health Coverage (UHC).¹⁰⁰ This is a crucial goal to attain inclusive and sustainable development. Providing social health protection (SHP) is the main demand-side policy instrument that can help countries progress toward UHC.¹⁰¹ As a rights-based approach, SHP provides all people, irrespective of whether they work or not, with effective access to quality health care without financial hardship. It also provides income security to compensate for loss of earnings due to sickness. It can therefore improve workers' health and well-being and lower premature deaths.

More than one third of the population in Asia and the Pacific is not effectively protected by a healthcare scheme, leaving behind about 1.6 billion people.¹⁰² This exclusion means that close to 6 in 10 workers have to finance their own healthcare costs in times of illness.¹⁰³ Lacking income protection means no salary when absent from work. Health insurance, financed privately or through contributions, is only extended to one in five people in the region.¹⁰⁴ Except for Central Asia, universal health coverage slowed in all ESCAP subregions during 2010–2019, relative to 1990–2010. It is estimated that by 2023, nearly one third of the global population without universal health coverage will be residing in South Asia.¹⁰⁵

Within the workforce, certain population groups including women, youth, rural residents, persons with disabilities, migrants and refugees are disproportionately disadvantaged, often as a result of their informal and precarious working arrangements. Extending social health protection to all would leave no one behind, irrespective of people's demographic, socioeconomic and employment situation. Such

92 World Health Organization (WHO) (2022). Third round of the national pulse survey on continuity of essential health services during the COVID-19 pandemic: November–December 2021. Interim report. WHO.

93 Gary S. Becker, Tomas J. Philipson and Rodrigo R. Soares (2005). The Quantity and Quality of Life and the Evolution of World Inequality. *American Economic Review*, 95 (1).

94 Dean T. Jamison, Lawrence H. Summers et al (2013). Global health 2035: a world converging within a generation. *Lancet* 2013, 382, p. 1898–1955.

95 Gary S. Becker (2007). Health as Human Capital: Synthesis and Extensions, *Oxford Economic Papers* 2007.

96 David E. Bloom, David Canning, Jaypee Sevilla (2004). The Effect of Health on Economic Growth: A Production Function Approach, *World Development*.

97 Seema Narayan, Paresh Kumar Narayan and Sagarika Mishra (2010) Investigating the relationship between health and economic growth: Empirical evidence from a panel of 5 Asian countries, *Journal of Asian Economics*. Elsevier, vol. 21(4), p. 404–411.

98 Chris Orchard (2015). The Business Benefits of a Healthy Workforce. Op-ed Harvard Business School.

99 Sirag Abdalla and Norashidah Mohamed Nor (2021). Out-of-pocket health expenditure and poverty: Evidence from a dynamic panel threshold analysis. *Healthcare* (Basel). May 2021, 9 (5), p. 536.

100 The Report follows the WHO definition of UHC. This requires a full spectrum of essential and quality health services to be provided to all individuals throughout their life whenever necessary, without recipients suffering financial hardship as a consequence. This definition is also embedded in 2030 Agenda on Sustainable Development, particularly in Sustainable Development Goal 3.8 which is monitored over time by WHO.

101 See Bayarsaikhan, Tessier and Ron (2022) for a discussion of UHC and SHP.

102 International Labour Office (ILO) (2021). *Extending social health protection: Accelerating progress toward universal social health protection in Asia and the Pacific*. ILO, Geneva.

103 Ibid.

104 ESCAP elaborations based on DHS StatCompiler accessible at <https://www.statcompiler.com/en/> accessed in April, 2022.

105 Global Burden of Disease 2019 Universal Health Coverage Collaborators (2020). Measuring universal health coverage based on an index of effective coverage of health services in 204 countries and territories, 1990–2019: a systematic analysis for the Global Burden of Disease Study 2019. *Lancet* 2020; 396: 1250–84.

a comprehensive and inclusive approach is imperative to address the social determinants of health and improve the health and productivity of the current workforce, particularly in the face of rapid population ageing in the region. This approach is also ideal for the future workforce as it ensures that all children and youth have access to basic healthcare needed to thrive in their early years as they build their human capital.

3.1 The state of health among the workforce in Asia and the Pacific

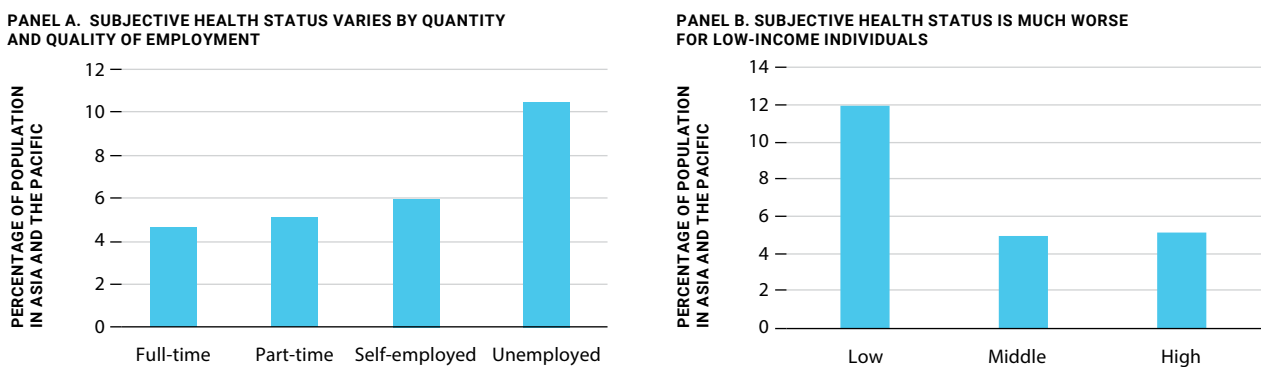
Poor health continues to widen inequalities within the workforce.¹⁰⁶ Recent data on subjective health status¹⁰⁷ affirm these problems. Poor health appears less common among full-time employees relative to part-time or self-employed workers, while the unemployed reports highest levels of poor health (figure 3.1, Panel A). Income status is a major factor determining health deficits among people (figure 3.1, Panel B). On average, 12 per cent of low-income earners in the region report poor health, compared to 5 per cent among high-income

individuals. Outside the labour force, poorer health is disproportionately reported by persons with disabilities and older persons.

While the health of employed people may be better than that of the unemployed, deficits in occupational safety and health can be very high in Asia and the Pacific because of low levels of decent employment. Globally, 2.9 million workers die every year as a result of preventable accidents and diseases.¹⁰⁸ When the burden of disease attributable to 19 occupational risk factors is considered, the global death toll in 2016 was 1.9 million, with Asia and the Pacific accounting for 1.2 million deaths. This implies almost 90 million disability-adjusted life years (DALYs) globally where one DALY is the loss of the equivalent of one year in full health. In Asia and the Pacific, DALYs reached 55 million in 2016.¹⁰⁹ Exposure to long working hours is the leading occupational risk factor for attributable death, followed by occupational exposure to particulate matter, gases and fumes. The burden of disease falls disproportionately among males and older age groups.¹¹⁰ The death tolls and injuries vary across sectors by each risk factor. Fatal injuries occur most in the construction, manufacturing and transportation and storage sectors.¹¹¹ Women at work often face different and additional risk factors

FIGURE 3.1 Poorer health among vulnerable workers in the Asia-Pacific region

Share of population with poor health by employment status and level of income



Source: WWSA (2022). World Values Survey, Wave 7. Available at <https://www.worldvaluessurvey.org/> (accessed in January 2022).

Note: Weighted results from 27 countries in Asia and the Pacific directly obtained from WVS interactive tool. Figures exclude those reporting “do not know” or “no answer”. Poor and very poor health are bundled together for space brevity. Full-time employment assumes at least 30 hours of work per week. Income status and highest level of education is recoded as per WVS guidelines.

106 Quamrul H. Ashraf, Ashley Lester and David N. Weil (2009). When Does Improving Health Raise GDP? National Bureau of Economic Research (NBER) *Macroeconomics Annual 2008*, vol. 23. University of Chicago Press.

107 The subjective nature of evaluating one’s own health status is open to various biases. Differences among specific groups should therefore be interpreted with caution and only descriptively.

108 International Labour Office (ILO) (2022). *Enhancing social dialogue towards a culture of safety and health: What have we learned from the COVID-19 crisis?* ILO, Geneva.

109 World Health Organization and International Labour Office (WHO) (ILO) (2021). *Joint Estimates of the Work-related Burden of Disease and Injury, 2000–2016: global monitoring report*. World Health Organization and International Labour Office, Geneva.

110 Ibid.

111 ESCAP elaborations based on ILOstat data on SDG target 8.8 which calls for the protection of labour rights and promotion of safe and secure working environments for all workers, including migrant workers, in particular women migrant workers and those in precarious employment. Indicator 8.8.1 measures this target partly by frequency of fatal and non-fatal occupation injuries.

and hazards. Given the importance of prevention at work and the need to invest in a systems approach, the ILO Centenary Declaration for the Future of Work in 2019 raised the importance of including safe and health working conditions. ILO Declaration on Fundamental Principles and Rights at Work was then amended accordingly in 2022.

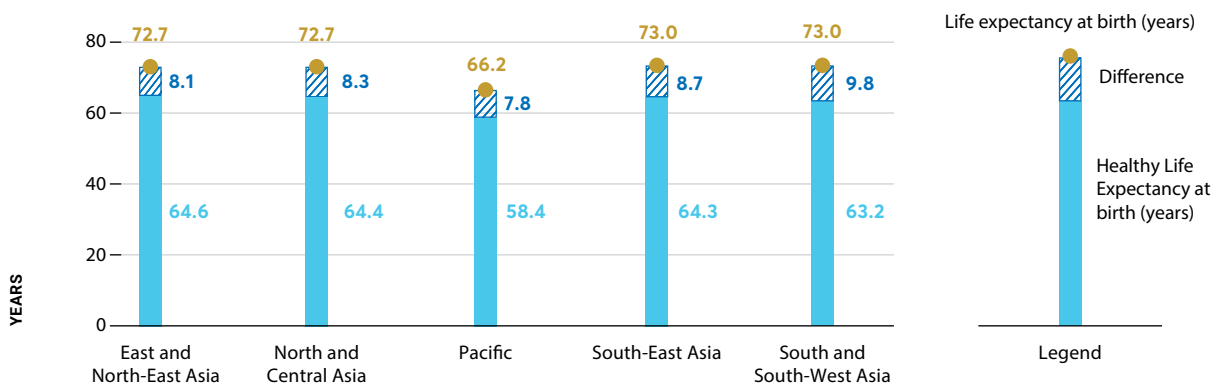
The latest data on key health indicators illustrate increasing gaps in life expectancy at birth, survival to age 65 and child mortality rates. The situation is particularly dire for workers in low- and lower-middle income countries, where the majority of informal and vulnerable workers live and have lower levels of productivity.

Access to basic health care should start from early childhood and continue throughout a person’s life. This is crucial to build a strong functional ability needed in older ages to meet basic needs, such as being mobile, contributing to society and ageing with dignity. A complementary indicator for overall health status is healthy life expectancy at birth which measures the number of years of good health that a newborn can expect. The health gap between healthy and standard life expectancy represents the number of years lost to disease, injury or disability. Across Asia and the Pacific, there is on average almost a decade lost in healthy years. Even more concerning is that there has been virtually no progress since the early 2000s.¹¹² The health gap remains high in 45 countries across the region, particularly in South and South-West Asia (figure 3.2).

The burden caused by disease comes increasingly from non-communicable diseases (NCDs) and injuries. Chronic illnesses are becoming more prevalent. Their financial implications are concerning not only for the workers but also for their dependents. SDG target 3.4 calls for the reduction in premature mortality from NCDs through prevention and treatment, and promotion of mental health and wellbeing. Indicator 3.4.1 measures part of this target, focusing on the probability of death between the ages of 30 and 70 from cardiovascular disease, cancer, diabetes or chronic respiratory disease. This indicator is therefore closely related to health risks in the workforce. Data from 2019 across 47 countries in the region indicate the threat of NCDs for the workforce, particularly in the Pacific (excluding Australia and New Zealand). The probability of death from NCDs in this subregion is on average 38 per cent. East and North-East and North and Central Asia follow with an average of 24 per cent probability of death from NCDs. Across the region, men are particularly susceptible to NCDs. In Georgia, Mongolia and the Russian Federation, men’s risk of dying from a NCD is 20 percentage points higher compared to women. While social determinants of health extend beyond employment status, precarious and informal work can increase disease burden on the workers. A recent study found that working longer hours particularly in the informal economy can lead to higher likelihood of developing cardiovascular diseases.¹¹³

FIGURE 3.2 Healthy ageing at risk across the Asia-Pacific region

Average years of healthy and standard life expectancy at birth, by subregion, 2020



Source: WHO (2022), The Global Health Observatory. Available at <https://www.who.int/data/gho> (accessed on 12 March 2022).

Note: Data are available for 45 countries in 2020. Simple averages are presented following ESCAP subregional classifications. High-income countries including Australia, Japan, the Republic of Korea and New Zealand are excluded from the graph.

112 World Health Organization (WHO) (2008). *Health in Asia and the Pacific*. WHO, Geneva, Switzerland.

113 Frank Pega, Bálint Náfrádi, Natalie C. Momen, Yuka Ujita, et al. (2021) Global, regional, and national burdens of ischemic heart disease and stroke attributable to exposure to long working hours for 194 countries, 2000–2016: A systematic analysis from the WHO/ILO Joint Estimates of the Work-related Burden of Disease and Injury, *Environment International*, Volume 154, 2021, 106595.

3.2 Universal Health Coverage remains an ambition in Asia and the Pacific

Throughout Asia and the Pacific, significant gaps in UHC remain. Legal health coverage does not always translate into effective health coverage. The average UHC service coverage index (SDG indicator 3.8.1) for the region stands at 64 (0 indicating no coverage and 100 indicating universal coverage) but ranges from 33 in Afghanistan to 86 in Australia (figure 3.3). Countries with values below the regional average are largely found in South and South-West and South-East Asia.

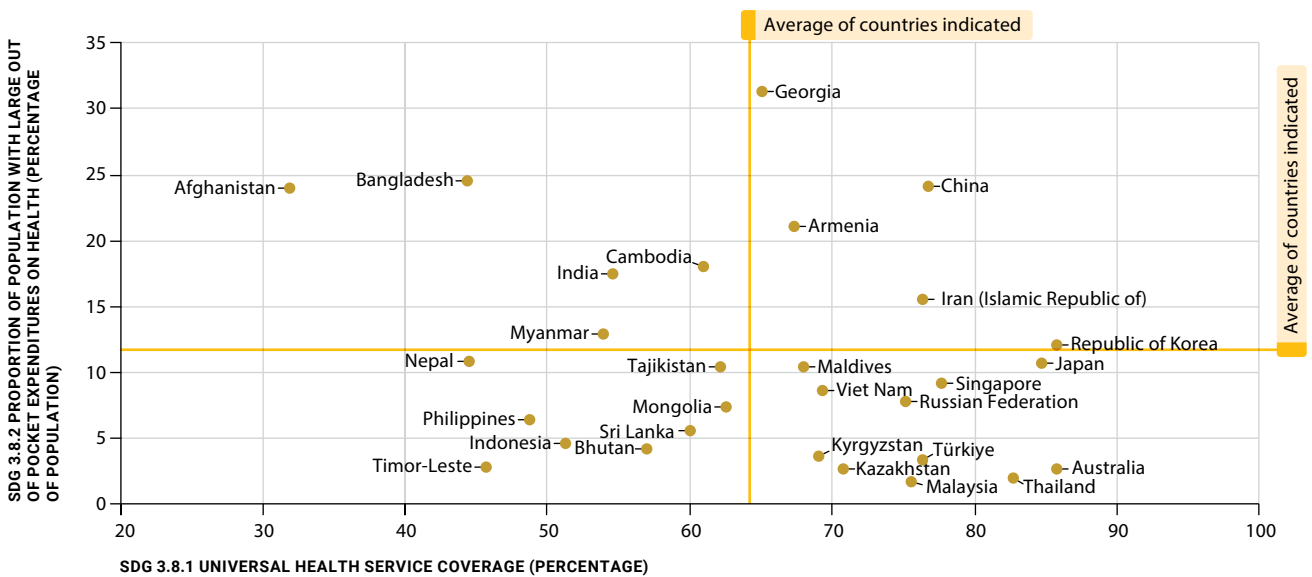
Another measure of great importance is out-of-pocket expenditures on healthcare. Catastrophic out-of-pocket health expenditures are defined as when a household spends more than 10 per cent of total household expenditures on healthcare (SDG indicator 3.8.2). This indicator shows large variation across the region, from below 2 per cent of the population in Malaysia to over 30 per cent in Georgia (figure 3.3). About half of the countries have less than 10 per cent of their population exposed to catastrophic out-of-

pocket expenditures. In Afghanistan, Armenia, Bangladesh, China and Georgia, the population share exceeds 20 per cent.

Figure 3.3 illustrates country groupings of achieving universal health coverage. In the top-left quadrant, a few countries in South and South-East Asia can be seen with a substantial room to broaden both service coverage and financial protection. In the top-right quadrant, only upper-middle-income countries are seen with a need to prioritize the financial protection of their citizens. In the bottom left quadrant, countries need to prioritize service coverage, while maintaining financial protection. Many countries in the bottom-right quadrant are close to achieving UHC. These are also countries that have introduced important healthcare reforms in the early 2000s, notably Maldives, Thailand, Türkiye and Viet Nam.

ESCAP estimates that over the past two decades the annual growth rate in UHC service coverage index in the region was on average 2 per cent, with a maximum of 6 per cent in China.¹¹⁴ If countries could sustain their average long-term growth rate in UHC service coverage index each year up to 2030, only seven countries (i.e., Cambodia, China, Indonesia, Islamic Republic of Iran, Malaysia, Singapore and Thailand) would reach the maximum

FIGURE 3.3 Large variation in Universal Health Coverage in the Asia-Pacific region



Source: WHO (2022), The Global Health Observatory. Available at <https://www.who.int/data/gho> (accessed on 29 March 2022).

Notes: The Universal Health Coverage (UHC) service coverage index on the x-axis is a composite index covering 14 tracer indicators of health service coverage including reproductive, maternal, newborn and child health, infectious diseases, non-communicable diseases. As a unitless index, it ranges between 0 and 100 with higher values representing higher service coverage. Financial protection, on the y-axis measures the share of households with over 10 per cent of their total household expenditures or income devoted to health.

114 The results are based on a simple linear projection for 51 countries in. Countries are likely to follow a non-linear path. To avoid further assumptions, only a linear projection was carried out.

score in the index by 2030. A few countries would come close to universal health coverage, including Japan,¹¹⁵ Myanmar, the Republic of Korea, the Russian Federation and Viet Nam. For some countries like the Philippines and Timor-Leste, this would require much faster growth in coverage expansion than what has previously been observed. Accelerating the expansion of universal health coverage must therefore be a priority for most countries in the Asian and Pacific region.

In 13 of 32 regional countries, financial protection has improved, especially in Kyrgyzstan, Maldives, Thailand, Türkiye and Viet Nam, where the share of population with catastrophic health expenditures more than halved. Conversely, the share of the population with exposure to catastrophic health expenditures more than doubled in Afghanistan, Bhutan, China, Georgia, India, Mongolia, the Philippines and the Russian Federation.¹¹⁶ Consequently, the region is now home to the highest number of people globally who could be impoverished as a result of falling ill. This is not only detrimental for the workforce but also inconsistent with the principles of solidarity and equity and requires effective cost-sharing within societies and between generations.

Digital technologies can play a significant role in helping countries progress toward UHC, especially when fiscal space is limited.¹¹⁷ While they have long penetrated the health sector, their potential to empower beneficiaries through transparency and accountability, improve the quality of healthcare, detect disease outbreaks and support payments has not yet been reached in developing countries in the region. Some countries are increasingly making use of digital technologies in rapidly expanding coverage to wider populations. India's Aadhar program integrates health data of over 1.2 billion citizens to improve the management of health insurance programmes.¹¹⁸ The COVID-19 pandemic accelerated the adoption of digital technologies and led some local health governments to pilot

online care delivery and virtual health. The private sector has also increasingly been filling the service delivery gaps governments leave. Large platforms such as AliHealth and Ping An Good Doctor (China), Practo and 1MG (India) and Halodoc or Alodokter (Indonesia) have brought health care providers closer to some 1.5 billion users.¹¹⁹

3.3 The impact of health care reforms

To build a productive, healthy and protected workforce, health reforms towards UHC need to be integrated with other sectors, most notably social protection and decent employment. Türkiye is one of few regional developing countries that has substantially extended UHC.¹²⁰ Between 2003 and 2013, Türkiye implemented the Health Transformation Program (HTP) and ensured access to health services for all. The HTP was complemented with reforms in social security and universal health insurance in 2008. The single purchaser model and unified approach in HTP gave full responsibility to the Social Security Institution in Türkiye which collected revenues, pooled resources and expenditures and purchased relevant goods and services. Results-based management and regular monitoring and evaluation were critical. The results of HTP were overwhelmingly positive.¹²¹ Life expectancy at birth increased by 6 years between 2002 and 2014 and child- and infant mortality dropped significantly. The reform increased the share of the population satisfied with health services by over 90 per cent. Despite these advances, health expenditures only increased from 5.4 per cent in 2000 to 6.7 per cent of GDP in 2011. During the same period, out-of-pocket expenditures almost halved. The HTP did not leave the poorest behind, but expanded coverage widely from 24 to 85 per cent in the lowest income decile. Türkiye achieved legal coverage for all and approached effective UHC which improved population health, financial risk protection and user satisfaction,¹²² although there

115 UHC is legally achieved in Japan thanks to the statutory health insurance system which together with public social assistance program covers the entire population.

116 In many developing countries it is the rich who incur large out-of-pocket health expenditures as they can afford higher quality services that are easily accessible through the private sector.

117 United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) (2022). *Economic and Social Survey of Asia and the Pacific (2022): Towards post-COVID-19 resilient economies*. ESCAP, Bangkok.

118 World Bank (2018). *Business Unusual: Accelerating Progress Towards Universal Health Coverage*. World Bank, Washington, DC.

119 McKinsey and Company (2022). *The future of healthcare in Asia: Digital health ecosystems*.

120 The selection of Türkiye is partly driven by the availability of the Income and Living Conditions Survey which offers a rich set of data on health care. Health care reforms in Thailand, Viet Nam, China and Malaysia are equally important good practices with substantial positive impact.

121 World Bank (2018). *Turkish Health Transformation Program and Beyond. Results Brief*. World Bank.

122 Rifat Atun (2015). *Transforming Turkey's Health System – Lessons for Universal Coverage*. *The New England Journal of Medicine*, 373, p. 1285–1289.

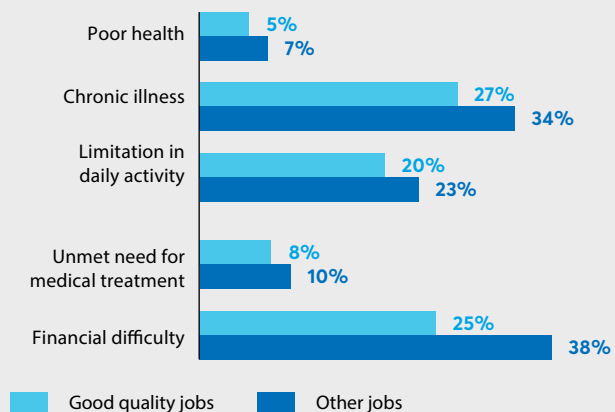
BOX 3.1 Health care reforms in Türkiye

Half a decade after HTP’s full implementation, the Household Income and Living Conditions Survey of Türkiye before the pandemic (2019) can help elucidate the health status of the workforce along with access to health care. First, only 4 per cent of the labour force reported poor health at the time of the survey even though about a quarter had a long-standing chronic illness or condition such as diabetes, hypertension, asthma, renal failure or rheumatic diseases. While about 16 per cent of the overall labour force reported limitations in daily activities because of physical or psychological health problems in the past six months, over 60 per cent among those with chronic illness reported limitations in daily activities. Estimating aggregate economic cost due to such limitations is beyond the scope of this Report. However, it is important to recognize that such limitations can have economically meaningful productivity and welfare effects at the individual, household, and national levels.

When asked about unmet need for medical examination or treatment during the last 12 months, only 8 per cent reported that in at least one occupation they had unmet need. Among this group, three main reasons were reported including financial (30 per cent), inability to take time off due to work or care for children or others (25 per cent), wanted to wait and see if the problem got better on its own (23 per cent) and late time for appointments (12 per cent) and distance to health facility (5 per cent). There are some gendered differences in these reasons with men being more likely to wait and see while women are more likely to report that they could not take time off due to work or care of children or others.

Formal regression analysis controlling for individual and household circumstances such as sex, age, education, location and household income continue to find statistically significant differences among the employed within the labour force particularly when the quality of employment is taken into consideration. As shown in figure 3.4, workers with access to good quality jobs^a are less likely to report poorer health, chronic illnesses, limitations in daily activities in the past six month and unmet need for medical examination or treatment in the past 12 months. Among those who report unmet needs, financial difficulty is much less likely to be reported as the main reason among workers with good quality jobs.

FIGURE 3.4 Health and decent employment in Türkiye



Source: ESCAP elaborations based on Income and Living Conditions Survey (2019), Türkiye obtained from the Turkish Statistical Institute (TURKSTAT). Note: Predicted probability for selected indicators based on ILC Türkiye. Total number of observations is 27,524 individuals in the labour force.

Even after controlling for quality of employment, differentials emerge across individual circumstances. Notably, women are more likely to report poorer health and chronic illnesses than men in the labour force. Older people and people with no education and primary education are also more likely to report these negative health outcomes relative to youth and adults as well as people with secondary and tertiary education, respectively. Such differentials in outcomes are also observed in access to health care. The disadvantaged groups are more likely to report unmet need for health care, particularly due to financial difficulties. It is important to note that these results should not be interpreted as causal relationship between decent employment and health of the workforce since they are likely to be simultaneously determined by unobserved factors and reinforce one another over time. Further analysis is needed to isolate the exogenous impact of good quality jobs on health outcomes.

^a The quality of jobs is determined by the availability of variables in the survey including status of employment, status of registration in social security and type of contract. This is in a similar vein to Section 2.3 although here the Income and Living Conditions Survey is used as opposed to the Labour Force Survey.

is still room for improvement for disadvantaged groups. Supporting the workforce during the green transition to access decent employment would further improve health outcomes and access to health care in Türkiye.

In Maldives, the introduction of the UHC scheme called 'Aasandha' in 2012 was a milestone in boosting access to health care services. Services that used to be out of reach for some segments of the population became available and free of charge overnight, albeit with a capped limit. This cap was subsequently removed in 2014 with the introduction of a new UHC scheme called "Husnuvaa Aasandha", which meant unlimited health coverage for Maldivian nationals.¹²³ The Maldives' experience exemplifies how the introduction of UHC has improved access to services, even as service availability concerns are being replaced by ease of access concerns. Nevertheless, access has had a positive impact on the health of women of working age. Earlier studies have also shown a positive correlation between births attended by skilled health care professionals and the share of the population protected by a health care scheme.¹²⁴

An examination of over time progress across countries, using skilled birth attendance (as a common proxy of access to health care) indicates that countries with more established UHC schemes stand out (figure 3.6, Panel A). While all countries above the diagonal line have seen some progress, the Maldives have made the most dramatic jump from a coverage of 1 in 3 to 100 per cent in less than one decade. Inequality in access follows a similar pattern: the gaps between groups furthest ahead and furthest behind in access to skilled birth attendance have fallen across most countries in the region (countries below the diagonal line, figure 3.6, Panel B). The case of the Maldives is again exemplary as UHC elevated access of the majority of women by leaving no one behind.

Despite this promising progress, gaps in access to health care linger across the region. The furthest behind groups often consist of poorer and low educated women with two or more children. Among

these factors, being poorer is the most common factor. These women often choose to forego the cost and challenges of accessing professional help during childbirth.¹²⁵ The gaps are also more acute in countries with higher shares of informal employment. In Bangladesh, Indonesia and Nepal, more than three quarters of total employment was informal in 2016–2017, compared with less than half in the Maldives and Mongolia, and less than a quarter in Armenia and Türkiye.¹²⁶ Informal workers in countries without UHC are particularly exposed as they are rarely covered by any employers' liability schemes. UHC, along with the universal social protection floor, would be an ideal policy response to ensure a healthy, protected and productive workforce, now and in the future, particularly in light of the region's rapidly ageing population.

3.4 Population ageing and the future of health care

Population ageing will undoubtedly affect accessibility, availability and affordability of health care services. In the context of implementing the 2030 Agenda for Sustainable Development, population ageing will also have major implications for fiscal pressures from health care expenditures, a key variable that summarizes the interaction between demand for and supply of health care services. Since large out-of-pocket expenditures on health care impose a substantial financial burden on the workforce, it is important to anticipate the evolution of total health care expenditures in the region while addressing the social determinants of health over the course of a person's life and investing in the health of the workforce from an early age.

Projecting increases in health care expenditures (HCEs) as percentage of GDP up to 2060 with and without healthy ageing adjustment follows an empirical model inspired by the latest considerations on the determinants of future health care expenditures (see Box A1 in Appendix for technical details). The healthy ageing adjustment is implemented by allowing the age profile of health care expenditures for age groups over 50 to shift downwards at least one five-year age group.¹²⁷

123 Aasandha Company Ltd. (2022). Husnuvaa Aasandha Scheme Overview. Aasandha Company Ltd.

124 International Labour Office (ILO) (2021). *Social Health Protection: Accelerating progress towards Universal Health Coverage in Asia and the Pacific*. ILO, Geneva.

125 United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) (2022). Leaving No One Behind (LNOB) Platform. ESCAP, Bangkok.

126 ESCAP elaborations based on ILOSTAT Explorer. Available at https://www.ilo.org/shinyapps/bulkexplorer30/?lang=en&segment=indicator&id=EAP_2WAP_SEX_AGE_RT_A (accessed on 18 April 2022).

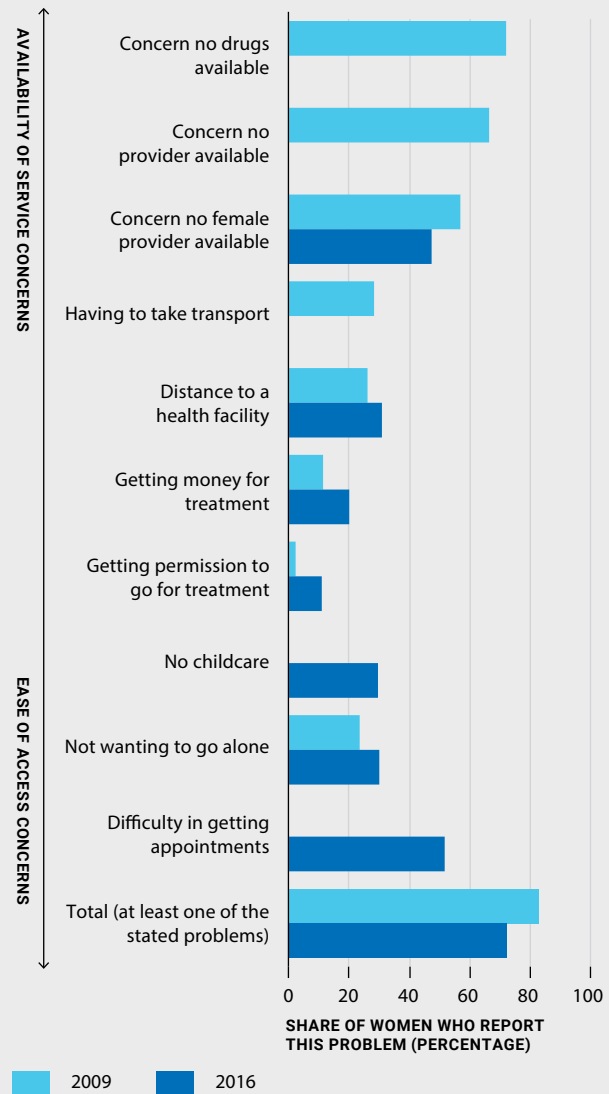
127 This means that the per capita health care expenditures for individuals aged 50 to 55 can fall to the level of health care expenditures for individuals aged 45 to 50 following the method of Maisonneuve and Martins (2015).

BOX 3.2 Health care reforms in the Maldives

The Maldives had the highest rates of labour force participation among women ages 15 and above in South and South-West Asia, at almost 40 per cent in 2016.^a Universal access to health care has been essential for these women’s wellbeing. After the introduction of the two health care reforms in 2012 and 2014, key health outcomes improved rapidly. A case in point: women’s access to skilled birth attendance increased from 33 per cent in 2009 to 100 per cent in 2016.^b Access to skilled birth attendance is a critical proxy for access to health care in general, as it appears as a reliable indicator in many relevant indices including the UHC Service Coverage index of SDG 3.8 reviewed in Chapter 2.2.

Even though not all health areas saw a drastic improvement (mortality rates attributed to non-communicable diseases only slightly decreased from 13 to 12 per cent during the same period), women of working age in the Maldives benefitted to some degree. Data from Demographic and Health Surveys (DHS) indicate that the percentage of women who reported having a serious problem with accessing health care fell from 83 per cent in 2009 to 72 per cent in 2016 (figure 3.5). The problem reported as most important also changed: In 2009, the main concerns were availability of drugs or a health care provider. In 2016, the availability of appointments was the biggest hurdle. This change in the problems women faced in accessing health care also reflects a continuum in demand for health services, as access improves. Clearly, not all problems have been resolved since the introduction of the Universal Health Coverage, and continuous feedback, openness and accountability to improve the quality of service and ease of access are important elements going forward.

FIGURE 3.5 Change in self-reported serious problems of women (ages 15–49) accessing health care in the Maldives

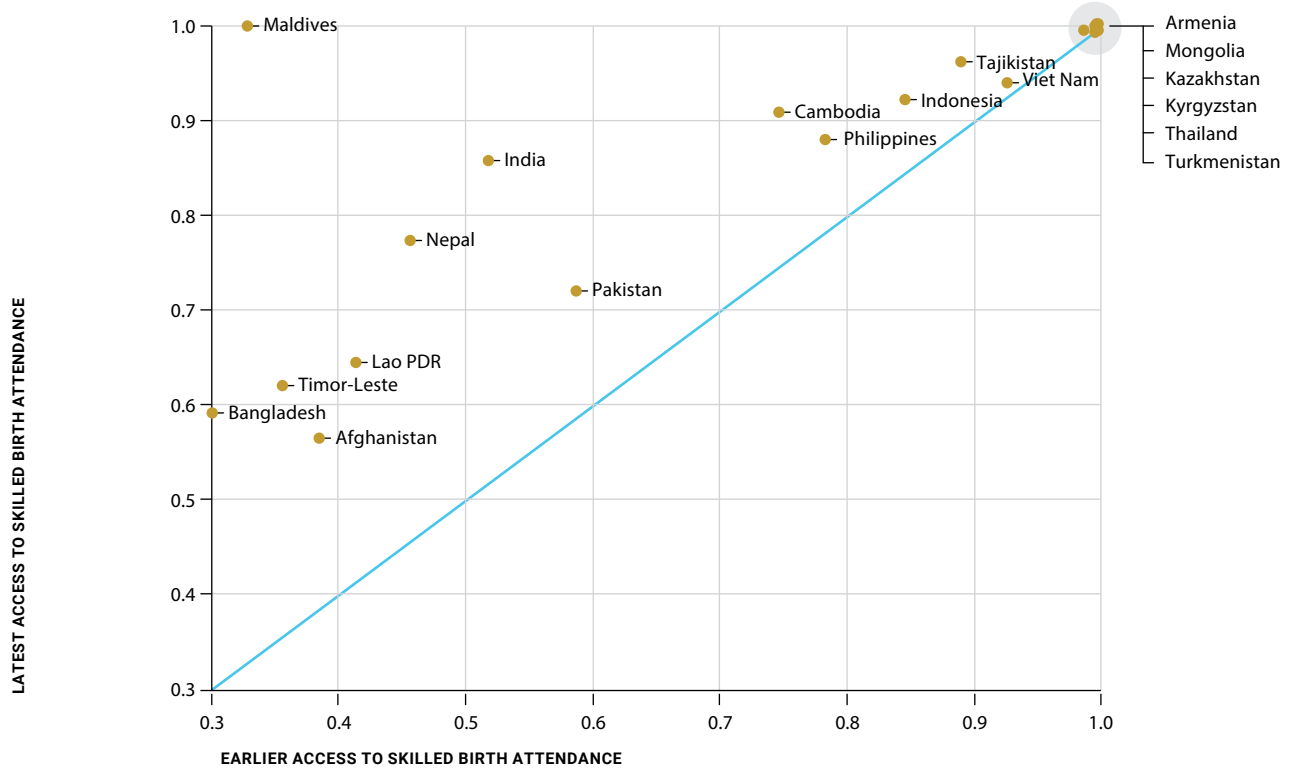


Source: ESCAP analysis based on DHS 2009 and DHS 2016, Maldives. Note: Different answer options were presented in the two surveys. In 2009 (before the introduction of the UHC programme) the “serious problems” in accessing health care were: a) getting permission to go for treatment, b) getting money for treatment, c) distance to health facility, d) having to take transport, e) not wanting to go alone, f) concern no female provider is available, concern no provider is available, concern no drugs are available. In 2016, the ‘serious problems’ were: a) getting permission to go for treatment, b) getting money for treatment, c) distance to health facility, d) not wanting to go alone, e) no female health provider, f) no childcare, e) difficulty in getting an appointment.

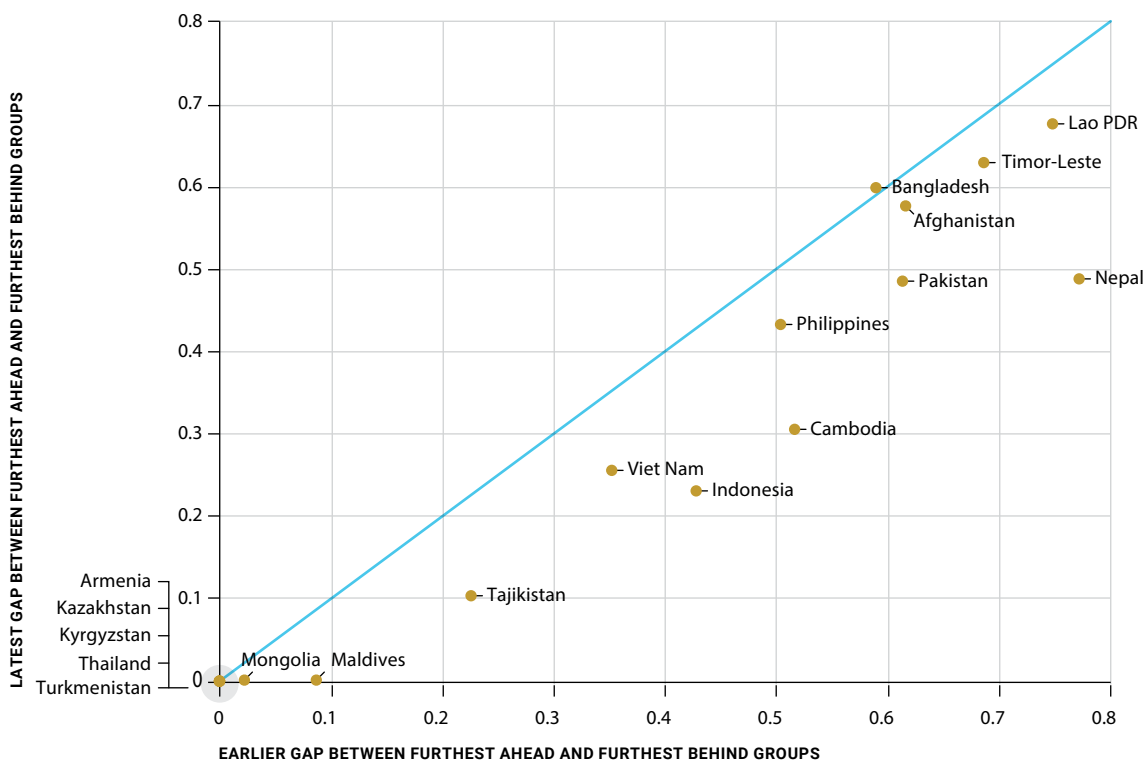
a International Labour Organization, Labour Force Participation Rate by Sex and Age Database. Available at https://www.ilo.org/shinyapps/bulkexplorer40/?lang=en&segment=indicator&id=EAP_2WAP_SEX_AGE_RT_A (accessed on 18 April 2022).
 b United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) (2021). *Reducing Inequality in FEALAC member countries*. ESCAP, Bangkok.

FIGURE 3.6 Progress and gaps of access to skilled birth attendance for women

PANEL A. INCREASING ACCESS TO SKILLED BIRTH ATTENDANCE FOR WOMEN, SELECTED COUNTRIES, EARLY 2010s–LATE 2010s

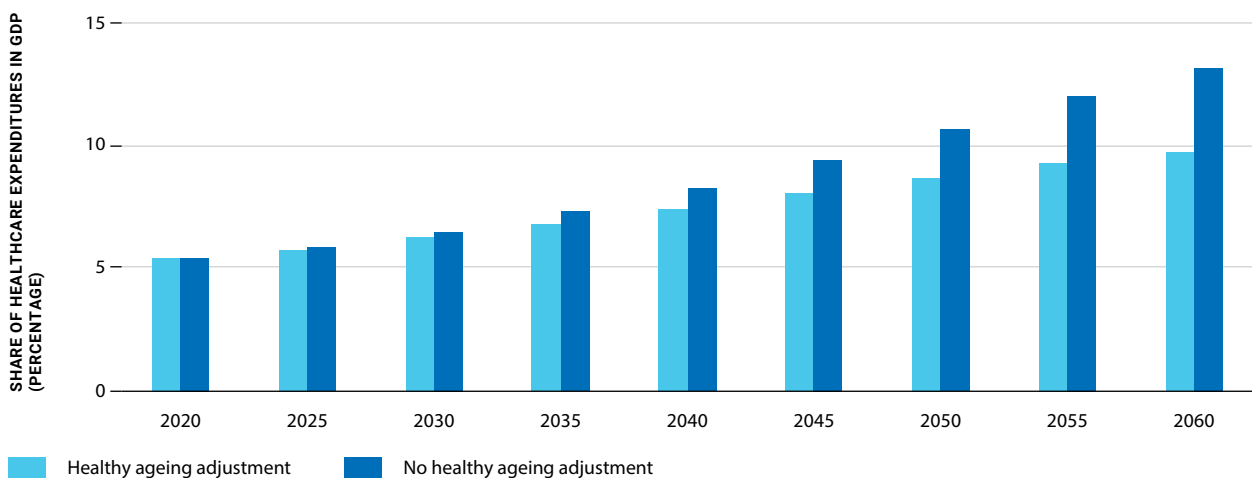


PANEL B. FALLING GAPS IN WOMEN'S ACCESS TO SKILLED BIRTH ATTENDANCE, SELECTED COUNTRIES, EARLY 2010s–LATE 2010s



Source: DHS and MICS from the period 2009–2018, selected Asia-Pacific countries.

Note: In red are countries that have a score above the regional average of 64 in the UHC service coverage index (see figure 3.3). Latest data for Viet Nam (2013) and for Lao People's Democratic Republic (2017) do not capture recent vast expansion of their respective schemes. Access and composition of the furthest behind and furthest ahead groups in figure 3.6 is calculated using the Classification and Regression Tree Analysis (CART) and available on ESCAP LNOB platform (<https://lnob.unescap.org/>).

FIGURE 3.7 Projected total health care expenditures by year in the Asia-Pacific region as a share of GDP

Source: Howdon and Pasali (2022).

Estimations from this model reveal that between 2020 and 2060, overall health care expenditures are set to increase by 80 to 144 per cent, with and without healthy ageing (figure 3.7).¹²⁸

There are important nuances within the region. First, HCEs in high-income countries peak in 2050 and stabilize from thereon, while there is a monotonic increase among middle-income countries. This result can partly be explained by differences in healthy ageing between high-income countries and middle- and low-income countries. Healthy ageing can thus put the brakes on the growth of health care expenditures or provide sufficient headroom to countries transitioning to an aged society.

While some developing countries in the region are projected to face particularly high health care costs by 2060, the difference is mainly a result of whether the population will follow a trajectory with or without healthy ageing (figure 3.8). This is captured by the standard ageing premium in dark blue in figure 3.8 and could reach as much as 55 per cent of the costs in the Maldives and Islamic Republic of Iran. In Cambodia, China, Indonesia, Mongolia, Nepal, and Tajikistan, the differential amounts to over 40 per cent. Given that out-of-pocket expenditures (OOP) are considerably higher in low- and middle-income countries than in high-income countries, the burden of OOP would disproportionately fall on groups in already vulnerable situations, such as older persons and workers in informal jobs.

Accelerating progress toward universal health coverage (UHC) in Asia and the Pacific is the single most important policy priority for building a healthy workforce. Expanding social health protection is the key policy instrument to achieve this goal. The pandemic provided the right incentives for member States to make headway toward UHC during the UN Decade of Health Ageing, but there is a need to move beyond ad hoc measures and introduce health reforms for stronger and resilient health systems. At the global level, the commitment to UHC was solidified prior to the COVID-19 pandemic by the political declaration included in the United Nations General Assembly Resolution A/RES/74/2 where Member States agreed to implement the most effective, high-impact, people-centred gender and disability responsive interventions to meet the health needs of people throughout their life and to reverse the trend of catastrophic out-of-pocket expenditures. The Bangkok Declaration adopted at the conclusion of the 78th session of the Economic and Social Commission for Asia and the Pacific (ESCAP) in May 2022 also calls for achievement of universal health coverage by 2030 in Asia and the Pacific.

The experience of the COVID-19 pandemic clearly showed the centrality of UHC, not only during a health crisis, but to also achieve healthy ageing and thereby control future health expenditures. Healthy ageing can keep out-of-pocket expenditures in check and avoid them increasing significantly above the currently high levels observed today at above

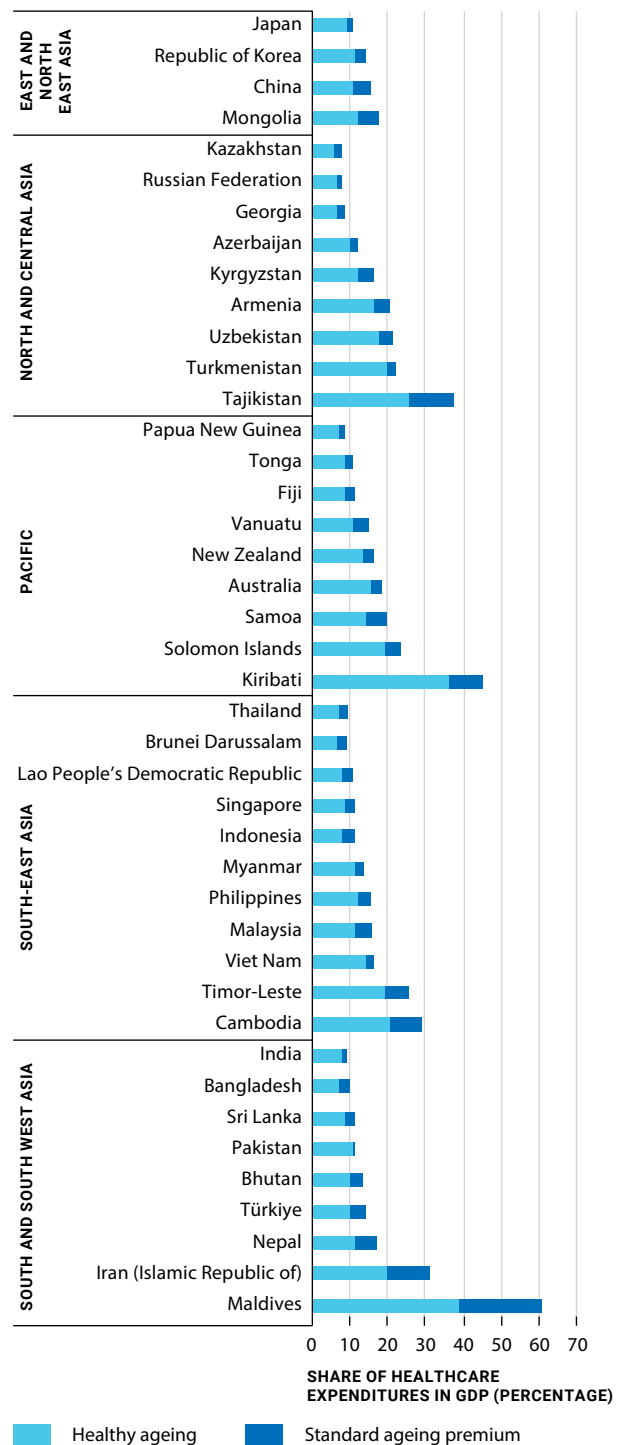
128 A healthy ageing adjustment allows the age profile of health care expenditures for age groups over 50 to shift downwards at least one five-year age group. This implies that over time the per capita HCE for individuals aged 50 to 55 can fall to the level of HCEs for individuals aged 45 to 50.

60 per cent in Afghanistan, Armenia, Bangladesh, India, Myanmar and Tajikistan. Already, millions are being pushed into poverty across the Asian and Pacific region annually due to out-of-pocket expenditures. Latest estimates from WHO indicate over 50 million people in the Asian and Pacific region were pushed into extreme poverty while over 90 million people were pushed into moderate poverty in 2017.

The challenges ahead are formidable as the number of health care workers, who are also ageing¹²⁹ and emigrating, is insufficient.¹³⁰ For each 1,000 people in the region there is less than one doctor in low-income and lower-middle income countries compared to 2.6 doctors in high income countries.¹³¹ There is also an uneven distribution within countries, even in high-income countries, where rural areas are increasingly left behind.¹³² Expanding service coverage ultimately entails building a strong and resilient health care workforce. The barriers to a strong health care workforce are not only financial. They also include inadequate training systems and pressures from labour migration.¹³³ The care economy, which includes the long-term care sector for ageing societies, is expected to generate over 270 million jobs in the region over the next eight years.¹³⁴ To attract workers to these jobs, decent working conditions, including social protection coverage, will be essential.¹³⁵ There is an important gender dimension to this issue as long-term care is provided largely informally by women, which negatively affects their participation in and attachment to formal labour markets. Such exclusion inevitably results in women’s underrepresentation in adequately funded old-age pension schemes and increases their vulnerability at older ages, as discussed more at length in the next chapter.

Countries are also facing significant resource constraints with direct implications on investments in programmes to expand health coverage. Addressing the resource constraint entails careful evaluation of resource allocation within the health sector as well as health versus other sectors; governance and human resource challenges and sequencing of health benefits.

FIGURE 3.8 Projected Health Expenditures in 2060 by country as a share of GDP



Source: Howdon and Pasali (2022).

129 Sornwit Osothisinlp and Arnon Warrayingyong (2020). Aging healthcare workers. *Chulalongkorn Medical Journal*, 64 (4), December 2020, pp. 453–458.

130 Kanchan Marcus, Gabriella Quimson and Stephanie D. Short (2014). Source country perceptions, experiences and recommendations regarding health workforce migration: A case study from the Philippines. *Human Resources for Health* 12 (1), 62.

131 Organization for Economic Cooperation and Development (OECD) (2021). *Health at a Glance: Asia-Pacific 2020. Measuring Progress Towards Universal Health Coverage*. OECD, Paris.

132 Short, S.D., Marcus, K. and Quimson, G. (2014). Source country perceptions, experiences and recommendations regarding health workforce migration: A case study from the Philippines. *Human Resources for Health* 12 (1), 62.

133 United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) (2020). *Asia-Pacific Migration Report 2020*. ESCAP, Bangkok.

134 International Labour Office (ILO) (2022). *Care at work: Investing in care leave and services for a more gender equal world of work*. ILO, Geneva.

135 United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) (2021). *COVID-19 and the Unpaid Care Economy in Asia and the Pacific*. ESCAP, Bangkok.

A decorative border at the top and bottom of the page features various icons and shapes. The top border includes a yellow umbrella, a blue umbrella, a gear, a group of people, and a shield. The bottom border includes a blue umbrella, a yellow umbrella, a gear, a group of people, and a shield. The background is a solid blue color with a subtle pattern of white dots.

Chapter 4

The need for social protection

More and better jobs and access to universal social protection including health care are fundamental to unleash the full potential of the workforce in Asia and the Pacific. A lack of access to a stable, regular and predictable income security mires workers in poverty and vulnerability and compromises their potential. Access to social protection is a human right and, when carefully designed, a precondition for labour markets to generate productive and decent employment.¹³⁶ Social protection can help ease disruptions from life contingencies that interrupt earning trajectories, such as having a child, losing a job, or becoming old. It can also help mitigate economic downturns and megatrends such as climate change-related disasters, population ageing, digitalization and the changing world of work.

Fallout from the COVID-19 pandemic exposed structural challenges and gaps that undermine development efforts, particularly in ensuring access to social protection for all. The unprecedented decline in working hours disproportionately impacted workers in the informal sector, many of whom lack access to social protection. Women were also overrepresented in hard-hit sectors within services, while constituting the vast majority of unpaid family workers and other undervalued jobs, again without access to income guarantees to buffer the impact of the crisis.

In the wake of the COVID-19 pandemic, governments recognized social protection as a critical buffer against economic shocks for households, yet coverage levels remain very low. This chapter will highlight the need to ensure access to social protection for the workforce, lay out the key challenges in their access to social protection and illustrate the impact of a protected workforce on inclusive and sustainable development in Asia and the Pacific.

4.1 The state of social protection in Asia and the Pacific

More than half of the region's population has no access to social protection. They are therefore left completely unprotected against any form of contingency throughout their life. Excluding China, two thirds of the region's population is left uncovered. Access for women is often lower than for men. The pandemic's impact on job losses has brought these gaps to the fore.

There is a significant variation in coverage, depending on the life cycle contingency. Coverage of children, unemployment, employment injury and severe disability are all below one third, with slightly higher coverage of maternity benefits. Though coverage of old-age pensions fares better, there are consistently more women with no access to old-age income security than men. For the fortunate ones that have access to a benefit, the levels are often insufficient to cover their basic needs.

COVID-19 has exposed the social and economic costs of inaction. It has demonstrated how comprehensive, well-resourced and inclusive social protection systems are better able to respond to crises. Countries that have continued to invest in and build inclusive social protection systems have been better equipped to respond to the current pandemic thanks to their broader coverage. Universal child benefits could reduce poverty by over one third including those who have been pushed into poverty by the pandemic.¹³⁷

4.2 A majority of the region's workers are unprotected

In most countries, only a minority of workers contribute to a social protection scheme, leaving most unprotected and vulnerable to disruptions and shocks. Access to contributory schemes ensures that workers are protected in case of work-related contingencies such as falling sick, getting injured or becoming unemployed, as well as in accessing a secure and regular income after retirement. Employment-related contributory social protection schemes generally provide much higher benefits and thus a more adequate protection against a range of contingencies. If extended to all forms of employment, contributory social protection could also reduce the destabilizing risks of taking on part-time work or platform jobs, thereby enabling workers to respond more flexibly and smoothly to changes in the labour market.

The low share of workers contributing to a social protection scheme leaves a majority of workers exposed to negative impacts from disruptions and shocks to their livelihoods. There is variation among subregions, with the highest share achieved in East and North-East Asia (figure 4.1). When looking at specific work-related social protection benefits, only

¹³⁶ International Labour Office (ILO) (2021). *World Social Protection Report 2020–22: Social protection at the crossroads — in pursuit of a better future*. ILO, Geneva.

¹³⁷ Ludovico Carraro and Marta Marzi (2021). Better responding to shocks through social protection: COVID-19 insights on identifying and responding to dynamic poverty. Social Protection Approaches to COVID-19 Expert Advice Service (SPACE). DAI Global UK Ltd. United Kingdom.

around one fifth of workers are covered against unemployment and just about one quarter against work-related injuries.¹³⁸

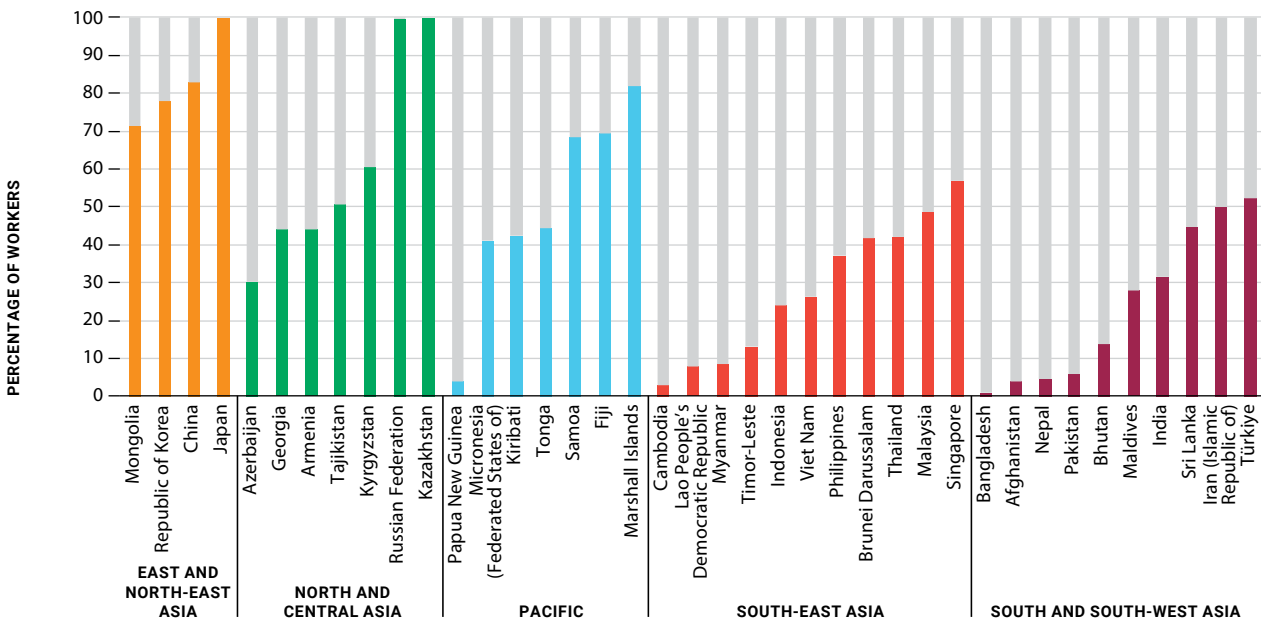
The lack of widespread contributory-based schemes is due to a variety of factors such as weak administrative capacity and high levels of job insecurity and informality. The dominance of informal employment means that some 1.3 billion people are more or less left unprotected.¹³⁹ Women’s overrepresentation in informal jobs means that they are also less likely to be covered by social protection. This is of particular concern as non-standard forms of work are on the rise through online platform jobs and the changing world of work.¹⁴⁰

Being a woman matters when it comes to accessing a social protection benefit. Social protection schemes are usually designed around full-time formally employed persons. With lower levels of labour force participation, lower average earnings, more interrupted careers and longer periods spent in unpaid care and domestic work, women tread a very different employment path to men. Due to

these gendered job trajectories, too often women cannot pay regularly or enough into contributory schemes and are limited in their ability to access higher levels of income security when needed. Without adequate maternity protection, women are penalized for taking time out of work due to pregnancy or to care for infants. In old age, women outnumber men and live longer. They are all too often left living more years alone without adequate income security. Gender-sensitive social protection systems can help adjust entitlements, conditions and eligibility and ensure income security for women throughout their life cycle.¹⁴¹

For informal workers, losing a job or getting sick or injured is a risk they cannot afford. Often living on significantly lower wages, many do not have the luxury to make savings or contributions. Left unprotected, they have little or no resources to draw on when confronted by even a common life cycle contingency. Access to contributory schemes for informal workers is often hampered by legal barriers, their limited financial capacity to contribute, as well as poor compliance with labour

FIGURE 4.1 Only a small share of workers is actively contributing to a social protection scheme, by country, latest year



Source: ILO (2022), World Social Protection Database. Available at <https://www.social-protection.org/gimi/ShowTheme.action?id=10>. (accessed on 6 April 2022).

138 United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) and International Labour Office (ILO) (2021). *The Protection We Want: Social Outlook for Asia and the Pacific*. ESCAP, Bangkok.

139 International Labour Office (ILO) (2020). *Asia-Pacific Employment and Social Outlook: Navigating the crisis towards a human-centred future of workforce*. ILO, Geneva.

140 Christina Behrendt and Quynh Anh Nguyen (2018). *Innovative approaches for ensuring universal social protection for the future of work*. International Labour Office (ILO). ILO, Geneva.

141 United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) (2021). *How to Design Gender-Sensitive Social Protection Systems*. ESCAP, Bangkok. United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) (forthcoming). *How to Design Paid Maternity and Paternity Leave Policies*. ESCAP, Bangkok.

standards and regulations among employers and workers. Not only do informal workers lack access to social protection schemes, but they are often not poor enough to qualify for household poverty reduction schemes. Many poverty targeted schemes suffer from high exclusion and inclusion errors due to design and implementation flaws. A study by Development Pathways of 38 poverty targeted schemes found that exclusion errors across all schemes ranged between 44 and 97 per cent of intended recipients. By contrast, universal schemes had exclusion errors below 10 per cent, though these are still relatively rare in the region.¹⁴² As a result, the majority of workers across Asia and the Pacific are excluded from income guarantees and remain vulnerable to even minimal disruptions in their livelihood.¹⁴³

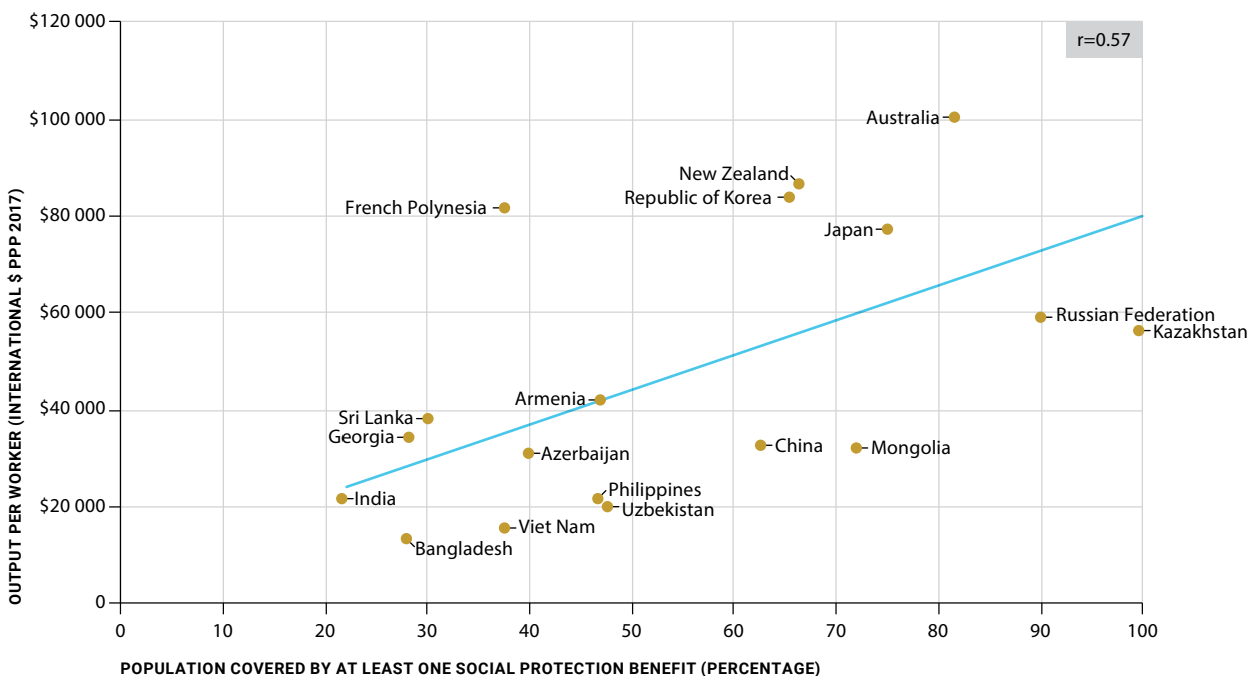
Low levels of social insurance contributions compromise the financial base for social protection systems and their capacity to provide adequate income security to those in need. Without sufficient social protection contributions and tax revenues from the working population, the capacity of the

State to provide comprehensive and adequate benefits is constrained. This in turn undermines public confidence in the State to deliver on its obligations and discourages workers and employers to pay taxes.¹⁴⁴ Moving forward, it will be vital to identify ways to extend contributory schemes to all workers and adapt their design to incorporate and respond to different types of work arrangements.

4.3 The impact of social protection

By providing a regular and predictable income guarantee, social protection can help elevate worker productivity and boost economic growth. Greater social protection coverage is positively correlated with output per worker (see figure 4.2). Social protection can also have additional multiplier effects for economic growth through different channels. In some countries, one dollar spent on social benefits generates more than one dollar in additional gross domestic product.¹⁴⁵ For instance, one dollar invested in child nutrition

FIGURE 4.2 A higher social protection coverage is associated with higher labour productivity



Source: ILO (2022). ILOSTAT database. Available at www.ilo.org. (accessed on 6 April 2022).

Note: Figure 4.2 juxtaposes social protection coverage by at least one scheme in 2016 with labour productivity measured by output per worker in 2021 for 18 countries with available data in Asia and the Pacific.

142 Stephen Kidd and Diloá Athias (2019) Hit and Miss: An Assessment of Targeting Effectiveness in Social Protection. Working Paper. Development Pathways.

143 United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) and International Labour Office (ILO) (2021). *The Protection We Want: Social Outlook for Asia and the Pacific*. ESCAP, Bangkok.

144 Ibid.

145 Marina Da Silva Sanches and Laura Barbosa de Carvalho (2021). Multiplier effects of social protection: a SVAR approach for Brazil. Unpublished manuscript.

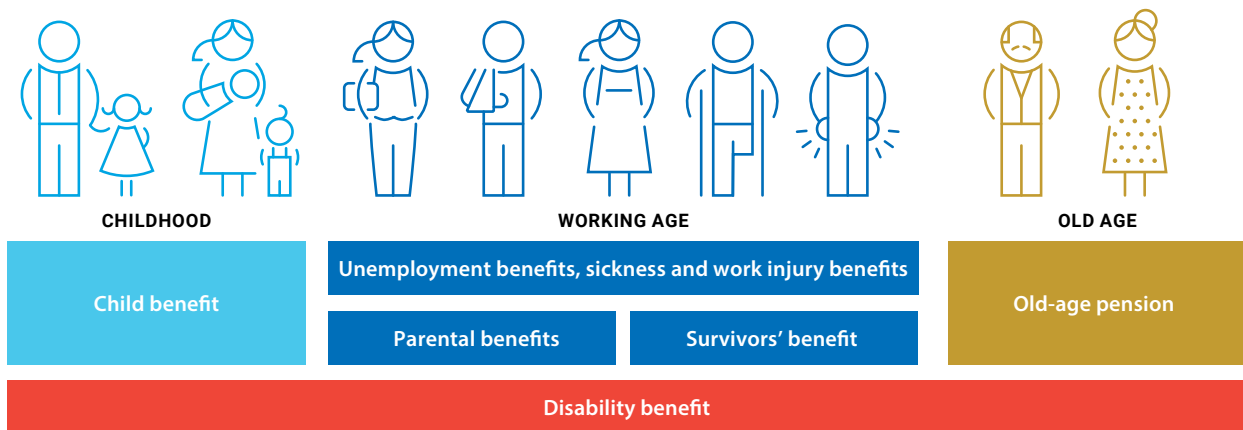
through child benefits can bring a 16 dollar return on investment.¹⁴⁶ Another recent study highlighted that positive multiplier effects are particularly high in low and lower-middle-income countries like Bangladesh and India and found that investments in social protection can contribute to rising labour supply and demand, particularly in economies where agriculture is dominant.¹⁴⁷ When contributory social protection schemes are in place, they act as an automatic stabilizer for the formal economy and enable workers to move in and out of jobs more flexibly. Together with Active Labour Market Policies, such schemes help workers acquire new skills and support the restructuring of labour markets.

Ensuring that working-age populations have access to income security in the face of life cycle or labour market contingencies is instrumental for the well-being of all members of the household. When a worker is protected through a contributory scheme, a potential loss of earned income (i.e. unemployment, maternity, disability, sickness or old age) should not upend their standard of living and result in negative coping strategies. The ILO Social Protection Floors Recommendation No. 202 (2012) outlines key life cycle and labour

market contingencies during which it is critical to provide income security to ensure a minimum level of protection to all, often through non-contributory benefits (figure 4.3). Often, however, these non-contributory benefits in the region are poverty-targeted, resulting in large inclusion and exclusion errors.¹⁴⁸ The provision of universal non-contributory benefits can ensure that all households receive a benefit when needed, especially those otherwise excluded such as informal workers. For instance, Georgia, Nepal, Mongolia and Thailand all provide some form of universal old age benefit.¹⁴⁹

Investing in a package of universal child, disability and old-age pension schemes, at global average benefit levels can reduce national poverty. Simulations conducted by ESCAP quantify the impact of introducing a universal non-contributory benefit package on poverty rates of the total population at the national and international poverty lines. The universal non-contributory package comprises child benefits, disability benefits and old-age pensions set at the global average benefit levels for each benefit. Across the 19 countries for which Household Income and Expenditure Surveys are available, the simulation demonstrates

FIGURE 4.3 A life cycle approach to social protection



Note: In childhood, consequences of poverty and deprivation can lead to nutritional and health deficiencies that impact educational outcomes and longer-term cognitive and physical development. This undermines employment prospects in adulthood. During working age, unemployment often pushes families into poverty. Falling sick often means working while being ill and contagious. Without affordable health care, people do not seek treatment or wait until it may be too late. Lack of protection during pregnancy and childbirth risks lives, but also women's livelihoods and chances to work. A work injury can further lead to disability or loss of a breadwinner and thus cause a quick descent into poverty for an entire family. In the absence of an enabling and accessible environment, a disability can all too often mean exclusion from the labour market and less resilience to poverty. Without a pension, older persons are forced to continue working or depend on other family members for their survival. Leaving old-age support to families alone is becoming increasingly unsustainable given the region's unprecedented trends of population ageing.

146 International Food Policy Research Institute (IFPRI) (2014). *Global Nutrition Report 2014: Actions and Accountability to Accelerate the World's Progress on Nutrition*. IFPRI, Washington, DC. <http://dx.doi.org/10.2499/9780896295643>.
 147 International Trade Union Confederation (ITUC) (2021). *Investments in Social Protection and their Impacts on Economic Growth*.
 148 Stephen Kiddm Bjorn Gelders and Diloá Bailey-Athias. Social Protection Department (SOCPRO) (2017). *Exclusion by design: An assessment of the effectiveness of the proxy means test poverty targeting mechanism*. International Labour Office (ILO). ILO, Geneva.
 149 United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) and International Labour Office (ILO) (2021). *The Protection We Want: Social Outlook for Asia and the Pacific*. ESCAP, Bangkok.

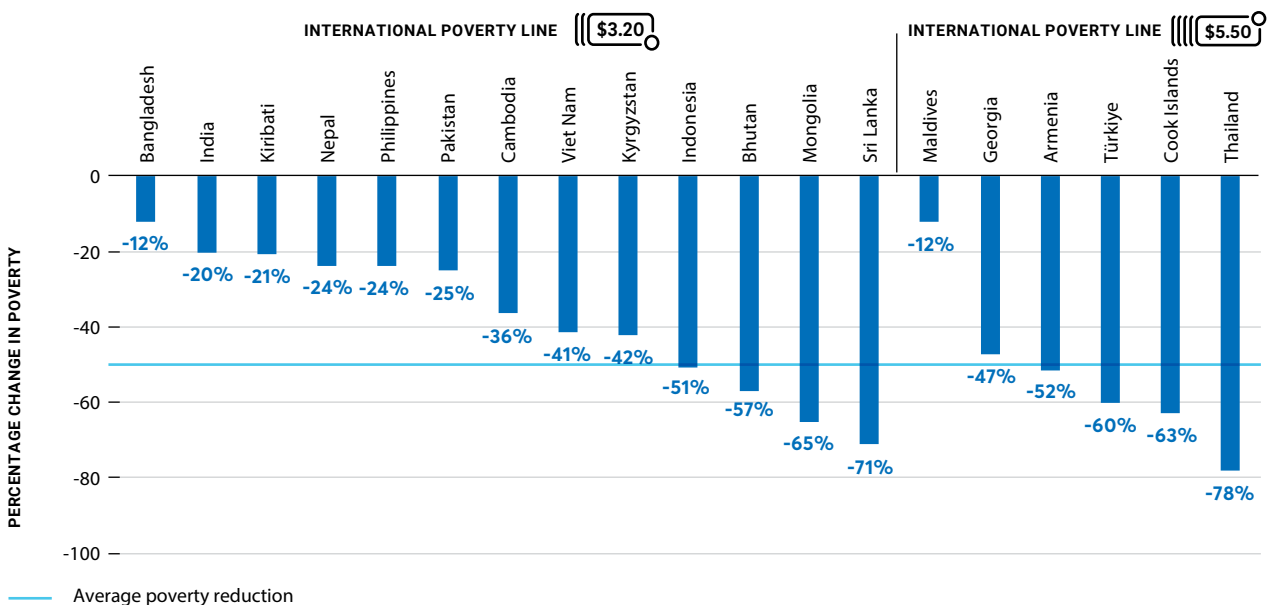
how, when set at the international poverty line of \$5.5 a day used for upper-middle-income countries, poverty would fall from 12 per cent in the Maldives to 78 per cent in Thailand (figure 4.4). Benefits for children below the age of 18 is a key driver of this result due to the higher proportion of children in lower-income households. For many countries in the region, a substantial poverty reduction impact could be gained at a relatively modest benefit level of 4 per cent of GDP per capita.

Social protection can safeguard access to productivity-boosting opportunities. More than reducing monetary poverty and income inequality, social protection safeguards access to basic opportunities across the life cycle, particularly in times of need. Drawing on ESCAP’s “Leaving No One Behind” analysis based on Demographic Health Surveys (DHS) and Multiple Indicator Cluster Surveys (MICS) for 28 countries in the region, households and individuals in the bottom 40 per cent of the wealth distribution, a proxy for being poorer and often related to holding informal and vulnerable jobs, have consistently lower access to basic opportunities (figure 4.5).¹⁵⁰ This analysis shows household wealth to be the

most important variable associated with having access to an opportunity in majority of cases. By providing a boost in income, social protection can help households overcome this prime factor that hampers their access and thereby contribute to narrowing inequalities.

ESCAP simulations, using data on Income and Living Conditions (ILC) and Household Income and Expenditure Surveys (HIES) from five countries across the ESCAP subregions, demonstrate that a modest increase in income level of the furthest behind households can improve access to opportunities. The simulation was conducted to estimate the improved level of access to opportunities for those left furthest behind by simulating an income increase equal to 4 per cent of GDP per Capita (see boxes A2 and A3 in the Appendix for technical details). In the estimation, all households with children were given a universal child benefit of 4 per cent of GDP per capita in their respective countries, a level that matches the global average benefit of a monthly child benefit. This is a relatively modest benefit and amounts to a quarter of the average global non-contributory old age benefit.¹⁵¹

FIGURE 4.4 Impact of comprehensive and universal social protection on poverty

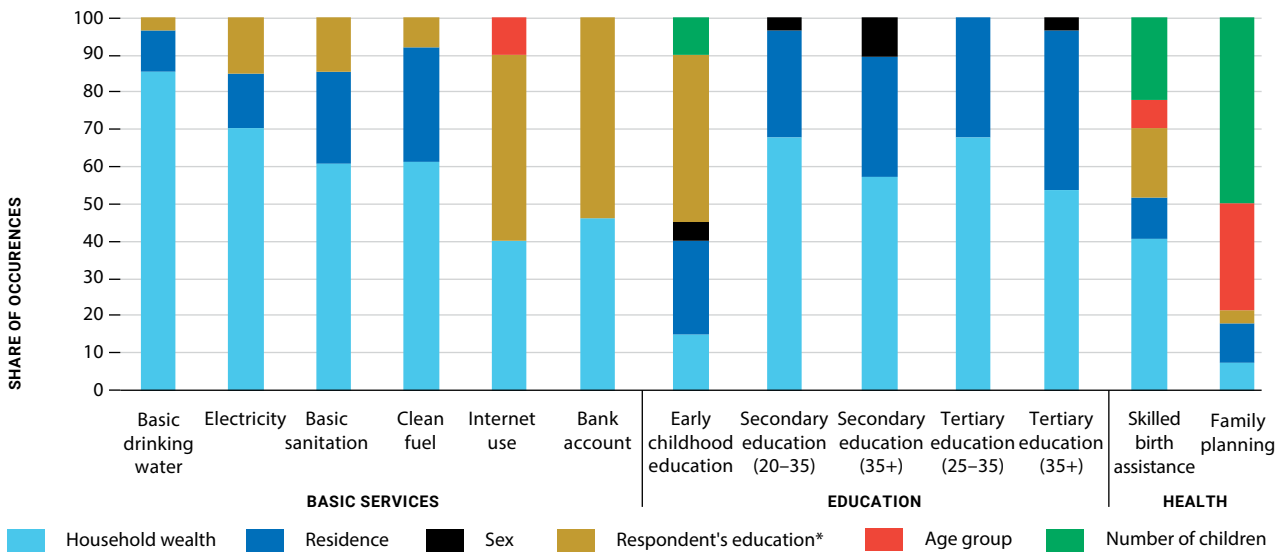


Source: ESCAP elaboration using Social Protection Simulator available online at <http://spot.unescap.org>.
 Note: The percentage reduction in poverty is shown using the international poverty lines for income grouping of each country, as defined by the World Bank. The benefit levels are set to the global average benefit levels for each respective benefit of 4 per cent of GDP per capita for child benefits, 14 per cent of GDP per capita for disability benefits and 16 per cent of GDP per capita for old age benefits. One key assumption for the microsimulation model is that all household income is used for consumption.

150 Focusing on the groups that are furthest behind across 16 indicators in 28 countries, the wealth of the household is the most important variable shaping gaps between groups. Other circumstances considered included sex, residence, age group, number of children and education level. See Box A2 and A3 in the Appendix for details.

151 The analysis is limited to households with children (ages 0–17), as only these would be eligible for the benefit.

FIGURE 4.5 The most important circumstances in forming gaps in access to basic opportunities



Source: ESCAP calculations based on LNOB analysis and using data from the latest DHS and MICS surveys for 28 countries in the Asia-Pacific region. For more information, visit <https://lnob.unescap.org>.

Note: Figure 4.5 shows the share of occurrences where a specific circumstance such as household wealth contributed the most to inequality, based on a calculated measure of variable importance of the model. The higher the share, the more times this specific circumstance is responsible for the gaps in access to an opportunity. For the majority of indicators, results pertain to 26–28 countries. In early childhood education and internet use, the bars reflect data from 20 countries.

*Education is both a desired outcome or opportunity, depicted here as *Secondary education (ages 20–35)* and *Higher education (ages 25–35)*, and a circumstance, shaping groups' access to other opportunities or experience of barriers. *Respondent's education* as a circumstance is not used in analysing gaps in education as an opportunity.

The results indicate that the furthest behind households benefit significantly more than the average household from this modest transfer. The largest impact is seen in Cambodia, where the transfer would help the furthest behind households avoid a range of negative coping strategies, including reducing food consumption and being forced to sell off assets. In Mongolia, households with children would see a doubling of households with a savings account. In Türkiye, the transfer would significantly improve the ability of the furthest behind groups to warm their homes and make ends meet. The impact across all five countries is multiplied if the benefit levels are increased from 4 to 10 per cent of GDP per capita, an income boost expected from having a decent job.

By redistributing resources and enabling households to better manage their risks and enhance their access to opportunities, social protection can promote trust and solidarity across population groups, generations and between citizens and the State.

4.4 Social protection mechanisms: building resilience amidst megatrends

Countries across the region are transitioning to an ageing society at an unprecedented rate, with the proportion of older persons 65 years and over set to double from 10 per cent to 20 per cent of the population by 2050.¹⁵² While this process took place over a span of half a century to a century for many OECD countries, in Asia and the Pacific, countries will have less than a quarter of a century to adapt to an ageing society (see figure 4.6). There remains a short time frame for countries to harness the demographic dividend¹⁵³ and prepare for an ageing society. This adds urgency to the need for strengthened social protection systems that respond to the increasing demand for old age income security.

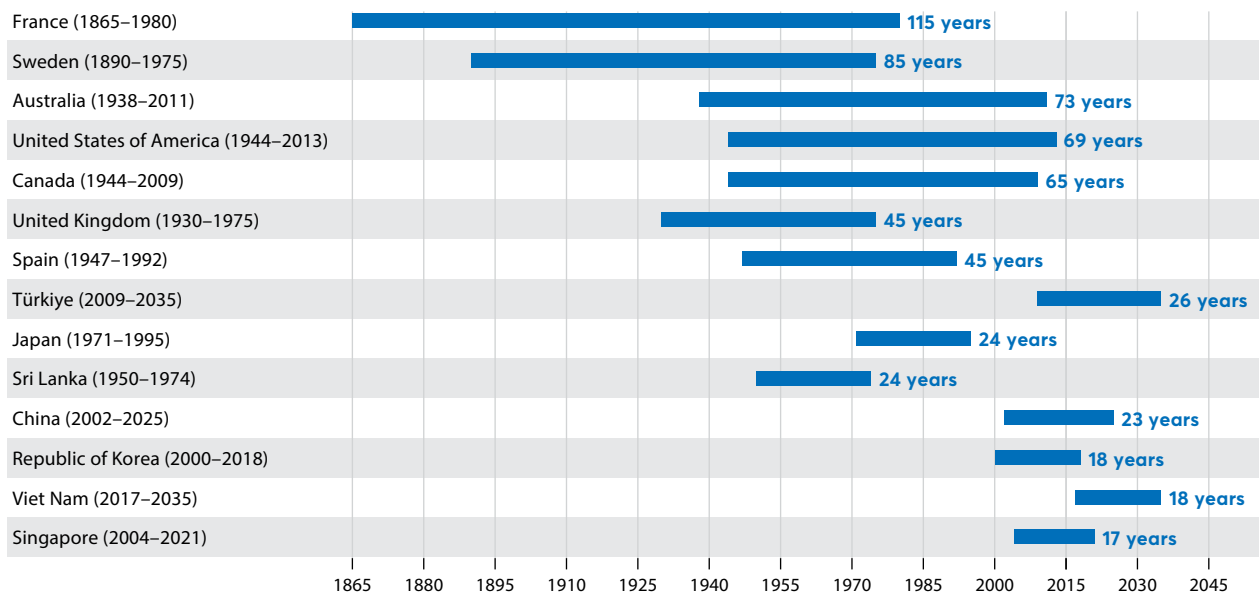
At present, coverage and adequacy of old-age pensions remain woefully low across the region. Many workers do not have access to any form of income security in old age, particularly women.

152 United Nations, Department of Economic and Social Affairs, Population Division (UNDESA) (2022). World Population Prospects 2022 Special Aggregates. Available at <https://population.un.org/dataportal/home>. (accessed 14 July 2022).

153 For a good practice on harnessing demographic dividend by the Republic of Korea, see United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) (2021). Demographic Dividend with a Gender Dimension in the Republic of Korea, *Social Development Division Policy Brief No. 2021/02*. ESCAP, Bangkok.

FIGURE 4.6 Transition to an ageing society is taking place at a rapid pace in Asia and the Pacific

Number of years to transition to an ageing society



Source: United Nations, Department of Economic and Social Affairs, Population Division (2019). *World Population Prospects 2019*, Online Edition. U.S. Census Bureau, International Population Reports (2009), *An Aging World: 2008*.

Note: The transition is measured by the number of years required or expected for the per cent of the population aged 65 or over to increase from 7 to 14 per cent.

With the exception of China, the proportion of the working population with legal access to an old-age mandatory contributory pension ranges from 1.6 to 76.1 per cent in countries with available data, and around two thirds of countries provide legal access to less than half of their workforce. Excluding the Marshall Islands and Palau, the rate of access for women is consistently lower than for men (see figure 4.7).

This low coverage is driving older persons to continue to work beyond retirement age, with the labour force participation rates of older persons increasing in a majority of Asian and Pacific countries, particularly in the informal sector.¹⁵⁴ Overall, however labour force participation rates and earnings decrease with old age, often due to higher levels of disability and ill health, as well as age and gender discrimination, legal restrictions and mandatory retirement ages. Disability and ill health also increase living costs for older persons,

such as in access to health care and other care services.¹⁵⁵ In many countries in Asia and the Pacific, mandatory retirement ages are relatively low, restricting older persons to extend their careers and relieve financial pressure on pension systems.¹⁵⁶ To allow older persons to work longer and ensure decent pay and working conditions, it will be important to create workplaces that are more attractive, inclusive and accessible.

In the absence of social protection schemes, older persons rely primarily on work or other family members for their income security. In Thailand, the main income source for older persons is their children and work, accounting for 38 and 30 per cent of their total income, respectively.¹⁵⁷ Reliance on families also adds to the care burden, primarily shouldered by women, further interrupting their access to employment opportunities and denying them access to contributory pensions. Increasing urbanization, migration and changing family

154 United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) (2021). ESCAP Population Data Sheet. ESCAP, Bangkok.

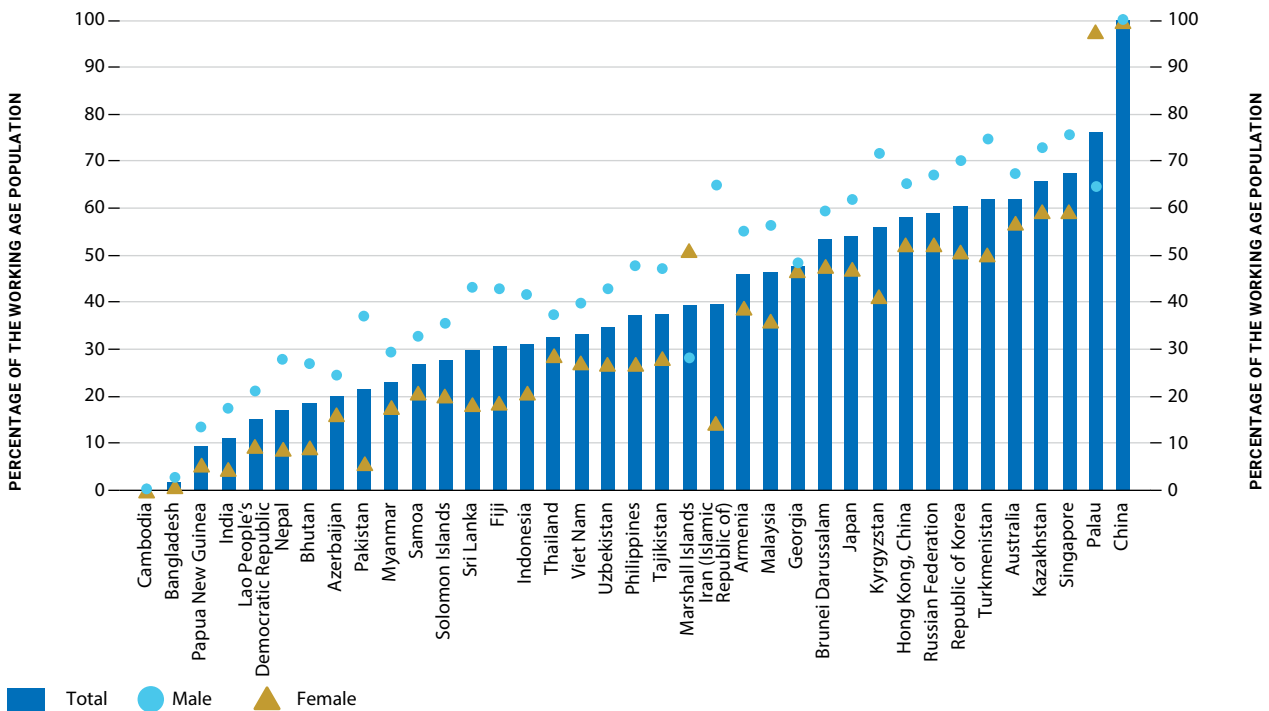
155 Disability in particular can entail direct costs such as disability-related expenses such as assistive devices, personal assistants, vocational rehabilitation, workplace modifications, transportation and health services, as well as indirect costs such as employment opportunities, lower earnings, or loss of learning or educational opportunities for family members who are caregivers.

156 In 2016, the average normal pension age across the Asian economies was equal to 59.4 years for men and 57.5 years for women across all schemes and economies. Organization for Economic Cooperation and Development (OECD) (2018). *Pensions at a Glance: Asia/Pacific Edition*. OECD, Paris. https://doi.org/10.1787/pension_asia-2018-en.

157 Though this reliance had decreased from 55.6 per cent and 31 per cent in 1994 through the provision of the old-age allowance, reliance on these two forms of income nevertheless remained high, probably due to the low level of benefits provided by the allowance. Expansion of Thailand's social pension policy and its implications for family support for older persons, Bussarawan Teerawichitchainan, Wiraporn Pothisiri, *International Journal of Social Welfare*. 2021; 00:1–15.

FIGURE 4.7 For most countries, less than half the workforce has legal access to a mandatory contributory old-age pension

Legal coverage of old-age mandatory contributory pension of working-age population, selected countries, latest year



Source: ILO (2022), World Social Protection Database. Available at <https://www.social-protection.org/gimi/ShowTheme.action?id=10> (accessed on 6 April 2022).

structures makes it increasingly unlikely that older persons live with their immediate family and access these informal support networks. Access to social protection can give older persons the choice to retire.

To help ensure income security in old age and enable older persons to live independently and in dignity, the expansion of old-age pensions through a blend of contributory and non-contributory schemes is essential. Contributory schemes can be adjusted to increase coverage through changes to their legal framework, administrative procedures and communication, as well as their financial incentives. Adjustments in the parameters of pension design, such as retirement ages, contribution rates and benefit formulas could help increase coverage as well as ensure the longer-term sustainability of pension systems.¹⁵⁸ These design features are key to give access to previously ineligible populations, especially women. They are needed to take account

gender-specific work patterns, including paid work interruptions and time dedicated to unpaid work and care.¹⁵⁹ Women comprised 54 per cent of the population over 65 in 2021 and will continue to represent the majority of older persons in 2050. The need to extend coverage of old-age pensions to all women is becoming ever more urgent.¹⁶⁰ Recognizing the years women spend in unpaid care work as contributory years would make a substantial difference.

Tweaks in the design of pension schemes can improve coverage and adequacy of contributory pensions, but non-contributory schemes are required to ensure income security is extended to all. Most non-contributory pensions in the region are targeted at the poorest populations, leaving many without access to any form of old-age pension. These poverty targeted schemes can create perverse incentives not to join the formal labour market, as doing so can lead to the loss of

158 United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) (2022). *How to Design Inclusive Old Age Pension Systems in Asia and the Pacific*. ESCAP, Bangkok.

159 Pension benefits are linked to employment and earnings and reflect the different labour market trajectories and disadvantages that women face. Women tend to have more disrupted careers to take time out for care responsibilities and often fail to meet eligibility requirements for old age pensions. When women do meet the requirements, their benefits tend to be lower than for men due to their shorter careers and lower wages. United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) (2021). *How to Design Gender-Sensitive Social Protection Systems*. ESCAP, Bangkok.

160 United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) (2021). ESCAP Population Data Sheet. ESCAP, Bangkok.

benefits. As the region moves forward to prepare for an ageing society, it will be vital to build a multi-tier pillar system of old-age pensions that carefully blend contributory and non-contributory schemes to ensure a minimum level of income security for all. The Maldives, for example, provides a contributory pension that is complemented by a near universal basic non-contributory pension to ensure a minimum monthly income for all older persons.¹⁶¹ Maintaining incentives to join the formal labour market and enrolling in contributory schemes will be equally critical. As will be demonstrated in chapter 5, universal non-contributory pensions are a sustainable and effective solution.

Investing in old-age income security is investing in the well-being of older persons as well as future jobs and a burgeoning silver economy. The growing share of older persons carries with it the potential to drive economic growth and employment. It has been estimated that the silver economy, the sum of economic activity generated by older persons, in Asia and the Pacific amounted to USD 26 trillion in 2018 and that this would expand to contribute up to 52 per cent of total consumer expenditure by 2030.¹⁶² Demand will surge for new goods and services tailored to the needs of older persons and a significant part of this is expected to be in the health and care sectors. Old age income security can help sustain this demand, which in turn will generate new demand for jobs in these sectors.¹⁶³ Nevertheless, without a substantial improvement in working conditions, pay and social protection, it will be difficult to fill the shortfall in jobs required, particularly where the workforce is predominantly female.¹⁶⁴

Innovative solutions will further be required to build the resilience of workers in informal employment. With over two thirds of the region's workers in informal jobs, it is a challenge to achieve universal coverage for them and their families at

adequate benefit levels. Informality covers a wide range of employment types and arrangements, ranging from the self-employed, domestic workers or migrant workers in formal or informal enterprises or households, and often includes non-standard forms of employment such as temporary work, part-time work, home-based work or platform work.¹⁶⁵ Each type of informal or non-standard employment arrangement and employment sector carries different conditions and vulnerabilities that intersect to exclude workers from benefits.

Social protection schemes will need to innovate ways to adapt contributory social protection schemes to informal and non-standard forms of work. Only 12 countries in Asia and the Pacific offer legal coverage of at least one social protection scheme for domestic workers.¹⁶⁶ For Home Based Workers such as Beedi workers in India, despite being legally entitled to social protection since the 1960s, implementation has been ineffective due the low rate of registration. In Thailand, many home based workers protected under the Home Worker Protection Act (2010) are not eligible for social protection as they are classified as self-employed or as a contributing family worker.¹⁶⁷ Migrant workers face additional barriers due to the lack of portability arrangements, the duration of their stay in the country of destination, immigration rules or their irregular status.¹⁶⁸ In terms of non-standard forms of employment, part-time workers can be denied social protection if they do not work the minimum number of hours or earn too little and temporary workers may not qualify for benefits if their contract duration is too short.

Tweaks in the design and parameters of schemes can enable workers to access benefits but concerted efforts are needed to reach excluded populations. Relaxing requirements or minimum thresholds for contributory schemes, simplifying contribution collection and payment and introducing flexible

161 United Nations Economic and Social Commission for Asia and the Pacific (ESCAP). *Stocktaking of Readiness of Maldives to Implement Action Plan to Strengthen Regional Cooperation on Social Protection*. ESCAP, Bangkok.

162 Monitor Deloitte (2019). *The Silver Avalanche: Are you Prepared?*, Independent Paper Published for the Singapore Summit 2019. <https://www2.deloitte.com/ph/en/pages/strategy-operations/monitor-deloitte/articles/the-silver-avalanche.html>.

163 International Labour Office (ILO) (2017), *Social and Solidarity Economy and the Future of Work* Euricse Working Paper for the ILO. ILO, Geneva, World Economic Forum White Paper (2015), *How 21st-Century Longevity Can Create Markets and Drive Economic Growth*.

164 International Labour Office (ILO) (2021). *World Social Protection Report 2020–22: Social Protection at the Crossroads – in Pursuit of a Better Future*. ILO, Geneva.

165 For further information on the definition of informal employment, see Chapter 2 and its reference to International Labour Office (ILO) (2004). *Statistical definition of informal employment: Guidelines endorsed by the Seventeenth International Conference of Labour Statisticians* (2003). 7th Meeting of the Expert Group on Informal Sector Statistics (Delhi Group) New Delhi, 2–4 February 2004.

166 International Labour Office (ILO) (2022). *Making the Right to Social Security a Reality for Domestic Workers: A global review of policy trends, statistics and extension strategies*. ILO, Geneva.

167 International Labour Office (ILO) (2021). *Working from home: From invisibility to decent work*. ILO, Geneva.

168 United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) (2020). *Asia-Pacific Migration Report 2020: Assessing Implementation of the Global Compact for Migration* (ST/ESCAP/2801). ESCAP, Bangkok. International Labour Office (ILO) (2022). *Making the Right to Social Security a Reality for Domestic Workers: A global review of policy trends, statistics and extension strategies*. ILO, Geneva.

payment schedules have been instrumental in the region.¹⁶⁹ Viet Nam reduced the qualifying period for contributory schemes from three months to one month to extend access of contributory schemes to informal workers.¹⁷⁰ The extension of maternity benefits for women can incentivize their continued engagement in the workforce and potential contributions into social insurance schemes. Pension credits can compensate for the time taken for unpaid care responsibilities to ensure women do not have to sacrifice their old age income security.¹⁷¹ When extending social protection to vulnerable and marginalized groups, concerted efforts are needed to reach these populations such as clearly communicating information on eligibility and entitlements, or adjusting registration and payment processes to reach eligible people in a fair and transparent manner.¹⁷² In so doing it is important to recognize intersecting circumstances and identities that create patterns of discrimination and inequality, in order to design schemes that can best reach the excluded. Social dialogue and the engagement of civil society, stakeholders and representatives of these groups are central to identifying and negotiating a more effective and inclusive design and implementation of schemes.

Adaptive social protection schemes will be needed to build resilience among populations vulnerable to disasters and enable access to basic goods and services in the immediate aftermath of disasters. Non-contributory cash transfers help people avoid coping strategies that are detrimental to the environment.¹⁷³ They ensure food security, facilitate savings, and help households diversify their sources of livelihood.¹⁷⁴ In Bangladesh, anticipatory cash transfers to affected populations have proved to be highly effective in ensuring food security and preserving of assets.¹⁷⁵ Investing in inclusive social protection systems with universal benefits can help

as they are anticipatory in nature and designed to protect those most vulnerable to shocks in the first place while supporting aggregate demand, cushioning people and the economy from shocks.

Beyond disaster risk reduction, social protection can help households cope with energy subsidy reforms. Universal cash transfers can be effective in ensuring a smoother transition of energy subsidy reforms. The Government of Indonesia embarked on efforts to phase out energy subsidies in 2014, which improved the country's fiscal situation and allowed for more investment in social protection. To counter the public backlash, the Government emphasized that the reduction of subsidies would enable more direct investment through cash transfers to households.¹⁷⁶ The Government of the Islamic Republic of Iran redirected around 80 per cent of the fiscal savings from the reduction in energy subsidies to social protection spending, launching a universal cash benefit and extending health care coverage. This helped secure buy-in for the policy, reduce poverty and inequality, boost investment in education and increase working hours.¹⁷⁷ Replacing energy subsidies with a universal benefit can also help to retain the trust and solidarity of those previously enjoying the subsidy. Unfortunately, the most vulnerable countries in Asia and the Pacific, where the highest proportion of their poorest population is exposed to multi-hazard cascading risk due to climate change, offer the least social protection.¹⁷⁸

Social protection can encourage a transition to greener and just societies as well as healthier lifestyles. An income boost of 10 per cent of GDP per capita would enable households to access clean fuels, improve the health of household members and ensure their contribution to a green transition.

169 Nguyen Quynh Anh, Andi Sanusi, Ippei Tsuruga and Nuno Meira Simoes de Cunha (2019). How to extend social protection to workers in informal employment in the ASEAN region. ILO Policy Brief. International Labour Office (ILO). ILO, Geneva.

170 Christina Behrendt and Quynh Anh Nguyen (2018). *Innovative Approaches For Ensuring Universal Social Protection For The Future Of Work*. International Labour Office (ILO). ILO, Geneva.

171 United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) (2021). *How to Design Gender Sensitive Social Protection*. Bangkok.

172 United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) and Development Pathways. *Step-by-Step Guide to Inclusive Social Protection Systems*. ESCAP, Bangkok.

173 Paul J. Ferraro and Rhita Simorangkir (2020). Conditional Cash Transfers to Alleviate Poverty Also Reduced Deforestation in Indonesia. *Science Advances* 6 (24).

174 Jamele Rigolini (2021). Social Protection and Labor: A Key Enabler for Climate Change Adaptation and Mitigation. Discussion Paper No. 2108. World Bank. World Bank, Washington, DC.

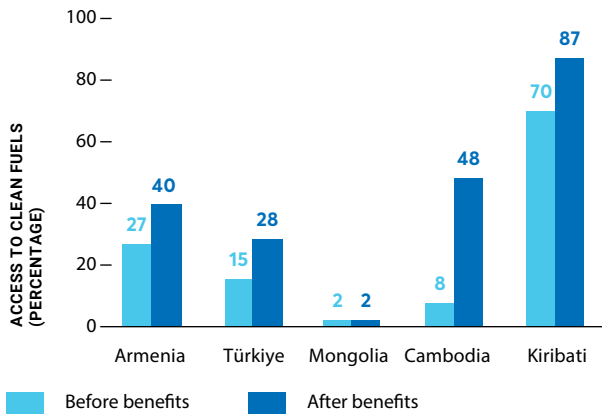
175 Ashley Pople, Ruth Hill, Stefan Dercon and Ben Brunchors (2021). Anticipatory Cash Transfers in Climate Disaster Response. Centre for Disaster Protection Working Papers, London.

176 Ministry of Energy and Mineral Resources of Government of Indonesia and Ministry of Finance of Government of Indonesia (2019). Indonesia's Effort to Phase out and Rationalize its Fossil-Fuel Subsidies: A Self Report on the G-20 Peer Review of Inefficient Fossil Fuel Subsidies that Encourage Wasteful Consumption in Indonesia. Rimawan Pradipto, Akbar Susanto, Abraham Wirotomo, Alvin Adisasmita and Christopher Beaton (2016). Financing Development with Fossil Fuel Subsidies: The reallocation of Indonesia's gasoline and diesel subsidies in 2015. International Institute for Sustainable Development (IISD).

177 International Labour Office (ILO) (2019). *Creating fiscal space for social protection through energy subsidy reform: Islamic Republic of Iran*. ILO, Geneva.

178 United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) (2021). *Asia-Pacific Disaster Report 2021: Resilience in a Riskier World*. ESCAP, Bangkok.

FIGURE 4.8 How child benefits improve access to clean fuels among furthest behind



Source: ESCAP elaborations based on selected HIES (2018–2020). See Box A2 and A3 for more details.
 Note: The simulation takes household expenditures as a more reliable measure of household welfare. All additional income in this case accruing from decent employment is assumed to be consumed.

In Cambodia, an income boost of 10 per cent of GDP per capita (figure 4.8) would increase access to clean fuels for cooking among the furthest behind households sixfold, from 8 to 48 per cent. Access to clean fuels for multiple purposes would double in Türkiye from 15 to 28 per cent among the furthest behind households outperforming the

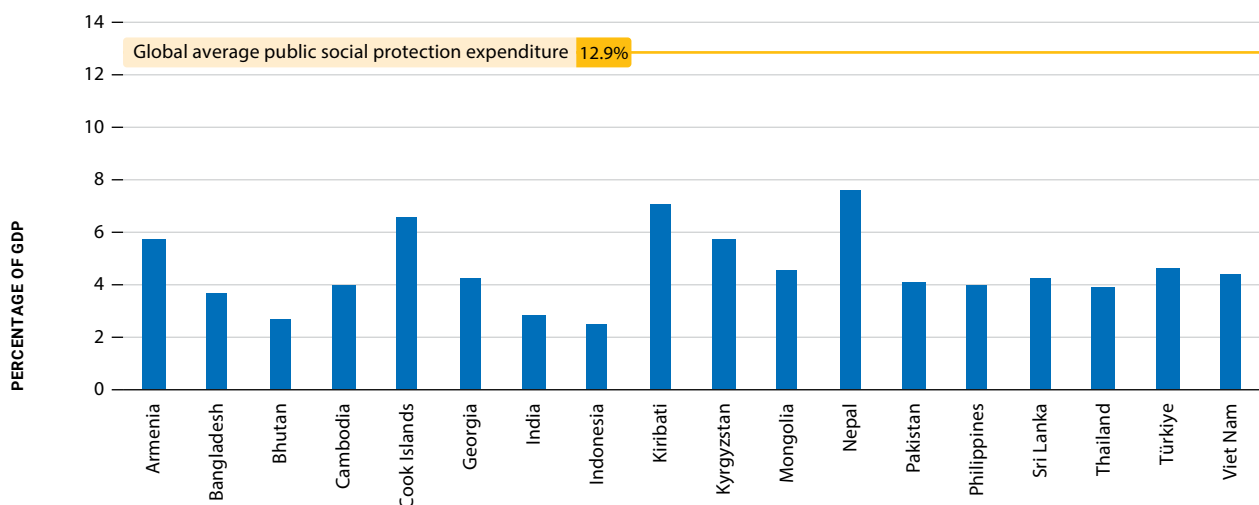
improvement within average households. It would also increase from 27 to 40 per cent in Armenia and from 70 per cent to 87 per cent in Kiribati. This impact holds true for countries where income is a significant factor in access to an opportunity. In the case of Mongolia, income is not a significant factor in access to clean fuels. It is rather the lack of infrastructure in rural areas, hence an increase in income would be ineffectual in improving access.

In the face of the COVID-19 pandemic, social protection has finally gained the policy attention it deserves. Governments need to build on this momentum and move towards universal social protection through a blend of contributory and non-contributory schemes. A renewed social contract reinforced by solidarity and trust throughout the society would enable governments to galvanize more support as well as mobilize additional resources to strengthen social protection systems.

Contrary to common assumptions, the cost of such a system is affordable. Independent cost estimations by ADB, ESCAP and ILO are all within the annual range of 2 to 6.1 per cent of GDP, depending on the size of the benefits, the country’s ambition, demographic situation and other variables.¹⁷⁹ In this context, the ESCAP Social Protection Simulation Tool

FIGURE 4.9 Halving poverty is within reach for many countries with a combination of social protection schemes

Cost of basic social protection package to halve poverty at national poverty line (percentage of GDP)



Source: ESCAP elaboration using Social Protection Simulator available online at <https://spot.unescap.org>. Global average public social protection expenditure is from ILO (2022) World Social Protection Database.

179 United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) and International Labour Office (ILO) (2021). *The Protection We Want: Social Outlook for Asia and the Pacific*. ESCAP, Bangkok. Asian Development Bank (ADB) (2021). *COVID-19 and Social Protection in Asia and the Pacific: Projected Costs for 2020–2030*. ADB, Manila. <http://dx.doi.org/10.22617/WPS210480-2>.

is used to estimate the cost of reducing, at least by half, the proportion of population living in poverty according to national definitions (SDG 1.2) by 2030 (figure 4.9). The annual cost of universal child benefits, disability benefits and old age benefits ranges from 2.5 per cent of GDP in Indonesia to less than 8 per cent in Nepal. These costs would fall far below the global average of public expenditure on social protection which stand at 12.9 per cent of GDP per annum.¹⁸⁰ Adopting digital technologies can help member States to gain from efficiency and spend smarter as they progress toward universal social protection despite diminishing fiscal space. The adoption of Integrated Social Assistance Service Information System in Türkiye, Integrated Household Information Database in Mongolia,

integrated Single Window social registry in Georgia or India's biometrically-enabled digital ID system "Aadhar" are a few examples of countries leveraging technologies to enhance coordination and delivery of schemes.¹⁸¹

Adaptations in the design and implementation of social protection schemes will be required to ensure that no one falls behind as these transitions occur. Nevertheless, while social protection enables a more resilient workforce, income guarantees alone cannot ensure access to decent work and better health. Increases in labour productivity can only be achieved in the medium-to-long term through integrated and multiple policies that cut across education, health, trade and industrial policies.

180 International Labour Office (ILO) (2021). *World Social Protection Report 2020–22: Social Protection at the crossroads – in pursuit of a better future*. ILO, Geneva.

181 Compendium of digitalized implementation and coordination mechanisms on social protection in Asia and the Pacific, United Nations Economic and Social Commission for Asia and the Pacific (ESCAP), unpublished. United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) (March 2022). *Economic and Social Survey of Asia and the Pacific (2022): Towards post-COVID-19 resilient economies*. ESCAP, Bangkok.



Chapter 5

Policy recommendations for a healthy, protected and productive workforce

5.1 Renewing the social contract

Building a healthy, protected and productive workforce requires a strong social contract, based on social and political dialogue between the State and its citizens on their mutual roles and responsibilities.¹⁸² All segments of society, from individuals and business leaders to policymakers, must be part of this dialogue and commit to a shared vision that can help build the workforce that is needed.¹⁸³ The social contract influences how public resources are generated and allocated and how policies are shaped to further the pursuit of common societal objectives. This requires strengthening trust between people and the State and for the State to demonstrate that it supports the creation of decent work and the has the ambition to implement universal social protection and achieve universal health coverage. Taxation reform to increase revenues and reduce inequality in a fair and transparent way will also be central.

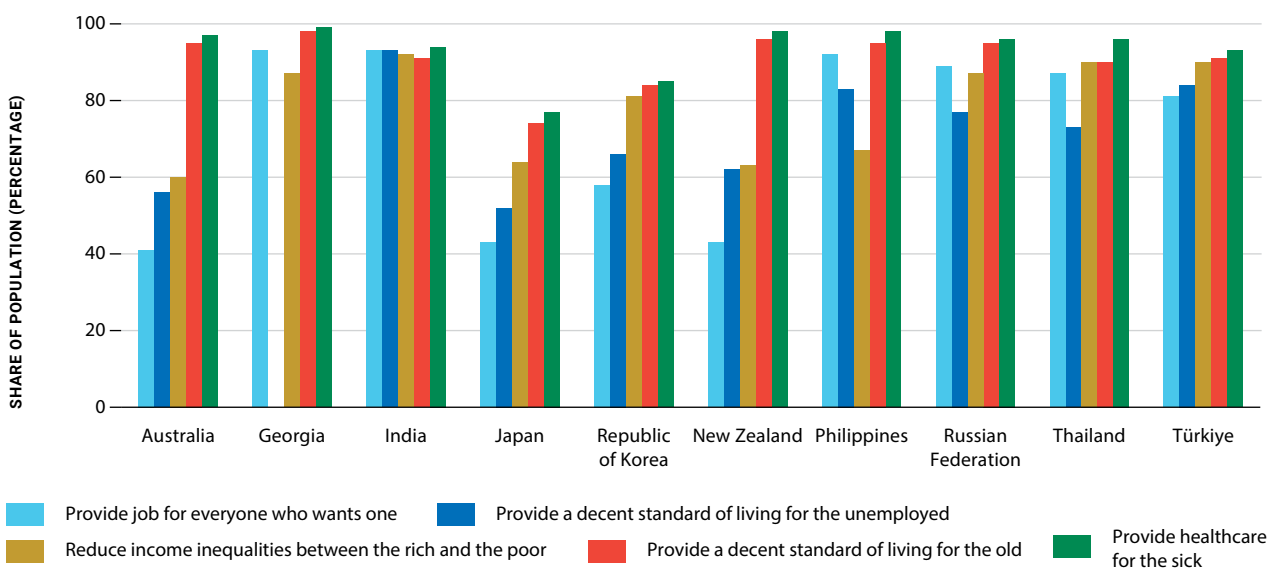
The COVID-19 pandemic has created momentum for change and expectations are high. The pandemic has underscored the need to build the resilience and strengthen capacity to overcome challenges such as climate change, population ageing and digitalization. It has sharpened the focus on what people expect of their governments. In several

countries surveyed, two thirds of people expect their governments to provide a job for everyone who wants to work, ensure an adequate standard of living for the unemployed and older persons and to reduce income inequalities (figure 5.1). In almost all countries, over 90 per cent of the population expect their governments to provide access to health care. When asked where governments should spend more money, health care and social protection were key demands.

Meeting social development expectations requires boosting inclusion, which can in turn rebuild trust. Over past decades, trust in other people has declined in 15 out of 22 countries in the region for which data are available.¹⁸⁴ This is concerning as trust is fundamental to financing, implementing and enforcing policies for inclusive and sustainable development. In this respect, universal health coverage is positively and strongly correlated with trust (figure 5.2).

There is also a positive association between higher social protection coverage and trust (figure 5.3). The variation in social protection coverage in the Asia-Pacific region, irrespective of how it is financed, explains over one fourth of the variation in trust. Importantly, extending coverage, even at the expense of lower benefits, is valuable to building trust across a society. When contributory schemes

FIGURE 5.1 High expectations on governments in the Asia-Pacific region



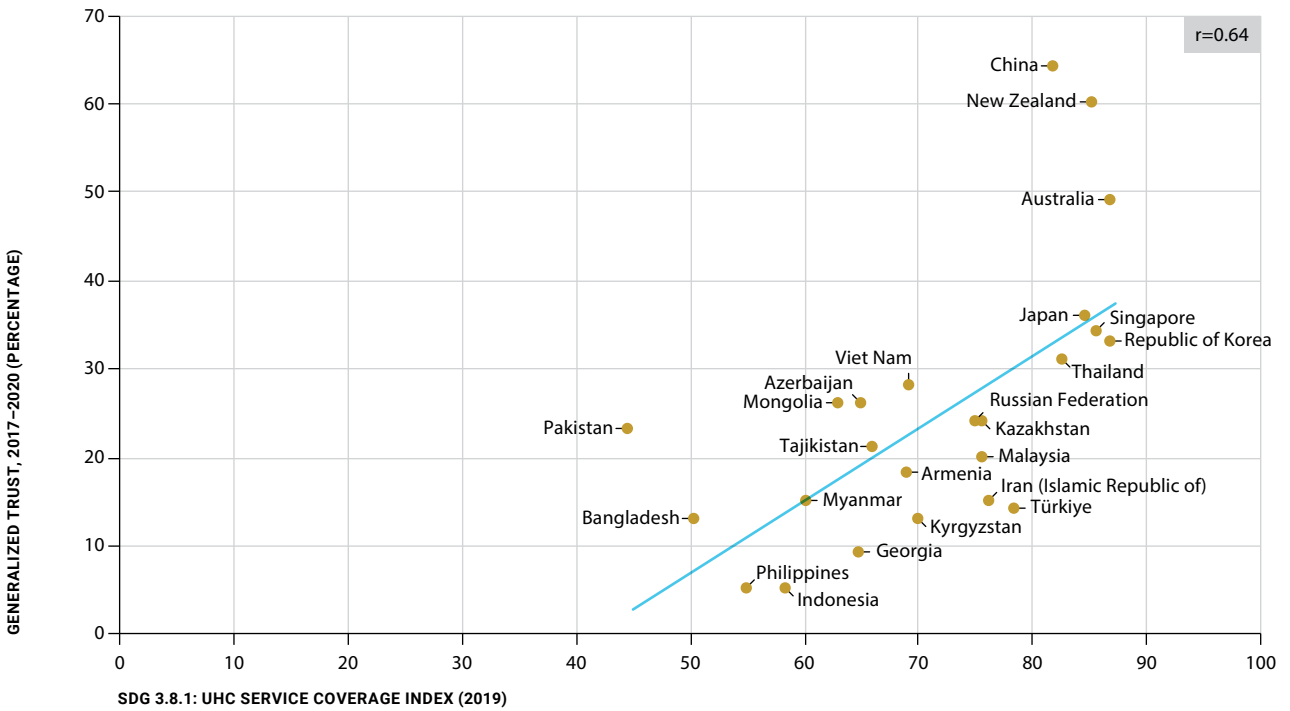
Source: ISSP Research Group (2016): International Social Survey Programme: Role of the Government Survey.

182 Organization for Economic Cooperation and Development (OECD) 2009. Concepts and Dilemmas of State-Building in Fragile Situations: From Fragility to Resilience. *OECD Journal on Development* 9 (3): 61–148.

183 Center for International Private Enterprise (CIPE) Insight. 2021. “Defining a New Social Contract: The Role of Business in Democracy” Andrew Wilson, 2021.

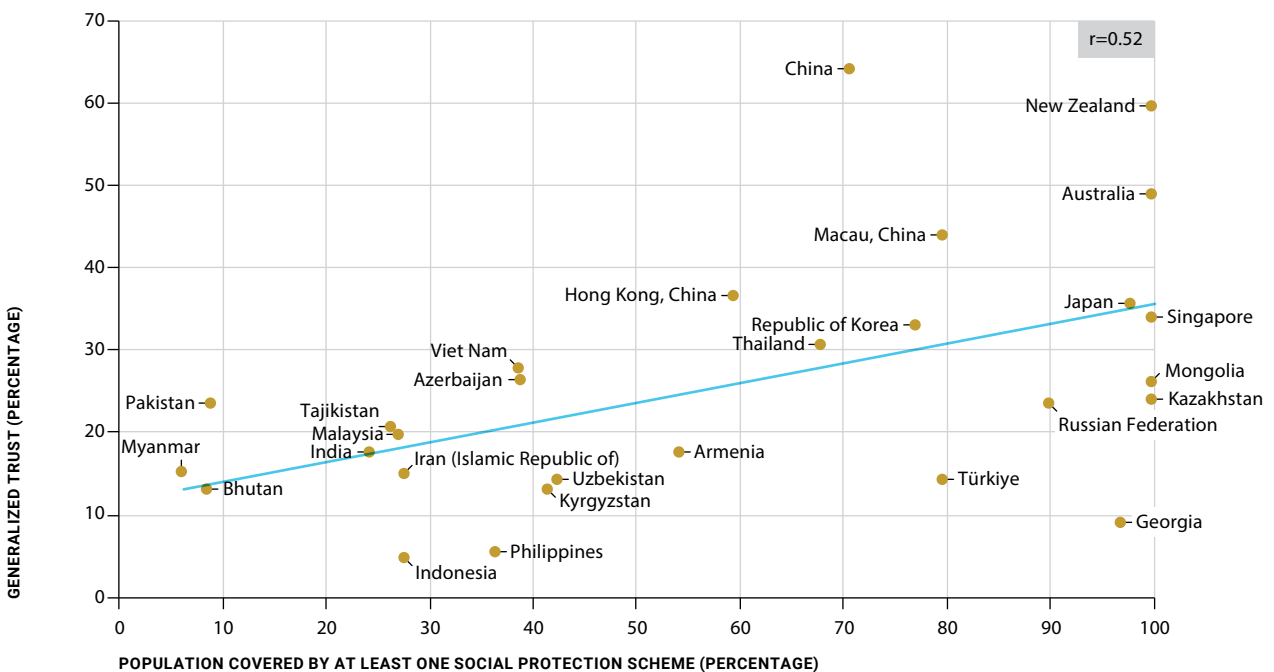
184 ESCAP elaborations based on World Values Survey from early 1990s to 2020.

FIGURE 5.2 Higher trust is associated with higher health coverage



Source: WWSA (2022). World Values Survey, Wave 7. Available at <https://www.worldvaluessurvey.org/> (accessed in January 2022). and WHO (2019), The Global Health Observatory. Available at <https://www.who.int/data/gho> (accessed on 29 March 2022).
 Note: The Universal Health Coverage (UHC) service coverage index on the x-axis is a composite index covering 14 tracer indicators of health service coverage including reproductive, maternal, newborn and child health, infectious diseases, non-communicable diseases. As a unitless index, it ranges between 0 and 100 with higher values representing higher service coverage. Generalized trust, on the y-axis measures the share of people agreeing with the following statement “Most people can be trusted?” in 27 countries in the 2017–2020 period.

FIGURE 5.3 Higher social protection coverage is associated with higher levels of trust



Source: WWSA (2022). World Values Survey, Wave 7. Available at <https://www.worldvaluessurvey.org/> (accessed in January 2022) and ILO (2022), World Social Protection Database. Available at <https://www.social-protection.org/gimi/ShowTheme.action?id=10> (accessed on 6 April 2022).
 Note: Generalized trust, on the y-axis measures the share of people agreeing with the following statement “Most people can be trusted?” in 27 countries in 2017–2020 period. On the x-axis the share of total population covered by at least one social protection scheme is presented for the same set of countries and for the latest year with available data.

exist, workers make regular financial contributions and the risk is pooled among contributors and their dependents based on the principle of solidarity and trust within and between generations. This lays the foundation for strengthening the social contract. Non-contributory social protection schemes deepen solidarity and further increase trust.

Progressive taxation lies at the heart of the relationship between the State and members of society. While indirect taxes, such as excise taxes, have a role to play by mitigating negative externalities, progressive taxation serves an essential function of redistribution. Intelligently designed, taxation can reduce extreme inequalities in wealth and income and raise sufficient revenue to support a sustainable transition to a greener economy. This requires broadening the tax base and taxing incomes, wealth and profit, and moving away from taxing consumption, which often hits the poorest disproportionately. In many countries throughout the region, the main share of taxes collected still comes from value-added taxes and other consumption taxes.

In Asia and the Pacific, tax revenue has been relatively low. It stands at 21 per cent as a share of GDP on average but falls below 17 per cent in many countries in South-East Asia and South Asia,¹⁸⁵ which is insufficient to tackle inequalities or provide a basic level of protection to all. Progressive taxation is a product of a strong social contract. For increasing compliance and amassing political support for such tax reform, the importance of trust cannot be overstated.¹⁸⁶

Policy interventions to renew the social contract and deliver universal social protection, universal health coverage and decent jobs must be shaped by four broad principles.

1 Apply a rights-based approach to pro-equality policies. This means basing policies on principles of non-discrimination and equality, participation, empowerment, accountability and transparency. The rights-based approach lies at the core of the 2030 Agenda for Sustainable Development and remains key to leaving no one behind in the workforce, rebuilding trust and deepening solidarity.

2 Strengthen cross-sectoral and inter-ministerial collaboration. Building a healthy, protected and productive workforce entails policy action in three different policy domains. An iterative and integrated approach across government is therefore key, particularly to reach population groups at the highest risk of being left behind. Multisectoral and multi-stakeholder involvement is essential at all stages, from the development and design of new policies to implementation and monitoring.

3 Build stronger institutions and promote meaningful participation. Strong political commitment, active participation by communities and stakeholders, broad public support as well as capable and accountable institutions governed by transparent regulatory frameworks are prerequisites for inclusive and effective service delivery. For this to become a reality, meaningful participation of groups that are left behind in public life and in policymaking is necessary.

4 Improve data collection and analysis to identify the impact of policies and change course when needed. To identify those at risk of being left behind and to target policymaking, national data collection needs to allow for more granular disaggregation. Data collection and dissemination are also critical for monitoring and evaluating existing policies and programmes and improve their impact. Disaggregated data, better techniques and analytical rigor are needed to identify the shared characteristics that shape individuals' and households' access to opportunities.

5.2 Extending social protection to all

Protecting the workforce begins by establishing a minimum level of universal social protection: a universal social protection floor. The adoption of the *Action Plan to Strengthen Regional Cooperation on Social Protection in Asia and the Pacific*¹⁸⁷ demonstrates political commitment to this ambition. While most countries in the region host a mixture of contributory and non-contributory schemes, these are often scattered across different ministries with

185 ESCAP elaborations based on OECD and World Bank estimates.

186 Roel Dom, Anna Custers, Stephen R. Davenport and Wilson Prichard. 2022. *Innovations in Tax Compliance: Building Trust, Navigating Politics, and Tailoring Reform*. Washington, DC: World Bank.

187 United Nations Economic and Social Commission for Asia and the Pacific (ESCAP). *Action Plan to Strengthen Regional Cooperation on Social Protection in Asia and the Pacific*. UN ESCAP, Bangkok.

limited coordination. Stronger institutional policy coordination and data management, administrative arrangements and financing mechanisms are needed.

Universal social protection can be achieved through a blend of contributory and non-contributory schemes. Most modern comprehensive systems are comprised of a two-pronged design in both high and middle-income countries, whereby non-contributory schemes ensure coverage across the key life contingencies and should then be complemented by a range of working age-related contributory schemes to achieve universal coverage across the life cycle. Such a multi-tiered pillar system can be developed incrementally to achieve full coverage and adequate benefit levels.

Countries can move towards universal social protection systems by introducing key life cycle social protection schemes. Many countries in the region have introduced key life cycle social protection schemes, starting with an old-age pension. Old-age pension systems can ensure that those who were unable to work, or worked in the informal sector, have access to a minimum non-contributory pension in old age, while workers in the formal sector who contribute a portion of their income to a social insurance pension scheme can receive a higher old-age pension benefit based on their contribution. The Maldives and Mongolia both provide a mixture of contributory and non-contributory old-age pension schemes to ensure a minimum level of income security for those who do not qualify for contributory schemes. To maintain incentives for enrolment in a contributory scheme, and thereby move towards formalization, the level of benefit should exceed those from the non-contributory pension.¹⁸⁸

Existing schemes can also be extended over time and supplemented by additional schemes. A child benefit, usually eligible to all households with children aged 0–18 years, could, as a start, be provided to all households with children aged

0–4 years, covering the period when nutrition is of utmost importance.¹⁸⁹ Child benefits can provide relatively immediate benefits to children and families, increasing incentives to join the formal labour market and enroll in contributory schemes. The design of such schemes should be done carefully to avoid any disincentives associated with enrolling in the scheme, such as forfeiting eligibility in other enrolled schemes, and to ensure that benefits for those who contribute are set at a higher level than non-contributory schemes. Such a multi-tiered approach to child benefits has been taken in other regions and has recently been proposed in Viet Nam.¹⁹⁰ Increasing the age of eligibility or benefit levels is a simple design tweak that does not require any changes to targeting methodology or other implementation processes.¹⁹¹ Well-designed, multi-pillar tiered systems can incentivize workers to join contributory schemes and become eligible for higher levels of benefits. They can support the formalization of work arrangements.

The following recommendations are put forward for the consideration of governments in the region:

- A Embed universal social protection in national development agendas and allocate more resources.** Strong political commitment is needed for social protection to be recognized as a multifaceted policy tool. Creating a shared vision for social protection and embedding it in national development strategies and legal frameworks can help nurture crucial political support. Social dialogue and the engagement of civil society and stakeholders will be central to ensure that effective solutions are found. For sufficient resources to be made available, political will is needed to reprioritize existing public expenditures and reform taxation systems.¹⁹²
- B Design inclusive social protection schemes that uphold human rights.** Everyone has a right to social protection. A universal social protection floor ensures the coverage of children, working-age adults and older persons.

188 United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) and Development Pathways. *Step-by-Step Guide to Inclusive Social Protection Systems*. ESCAP, Bangkok.

189 In Cambodia, the scholarship programme for secondary children was extended to primary school children in 2019 due to its success. United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) (forthcoming), Cambodia Country Report on Stocktaking Implementation of Action Plan to Strengthen Regional Cooperation in Asia and the Pacific. ESCAP, Bangkok. Nepal has also introduced a non-contributory Child Grant programme, intended to be universal, but initially with a coverage of all children under age 5 from Dalit communities and the Karnali zone <https://blogs.unicef.org/blog/paying-forward-expanding-universal-child-grants-nepal/>.

190 International Labour Office (ILO) (2019). *Assessing the potential for multi-tiered child benefits in Viet Nam*. ILO, Geneva; Viet Nam Social Security. Female employees participating in voluntary social insurance to enjoy benefits when giving birth. Viet Nam Social Security, Viet Nam.

191 United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) and Development Pathways, *A Paradigm Shift: Moving Towards Universal Social Protection*. ESCAP, Bangkok.

192 United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) (2022). *Economic and Social Survey of Asia and the Pacific (2022): Towards post-COVID-19 resilient economies*. ESCAP, Bangkok.

Within the workforce, informal workers are often disqualified from contributory schemes by the nature of their work. They are often also excluded from non-contributory benefits because these are generally targeted at the poorest. To include this large group of workers, governments need to ensure that coverage is universal and that benefits are provided as individual entitlements throughout a person's life. To achieve this, contributory and non-contributory schemes need to be integrated in a coherent and complementary manner. Schemes should also be adjusted to recognize and reward unpaid care and concerted efforts made to reach population groups in vulnerable situations.

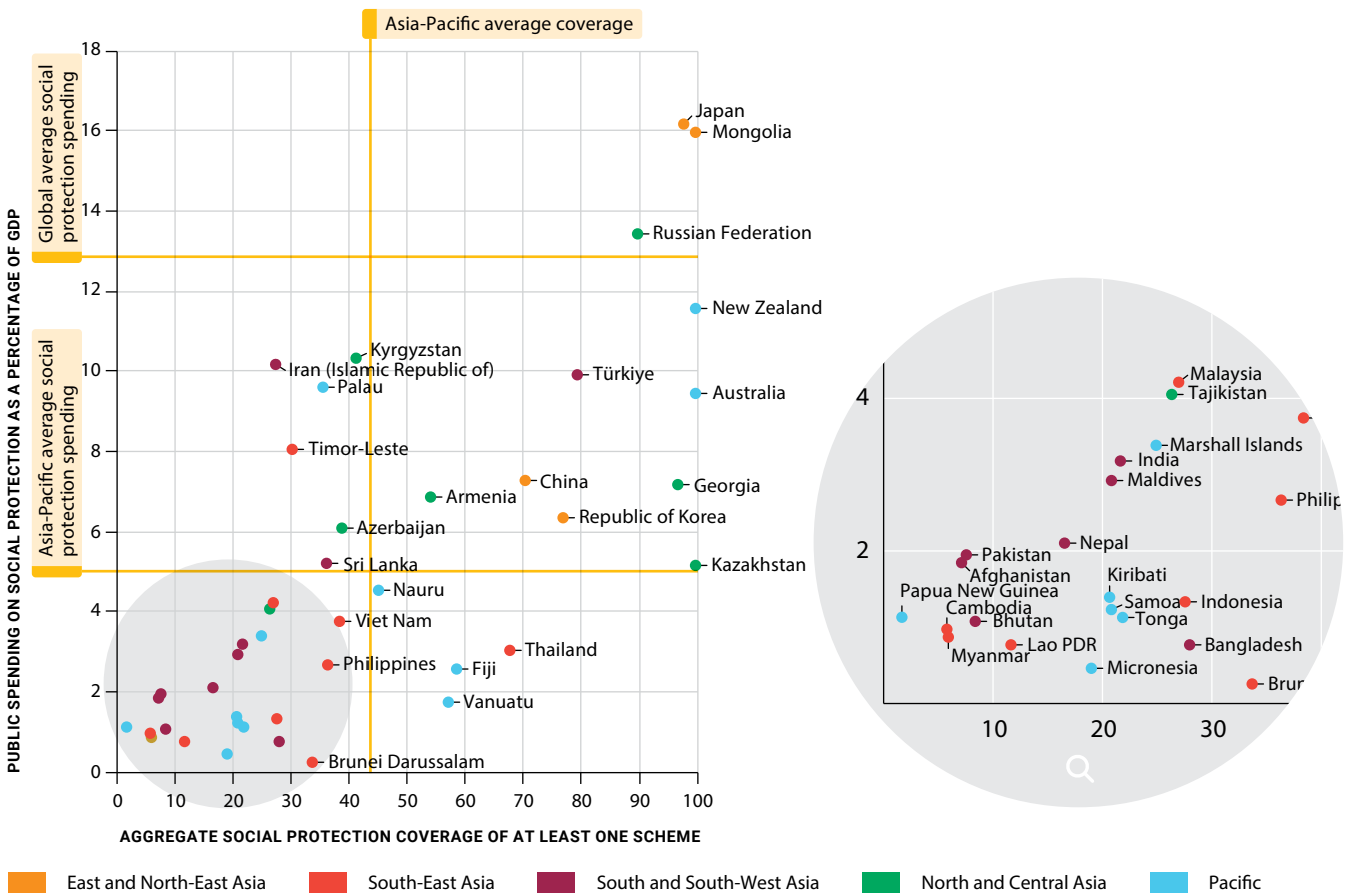
- C Adapt social protection to an ageing population.** In many countries, coverage and adequacy of old-age pensions are low, with women at a particular disadvantage. The demographic transitions underway will increase demand for old-age pensions and put upward pressure on pension costs. This will require a substantial extension of both non-contributory and contributory pension schemes. Along with pensions, incentives and training are needed so that older persons who want to work can remain in employment. The legal frameworks, administration, communication and financial incentives of all schemes related to an ageing population need to be reviewed to ensure they are sustainable and promote gender equality.
- D Build digital solutions to support delivery and adaptation.** Technological change offers opportunities to enhance the design and delivery of social protection. New technologies can facilitate the identification and registration of individuals and linking social protection databases to national identification systems and civil registries can reduce the risks of fraud and duplication. This can also help gain efficiency and minimize waste. Adaptive social protection schemes can build the resilience of populations in vulnerable situations by ensuring people have access to basic goods and services in the immediate aftermath of a disaster. Regular, predictable and reliable non-contributory cash transfers that are inclusive cushion society and the economy through income smoothing. They facilitate savings, ensure food security and help households diversify their sources of livelihoods. These systems must be bolstered to anticipate future needs.

- E Capitalize on regional cooperation.** ESCAP members and associate members adopted the *Action Plan to Strengthen Regional Cooperation on Social Protection in Asia and the Pacific* in October 2020. The Action Plan is a shared strategy for broadening social protection coverage. It calls on countries to establish an intermediate target of social protection coverage by 2025, and then measure progress towards achieving universal coverage by 2030. To achieve this objective, the Action Plan sets out a number of measures to be taken at the national level, ranging from legislation to the design and implementation of social protection systems, as well as their delivery and grievance systems. It emphasizes the need to allocate sufficient public funds and to engage civil society and private sector to build stronger social protection systems for all.

Considering the heterogeneity of social protection systems in the region, actions tailored at the national level are needed. Recommendations are therefore provided to country groupings based on the overall level of interaction between social protection coverage and public spending (figure 5.4). This assessment produces six broad categories of which only five groups include countries in the region. Each of the five groupings contains countries that display notable similarities.

- **Countries on track:** Japan, Mongolia and the Russian Federation are the region's high performing social protection countries (upper-right box of figure 5.4). These countries already cover more than 90 per cent of their population and spending levels are above the global average. This indicates that while almost all people are covered by a scheme, they are also receiving adequate benefit levels. These countries are well on track but need to focus on closing the remaining coverage gaps and ensuring that benefit levels are adequate so that no one is left behind. They also need to assess their systems from the perspectives of efficiency, governance and financial sustainability and adjust to cope better with challenges such as population ageing.
- **Countries partly on track:** Armenia, China, Kazakhstan, the Republic of Korea and Türkiye (middle-right box of figure 5.4) all have coverage rates that are above the regional average as well as above the 50 per cent mark. This means the majority of their populations are covered by

FIGURE 5.4 A majority of countries in the Asia-Pacific region need to expand coverage and increase spending on social protection



Source: ILO (2022), World Social Protection Database. Available at <https://www.social-protection.org/gimi/ShowTheme.action?id=10> and <https://www.social-protection.org/gimi/WSPDB.action?id=32>

social protection. These countries spend more than the regional average, but less than the global average. They are moving in the right direction but need to identify the population groups that are currently not covered. Covering children left furthest behind through universal schemes can help. Some also need to expand their systems by introducing new social protection schemes to address those contingencies that are currently not protected. These countries should assess eligibility requirements and the adequacy of benefit levels in each of the existing schemes and improve them as necessary. This will most certainly require an increase in budgets devoted to social protection.

benefit levels for many of the schemes may be too low to have the desired impact. Higher levels of investment are needed. These countries also need to identify the one third of their populations that are currently left unprotected and make sure schemes are extended and eligibility criteria adjusted. The coverage of contributory schemes should be extended gradually across the working-age population, including informal workers. Existing jobs must be formalized and new jobs must have access to life cycle social protection schemes. In this way, social protection offers an incentive to join the formal sector and enroll in contributory schemes.

- **Countries on the right trajectory in terms of coverage:** Fiji, Nauru, Thailand and Vanuatu (lower-right box in figure 5.4) are moving in the right direction in terms of their relatively broad coverage, but the level of overall spending on social protection is low. Spending stands at one quarter of the global average and indicates that

- **Countries on the right trajectory in terms of investing in social protection:** Azerbaijan, Iran (Islamic Republic of), Kyrgyzstan, Palau, Sri Lanka and Timor-Leste (middle-left box in figure 5.4) all spend more than the regional average on social protection. However, coverage levels are low even compared to the relatively low regional average of 46 per cent. These countries need

to extend coverage by expanding existing schemes as well as introducing new schemes for contingencies currently not covered. A mix of contributory and non-contributory schemes is needed. Measures to identify those excluded and enhance the integration and coherence of schemes are also important. Countries with relatively high spending but low coverage levels indicate that some resources are currently directed at narrowly defined population groups that are difficult to identify, such as the poor. Actions should ensure that new jobs result in more formal employment with access to a full range of social protection schemes.

- **Countries off track:** The remaining 21 countries (lower left box in figure 5.4) are those with below-average spending and below average coverage. Many of these countries are low-income economies with a large informal workforce and significant gaps in access to basic opportunities. Several have seen their resources depleted by conflicts and natural disasters. The main task for these countries is to gather political will and public support while rapidly extending non-contributory schemes to close existing gaps. Priority should be given to universal schemes covering health care, maternity, children, disability and old age. In most cases, this will require actions to formalize jobs and increases in tax revenue through legal, policy and administrative reforms. These countries should also begin to gradually extend coverage of contributory schemes to the working-age population and build efficient, reliable and competent social protection institutions.

5.3 Achieving Universal Health Coverage

Providing affordable and quality health care for all without financial hardship is a prerequisite for the well-being and productivity of the workforce. It shields the workforce from financial hardship caused by health emergencies, contributes to economic growth and helps build trust. Among the

lessons learned during the COVID-19 pandemic, the importance of universal health coverage stands out. Universal Health Coverage is characterized by high population coverage, affordability for all and competitive quality of care.

The following recommendations are put forward for the consideration of governments in the region:¹⁹³

A Expand social health protection. Even though the right to health is recognized in constitutions across the region, less than two thirds of the population is actually protected by a health care scheme. Gaps in coverage disproportionately affect women and men who have unstable or irregular employment, under-employed and part-time workers, the self-employed or those in the informal economy, especially migrant workers and their families. To cover everyone and ensure accessibility and availability of health care services, governments need to extend social health protection to workers in all forms of employment. While expanding coverage, they should prioritize the poor. Countries that have achieved the greatest increase in health coverage overall are those that delivered the greatest increase in coverage to the poor.¹⁹⁴

B Focus on preventive care, particularly at primary level and not just curative health protection. Adopting a primary health care approach and addressing the social determinants of health and well-being is a cross-sectoral goal. This has been the starting point for many countries that have made the greatest strides towards achieving universal health coverage such as Türkiye, Thailand and Viet Nam but requires an increase in health facilities and human resources.¹⁹⁵ Mobile outreach from fixed health care sites as well as national campaigns can help rapidly deliver these health services and expand coverage. Engaging non-state actors through performance-based contracting can help expand coverage while ensuring quality.¹⁹⁶ Digital technologies offer many opportunities to improve coverage of health care services while maintaining quality standards.¹⁹⁷

193 Laying out detailed implementation recommendations is not the focus of this section. While it is important to acknowledge that policymakers are facing many implementation problems, the report is concerned with a first order problem of taking action on the need for quality health care for all.

194 Cesar G. Victoria, Aluisio JD Barros, Henrik Axelson, Zulfiqar A. Bhutta, Mickey Chopra, Giovanni VA França, Kate Kerber et al. 2012. "How changes in coverage affect equity in maternal and child health interventions in 35 Countdown to 2015 countries: an analysis of national surveys." *The Lancet* 380 (9848): 1149–1156.

195 Hoang Van Minh, Le Minh Giang, Cheryl Cashin and Nguyen Duc Hinh (2015). Health system research in Vietnam : Generating policy-relevant knowledge. *General Public Health*, 101 :S1–S4 ; Towse, Adrian, Anne Mills and Viroj Tangcharoensathien.2004. "Learning from Thailand's health reforms." *BMJ* 328 (7431): 103–105.

196 World Bank. 2018. *Business Unusual: Accelerating Progress Towards Universal Health Coverage*. World Bank, Washington, DC.

197 Marina Karanikolos, Bernd Rechel, and Martin McKee(2012). Kazakhstan: Health System Review. Health Systems in Transition Series. London, UK: European Observatory on Health Systems and Policies; Meng, Qingyue, Hongwei Yang, Wen Chen, Qiang Sun, and Xiaoyun Liu. 2015. People's Republic of China: Health System Review. Health Systems in Transition Series. Manila, Philippines: Asia Pacific Observatory on Health Systems and Policies.

C Ensure health care protection is extended to the household, not the individual. Enrolment at the household level facilitates broader coverage as it automatically includes children, women and older persons. Schemes automatically covering the family, dependents or household are the norm in a few countries, such as Japan, Nepal and the Philippines. In some countries, coverage is on an individual basis. In Cambodia and Myanmar, formally-employed workers are mandatorily covered but not their families, deepening coverage gaps.¹⁹⁸

D Cover the poor under the same system used for the entire population and subsidize them. The most efficient way to cover the poor is to include them in a common system for the entire population. This provides opportunities for risk pooling but also limits discrimination against the poor at the point of care.¹⁹⁹ This approach has been followed in Indonesia, Lao People's Democratic Republic, the Philippines, Republic of Korea and Viet Nam. In some cases, like in Thailand, dedicated schemes are established for those who are not covered by another scheme. If so, they should not be means- or income-tested. No matter what approach is followed, covering the poorest populations will require partial or full subsidies of their contributions.

E Anticipate people's evolving needs and promote healthy ageing. Beyond primary care, health care needs get more complex in older ages. Managing the health needs of older persons entails specialized care. Providing public institutional care arrangements for long-term care of older persons and chronically ill persons must be included in universal health coverage expansion strategies.

F Expand the pool of qualified health care sector workers. The pandemic has already pushed many health workers to their limits and signaled the need to strengthen the quantity and quality of this specific workforce with sufficient protection. Ensuring accessible, available, acceptable health services under expanding social health protection requires more than 40 million jobs in the region be created by 2030. This implies strengthening training systems in addition to increasing investment in the sector.

Most of the recommendations above require an expansion of public spending on health care. In most countries in the region, public spending constitutes less than half of the total health care spending and less than 5 per cent of GDP. Yet it is essential that public resources undergird countries' social health protection systems in line with ILO Recommendations No. 69 and 202.²⁰⁰ Strategies to finance health care spending include expanding the tax base through formalization, raising earmarked revenues from social security contributions and health taxes, increasing the efficiency of health spending and tackling corruption, tax evasion and illicit financial flows.²⁰¹

Given the different levels of coverage and spending on health care in the region, priority recommendations vary. Four broad groupings of countries emerge, with strong similarities (figure 5.5).

- **Countries on track:** Countries with relatively low out of pocket spending as a share of total health expenditure and higher coverage, such as Australia, Japan, Maldives, New Zealand and Türkiye, are represented in the (lower right quadrant figure 5.5). This group of countries has come close to achieving UHC, with adequate quality and regulation of services, resulting in modest out of pocket expenditures. While most countries in this group are high-income countries, the Maldives, Thailand and Türkiye stand out as upper-middle income countries that have allocated adequate resources, with positive results for health outcomes and the financial protection of individuals. Going forward, these countries need to focus on adapting to future health care needs, including healthy ageing.
- **Countries on the right trajectory in terms of coverage:** Countries with relatively higher out of pocket spending, but also higher coverage, including most of North and Central Asian countries, as well as the Islamic Republic of Iran, Malaysia and Viet Nam, are represented in the upper right quadrant (figure 5.5). While they provide affordable services to most of the population, these countries often have dual health care systems: a functioning publicly-funded one, which covers most of the

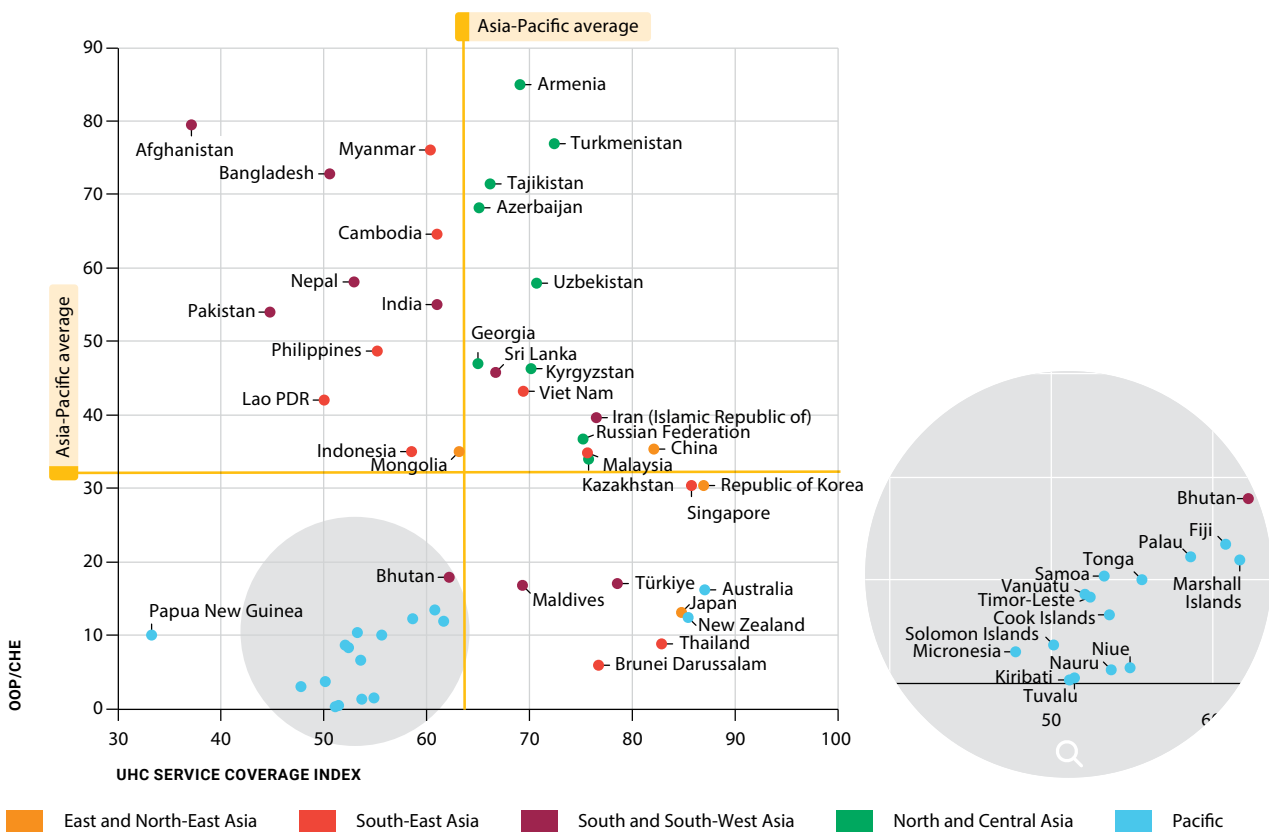
198 International Labour Office (ILO) (2021). Extending social health protection: Accelerating progress toward universal social health protection in Asia and the Pacific. 7 December 2021. ILO, Bangkok.

199 Ibid.

200 Ibid.

201 Ibid.

FIGURE 5.5 Out-of-pocket expenditures must decrease en route to UHC



Source: WHO (2022), The Global Health Observatory. Available at <https://www.who.int/data/gho> (accessed on 5 May 2022).

Note: The y-axis represents the share of out-of-pocket expenditures (OOP) in total current health expenditures (CHE) in 2019 while the x-axis represents the latest available data on SDG 3.8.1 indicator on UHC.

population, as well as a private one that offers higher quality services. Countries in this group should ensure that publicly provided services are of adequate quality to meet the evolving needs of their population. Access to specialized and secondary care should be easy, protecting people from expensive private alternatives. The income characteristics of households that spend out of pocket should also be monitored: in most of these countries, it is richer households that spend out of pocket, so the impact on households' welfare is not catastrophic.

- Countries with coverage challenges:** Countries with low out of pocket expenditures and low coverage, including most Pacific Island countries and Timor-Leste, are represented in the lower left quadrant (figure 5.5). These countries face geographical challenges that make it difficult for people to access health care, because they live away from health care providers, networks are not adequately developed or there are not sufficient health care providers. The health care systems

may also be vulnerable to medicine shortages. In some Pacific countries, special overseas referral programmes (for example in Australia or New Zealand) may mitigate some of the service gaps. Nevertheless, governments need to boost the utilization of services and improve access to health care for all.

- Countries off-track:** Countries with high out of pocket expenditures and low coverage, including most lower-middle income countries in the region are represented in the upper left quadrant (figure 5.5). The public health care systems in these countries are not adequately resourced and do not effectively reach their entire population. The result is high out of pocket spending on health care, often leading to high rates of catastrophic spending such as in Afghanistan, Bangladesh, Cambodia, India, Myanmar and Pakistan. These countries should progressively increase allocation of public finances to cover a higher share of their population with affordable care, particularly the poor and those in the informal economy.

5.4 Improving access to decent employment

Decent jobs are necessary to raise living standards, reduce poverty and inequality, protect people from life contingencies and promote inclusive growth. It is through well-functioning labour markets that the benefits of economic growth can spread to the whole population. Despite this knowledge, the vast majority of workers in the region are in informal jobs. This leaves the workforce exposed to life cycle contingencies as well as systemic shocks. Megatrends are also increasing the demand for green and digital jobs. This demand is likely to constitute a considerable share of decent job creation in the future. Increasing the share of the workforce in decent employment strengthens social insurance contributions, increases tax revenue, and reduces the pressure on non-contributory or tax-financed social protection schemes. It also responds to the demands of the private sector and enables it to grow and take advantage of technological change.

Active Labour Market Policies (ALMPs) can help build a resilient and adequately skilled workforce that can adapt to the future challenges while meeting the evolving demands of the private sector. These policies therefore complement the Global Accelerator on Jobs and Social Protection for a Just Transition launched by the United Nations Secretary General in 2021. This aims to create 400 million decent jobs including in the green, digital and care economies, while extending social protection coverage to the 4 billion people currently excluded globally.

ALMPs have the primary function of matching labour demand and supply. By doing so, they support the working-age population in finding decent and productive work. ALMPs are specific interventions that target those seeking work as well as those at risk of losing their jobs. Demand-side measures within ALMPs often include wage subsidies and public works, while supply-side measures contain training, re-skilling and job-matching. These interventions are widely used in developed countries and are highly relevant for developing countries in the region where informality and underemployment characterize the employment situation. ALMPs enable the transition of workers to the formal economy, especially by facilitating the adoption of new skills. New skills are even more relevant in the

context of demographic transitions, technological change and climate-related contingencies.²⁰² Dialogue among social partners can help with the design and implementation of ALMPs.²⁰³

The following policy recommendations, with a focus on ALMPs, are put forward for the consideration of governments in the region:

- A Formalize jobs and advance the decent work agenda.** The majority of workers are in informal work and do not benefit from international labour standards, including social protection. In line with ILO Convention 204, governments in the region need to use all policy instruments to progressively support the transition of the large share of informal workers into formal, green and decent jobs with the principle of equality and non-discrimination. Decent jobs provide a safe work environment and entail contracts and salaries on which employees pay income taxes. Workers with decent jobs also contribute to social protection and health care benefits for themselves and their families. Increasing the share of the population in decent employment strengthens social insurance contributions and reduces the pressure on non-contributory social protection schemes. Across all economic sectors, women are overrepresented in the informal economy. Achieving decent employment for all requires supporting women's transition to formal work.
- B Reduce the skill deficits by expanding and improving the quantity and quality of training schemes.** This includes trainings that provide vocational, life, technical, business and entrepreneurial skills to ensure that population groups in vulnerable situations are able to participate and complete the trainings.
- C Understand the needs and skill levels of participants.** It is critical to understand participants' needs and constraints, as well as education and skill levels. Equipping the programmes with well-designed features and incentives that can tackle such differences and constraints can make a significant difference in employment outcomes. This implies customizing programmes for well-defined target groups based on experience, but also for women, older persons and persons with disabilities. In addition, reasonable accommodation should be provided for universal accessibility.

202 See ILO (2015, 2018, 2019, 2020a, 2021b).

203 International Labour Office (ILO) (2022). *Social Dialogue Report: Collective Bargaining for an inclusive, sustainable and resilient recovery*. ILO, Geneva.

D Match trainings to local labour market situations through collaboration with the private sector.

Training schemes can have wildly different outcomes depending on their content and type of provider. The evidence suggests that private training centres perform better than public entities.²⁰⁴ Private entities are often better connected to private sector firms, which enables them to offer a wider variety of trainings, including on-the-job trainings. For beneficiaries to increasingly benefit from private training entities, it is important that budgets are sufficient to ensure the procurement of competitive and quality services, particularly for population groups in vulnerable situations.

E Complement skills trainings with information campaigns.

Skills trainings should increasingly focus on digital and green skills to help and incentivize workforce transition into more lucrative, green and productive sectors. The care economy is expected to generate 278 million jobs in the region by 2030, which could support women's access to decent employment in this sector.²⁰⁵ Positive returns to skills trainings can also help beneficiaries break old stereotypes and self-select into more profitable occupations.

F Invest in public employment programmes (PEPs).

PEPs are often considered complementary to other types of social protection schemes that seek to smooth consumption and foster investment in human capital. Direct job creation policies through public works programmes can be effective especially during slow recovery periods as they focus on building infrastructure, helping firms to overcome obstacles for innovating, growing and creating more jobs.

G Ensure that labour market services programmes complement trainings and subsidies to ensure a positive impact.

Labour market services contribute directly to the matching of labour demand and supply by building institutions that form bridges in between. These include job search assistance, prospecting and registering vacancies, profiling,

providing labour market information and intermediation through PEPs. Despite being considered crucial for effective provision of ALMPs, they have not yet been widely used in the region. Evidence from Latin America and the Caribbean suggests that labour market services often yield positive results in terms of formal employment and earnings. They can work particularly well in contexts with high informality.²⁰⁶ Labour market services can benefit from income support such as transport subsidies which lower job search costs and increase job search intensity among low-skilled workers.²⁰⁷

H Combine training schemes with other activation measures.

No one size fits all when it comes to designing an optimal bundle of activation measures. In some contexts, cash grants and access to subsidized loans work well with entrepreneurial skills trainings. In others, job search assistance complements vocational training. In Papua New Guinea for instance, young people that completed the more comprehensive ALMP package (public works, vocational training, job-matching, and an employment subsidy) were about twice as likely to be formally employed 9 to 12 months after completion, compared to those who only participated in public works.²⁰⁸ Activation measures that are isolated and that do not cater to the needs of the beneficiaries are unlikely to improve the chances for decent employment.

I Monitor and evaluate ALMPs regularly before scaling up.

The impact of ALMPs varies by the socioeconomic and demographic characteristics of intended beneficiaries. Quantitative impact evaluations should be undertaken at regular intervals to understand their impact. The results should inform changes to ALMPs as well as the scaling up of pilot programmes. The channels through which ALMPs operate in conjunction with social protection scheme are promising. They can help harness the opportunities of megatrends and overcome their challenges.

204 Sarojini Hirshleifer, David McKenzie, Rita Almeida and Cristobal Ridao-Cano (2016). The Impact of Vocational Training for the Unemployed: Experimental Evidence from Turkey. *The Economic Journal*, 126(597), 2115–2146. <https://doi.org/10.1111/eoj.12211>.

205 United Nations Economic and Social Commission for Asia and the Pacific (UN ESCAP) (2021). *COVID-19 and the Unpaid Care Economy in Asia and the Pacific*. ESCAP, Bangkok.

206 See Novella and Valencia (2019) and Mourelo and Escudero (2017).

207 Simon Franklin (2018). Location, Search Costs and Youth Unemployment., Experimental Evidence from Transport Subsidies. *The Economic Journal*, 128 (614), 2353–2379.

208 Christopher Hoy and Darian Naidoo (2019). The marginal benefit of an active labor market program relative to a public works program: Evidence from Papua New Guinea. *IZA Journal of Development and Migration*, 10 (1), 1839–1859. <https://doi.org/10.2478/izajodm-2019-0003>.

5.5 Conclusion

Each country in the Asian and Pacific region has its own specificities that will determine the mix of necessary ingredients to create a healthy, protected and productive workforce. The policy recommendations put forward in this report provide a basis to identify appropriate policies and support their implementation. Extending social protection, delivering universal health coverage and offering tailored ALMPs, including lifelong learning and upskilling, to access decent jobs are long-term investments in people with demonstrable positive returns. Sharing the cost of such investment is necessary and calls for solidarity between and within generations. This is why renewing the social contract with equal participation of all key actors is vital to generate the public support needed for policies that can shape a better future for people and the planet.

This report is dedicated to the workforce we need in the Asia-Pacific region. It envisions a resilient workforce that is healthy, protected and productive. A workforce that is given the means to fulfil its potential and invest in future generations. A workforce that is free of discrimination and inequality.

To accelerate progress and achieve the 2030 Agenda for Sustainable Development in less than eight years, an extraordinary level collaboration is required. The evidence contained in this report builds on a large body of academic and policy research to take this collaboration forward. It provides the knowledge base to accelerate policy dialogue within and between countries in search of innovative and sustainable policies, good practices and lessons learned. To build the workforce we need, our region needs all hands-on deck. In solidarity and with trust, together we can shape a better future for Asia and the Pacific.

Appendix

BOX A1 Projecting Health care Expenditures in the Asia-Pacific region

Future prospects for health care expenditures (HCEs) as a percentage of gross domestic product (GDP) are the main variables used in the analysis for two reasons. First, in the absence of harmonized data on accessibility, availability, and affordability of health care, HCEs provides a summary of the result of the interaction of supply and demand side pressures in a quantifiable way. Secondly, data on HCEs are available for many countries in the Asia-Pacific region.

In an effort to understand the impact of ageing on health care in the Asia-Pacific region over a long period, the empirical model takes the current situation in the Asia-Pacific region with regard to economic development, health care expenditures, demographic structures, and the demographic structure of health care expenditures, and draws on both projections on the future of population and GDP and academic literature to provide scenarios for future trends. A full model allows for variation in all of these factors. Future health care expenditures, without the healthy ageing effect, are modelled according to the following equation:

$$HCE_{at} = PCHCE_{a,2020} \cdot (((GDP_t/GDP_{2020}) - 1) \cdot \epsilon + 1) \cdot S_{at} \cdot P_{at}$$

Where HCE_{at} are health care expenditures for age group a in year t , $PCHCE_{at}$ are per capita health care expenditures for age group a in year t , GDP_t is gross domestic product in year t , ϵ is the assumed income elasticity of health care expenditures (either 0.8, 1.0, or 1.2), S_{at} is the ratio of per capita age-related health care expenditures expected in year t relative to those in 2020 (the “steepening” effect), P_{at} is the estimated population of age group a in year t . Each adjustment is calculated and applied relative to baseline.

Where a healthy ageing effect is modelled, HCEs are modelled according to the following equation:

$$HAHCE_{at} = HCE_{at} \cdot H_{at} + HCE_{(a-5)t} \cdot (1 - H_{at})$$

Where $HAHCE_{at}$ are healthy-ageing HCEs for age group a in year t , HCE_{at} are the above-estimated HCEs without the healthy-ageing adjustment. The healthy ageing adjustment is implemented by allowing the age profile of health care expenditures for age groups over 50 to shift downwards at least one five year age group. $HCE_{(a-5)t}$ are the same HCEs for the age group 5 years younger, and H_{at} is the proportionate contribution of the current age group's HCE_{at} with $(1-H_{at})$ representing the residual proportionate contribution of the HCEs of the age group five years younger, and H_{at} taking a maximum value of 1. This means that, for instance, if in 2020 remaining life expectancies were 25 years for 50 to 55 year olds and 30 for 45 to 50 year olds, and by 2025 this became 26 for 50 to 55 year olds, the relative contribution to expected HCEs of 50 to 55 year olds would be $(26-25)/(30-25)=20\%$ for HCEs of the 45 to 50 year old group, and $100\%-20\%=80\%$ for HCEs of the 50 to 55 year old group. This means that if, for instance, per capita HCEs for the 50 to 55 year old group were \$4,000 in 2020, and per capita HCEs for the 45 to 50 year old group were \$3,000, in 2025 the per capita HCEs of 50 to 55s would be assumed to be $80\% \times \$4,000 + 20\% \times \$3,000 = \$3,800$ in 2025.

A baseline scenario of medium fertility, an income elasticity of expenditure of unity, a healthy ageing adjustment, and a 40 year adjustment to a high income patterns of age-stratified health care expenditures is first presented. Full estimates by country are presented in the Appendix.

In this context, projected health care expenditures are determined by current HCEs, potential steepening in the age distribution of per-capita HCEs independently of health, future improvements in healthy ageing, changes in the demographic profile of a country, changes in national income and the extent to which aggregate spending on health care rises as national income rises.

For more details, please see Howdon, Daniel and S. Selsah Pasali (2022).

BOX A2 **LNOB Methodology**

Using the Classification and Regression Tree (CART) method, it is possible to identify the combination of circumstances that create pockets that have the least access to an opportunity (or the highest prevalence of a barrier). To identify the furthest behind, the CART methodology employs a statistical **algorithm** which narrows down a combination of all possible data disaggregation splits to the most relevant ones. For each indicator of basic services, such as access to clean fuels or basic sanitation, the trees directly sort people or households into groups based on (intersecting) shared circumstances and characteristics, such as age, place of residence and level of education. By identifying groups this way, the trees directly reveal disparities in access and point to the groups furthest behind.

The **data** used for the CART analysis come from Demographic and Health Surveys (DHS) and the Multiple Indicator Cluster Surveys (MICS). Recent DHS and MICS (after 2010) are publicly available for 27 Asia-Pacific countries. The datasets are selected because of a) comparability across countries; b) accessibility of the data; and c) the rich set of questions on health, demographic and basic socioeconomic data that refer both to the household (e.g., water and sanitation, financial inclusion, electricity and clean fuels, as well as ownership of mobile phones/bank cards) and to individuals (e.g., educational attainment, nutrition status, access to skilled birth attendance).

The **indicators** can be divided into two groups: opportunities and barriers. Opportunities encompass 11 indicators covering secondary and tertiary education, early childhood education, women's health (professional help during childbirth and family planning using modern contraception), basic drinking water, basic sanitation, electricity, clean fuels, access to financial services and access to the Internet. For opportunities, higher access is preferential. Barriers, for which lower prevalence is preferential, include five indicators covering children's anthropometric measurements (stunting, overweight and wasting) and violence against women (attitudes towards violence against women as well as physical, sexual, or emotional violence experienced by women over the past 12 months). Taken together, these 16 indicators represent a core analysis that can be used to assess inequality of opportunity in the context of the 2030 Agenda for Sustainable Development.

To determine gaps, a set of **circumstances** is selected from available variables in the DHS and MICS datasets to define the groups. These circumstances are usually a set of conditions that the individuals or the households have little control over. The selection of variables is consistent across all surveys to maintain comparability across countries. These circumstances (determinant factors) also define the composition of the groups, whose access to opportunities is measured. For example, rural women are one of the possible groups created when considering the circumstances of residence and sex. However, circumstances should not be interpreted as "causes" of inequality, but rather correlates. Furthermore, there are many other factors that these models cannot consider, given the limited variables available in the datasets.

This analysis has shown that household wealth is the most important circumstance in shaping access to opportunities, with higher wealth frequently associated with having the highest access to an opportunity. Wealth of the households is ranked as the most important variable (a measure of significance of the variable in shaping the splits of a tree) 2.5 times more frequently than residence (urban or rural) and three times more frequently than education, the second and third important variables respectively.

For more information, please see: ESCAP (2021). Leaving no one behind: A methodology to identify those furthest behind in accessing opportunities in Asia and the Pacific. Available from: <https://www.unescap.org/resources/leaving-no-one-behind-methodology-identify-those-furthest-behind-accessing-opportunities>.

BOX A3 LNOB methodology adapted to social protection simulation

To estimate the potential impact of a social protection cash transfer on access to opportunities among households, the CART methodology is used (see Box: Methodology (a)). The CART algorithm first establishes the furthest behind group in access to basic services.

The **data** used are from recent household surveys in Armenia (Income and Living Conditions Survey, 2020), Cambodia (Cambodia Socio-Economic Survey, 2019–2020), Mongolia (Household Socio Economic Survey, 2018), Kiribati (Household Income and Expenditure Survey, 2019) and Türkiye (Income and Living Conditions Survey, 2020.).

The **indicators** selected to reflect these services include clean fuels, clean water, Internet at home, warm home, adequate dwelling conditions (opportunities, more is better) or the frequency of resorting to negative coping strategies (barriers, less is better). See the table below for the full list of indicators.

COUNTRY	VARIABLE LABEL	LEVEL
Armenia	What main type of energy options do you use to heat your house?	Household
	Are you satisfied with health services?	Household
	Estimate your dwelling conditions	Household
Cambodia	Negative coping strategies	Household
	In the past 30 days, has anyone in the household had to engage in one of the following activities to get food?	Household
	In the past 30 days, how often did you or any household member go to sleep at night hungry because there was not enough food?	Household
	What type of fuel does your household mainly use for cooking?	Household
Kiribati	Health problem limiting usual activities	Individual (0+)
	Did the person get help or care for health problems?	Individual (0+)
	In the last 30 days, did the person access Internet? Yes or no?	Individual (10+)
	In the last 12 months, did your household use any of the following energy sources for its lighting, cooking and/or household appliances?	Household
	Generally, how would you rate your standard of living?	Household
	Household has access to clean water?	Household
Mongolia	Savings account in a bank?	Household
	Used Internet at home?	Household
	Clean fuel used?	Household
Türkiye	Limitation in daily activities because of any physical or psychological health problems ongoing for at least 6 months	Individual (15+)
	Unmet need for medical examination or treatment during the last 12 months	Individual (15+)
	Internet connection for personal use at home?	Individual (15+)
	Type of the fuel mostly used in the dwelling for heating?	Household
	Can your household afford to keep its home adequately warm?	Household
	Ability to make ends meet with total household income?	Household

The following **circumstances** are available to help determine the composition of the furthest behind groups: sex, education, per capita income, region and age of the household head. In Türkiye, the age of the household head is not available. Two different models are considered as part of the CART analysis: a model that only uses per capita income as a circumstance, and a model that uses all the possible circumstances available. The model chosen is the one that produces the largest gap between the furthest behind and the furthest ahead. In almost all cases, that model is the one that includes all available indicators (sex, education, per capita income, region and the age of the household head).

To simulate a cash transfer, the analysis introduces an “increase” of a welfare measure in the furthest behind group. The welfare measure used is the total household *expenditure* per capita, with the exception of Türkiye where the welfare measure used is the total household *income* per capita. It is assumed that there are no savings, therefore income and expenditure measures are considered equivalent in this case. The introduced increase is then used to recalculate the access rate of the furthest behind group in the opportunity considered, as well as to recalculate the new average access to this opportunity in the entire country. These two values shed light on whether the simulated cash transfer might have a significant impact on access.

The introduced cash transfer (income or expenditure increase) is set at two different levels: 4 per cent of GDP per capita, to simulate a child benefit at the global average level; and 10 per cent of GDP per capita per month, to simulate a boost in income as a result of a decent employment opportunity.

All cash transfer values are assumed to be given on a “monthly” basis. For the two surveys with annually calculated transfers (Türkiye and Kiribati) the amounts are then divided by 12.

TABLE A1 ALMPs at a Glance

TYPE OF INTERVENTION AND PURPOSE	EXPLANATIONS
Training/retraining schemes (vocational, life skills, cash for training) Purpose: increasing labour supply	Training is the most common type of intervention providing workers with opportunities to acquire or improve on their skill portfolios. In developing countries, training programmes are usually accompanied by other <i>active</i> labour market policies such as public works, and can also include <i>passive</i> labour market components such as income support. Training programmes tend to focus on groups that are harder to assist (ILO, 2016c).
Public works/Public employment programmes (PEP) Purpose: creating employment demand	Public works is a key ALMP in developing countries, and can also be regarded as part of social protection systems. Direct job creation policies through public works programmes can be effective as they focus on building infrastructure, helping firms to overcome obstacles to innovating, growing and creating more jobs (McKenzie, 2017). They also provide income support to vulnerable groups against negative shocks and are often combined with other public interventions.
Employment, wage or recruitment subsidies Purpose: increasing labour demand through reducing labour costs	Focus on groups of workers with problems in labour market integration. Typically linked to other programmes such as hiring participants of anti-poverty programmes that target specific disadvantaged groups with poor labour market outcomes. These policies may also include specific conditionalities such as school attendance by beneficiaries’ children.
Self-employment and micro-enterprise creation Purpose: creating employment demand	The relative importance of entrepreneurship support (business training or financial support) and start-up incentives (e.g., cash and in-kind grants, and microcredit schemes), targeted at micro-entrepreneurs and small and medium firms is a distinctive feature of ALMPs in developing countries. They promote employment creation in formal and informal economy and target various populations. Sometimes, they are combined with income stabilisation and poverty reduction policies.
Labour market services Purpose: supporting matching of labour demand and labour supply	Include job search assistance, prospecting and registering vacancies, profiling job seekers, providing labour market information and intermediation through Public Employment Services (PES). In most low and middle income countries, their role is limited due to public budget constraints.

Source: ESCAP elaborations based on ILO 2016 classification.

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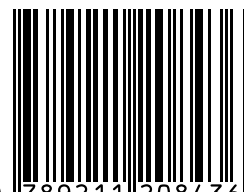
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This report lays out the evidence and arguments for the urgent need to build a productive, healthy and protected workforce in Asia and the Pacific. It presents the challenges faced by the working-age population and how these can be overcome. It anticipates the impact of global megatrends such as climate change, digitalization and rapid ageing and sets out a multisectoral approach to build the workforce that we need to achieve inclusive and sustainable development. The report presents measures that would greatly improve access to decent work, universal health care and extend social protection to all and how these measures would benefit not only the workforce but society at large. Concrete recommendations are provided to guide policy implementation, based on original empirical analysis and forward looking simulations.

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