

Report on the Asia-Pacific Economies

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Population and employment in Asia Pacific

- Labor force in Asia Pacific and India declined by 6.2 million people between 2015 and 2020.
- A slower population growth due to a smaller birthrate forecasts the persistence of this trend in the mid-term future.
- Unemployment rate in the region, that had declined between 2010 and 2019, increased from 3.5% in 2019 to 4.1% in 2020. The reopening of commercial and touristic activities will contribute to a decline in unemployment rates in 2021.
- The service sector moved from representing 38.1% of the jobs in 2000, to 52.9% of the jobs in 2019.

Population growth and employment

Recent Asia Pacific development has had as one of its pillars the availability of a large, low-cost workforce, which has attracted investments that generated a global-scale competitive industrial production. The region has transformed itself into the world's factory because of this abundance of labor, in a region that agglomerates a little less than half of the planet's population.

Nevertheless, in the last decade this abundance has lost steam, and it is estimated that it will continue losing strength in the future, as low birthrates and ageing societies will erode the supply of labor force. This process was already seen in 2020, as the region experienced a year-on-year decline in labor force of 41 million people.

Even though the figures for 2020 are influenced by the pandemic, the trend of a decline in rate of growth of the labor force can be appreciated over the last decades: between 1990 and 2000 it grew 19%, in the next decade growth was 10.5%, and between 2010-2019 it declined to 5.2% (this rate is halved when analyzing the period 2010-2020).

Even though the region's population keeps on growing, that is not the case for the labor force. The relaxation of the strict demographic control policies implemented by China four decades ago ("One-child policy") have not been enough to reverse the fall in the fertility rate. The census made in 2020 has shown that last decade's population growth has been the lowest in the last half century, with the number of children born per woman, 1.3, being lower than in the US, the majority of European countries and even Japan, who has been losing population in the last decade.

On top of a decline in the birth rate, the Asian countries are experiencing the ageing of their population, as life expectancy is growing quickly: Between 2000 and 2019 life expectancy grew 7 years in India, 5.5 years in China and 2.4 years in Vietnam. In the next five years, the region is expected to continue adding population, although at a much lower rate (an addition of 158 million between 2010 and 2015, 132 million in the last five years, and might add "only" 106 million by 2025).

Table 1: Population and labor force in Asia Pacific and India (in millions)

	Population				Labor Force		
	2010	2015	2020	2025 (e)	2010	2015	2020
Brunei	0.39	0.41	0.46	0.46	0.19	0.21	0.22
Cambodia	14.3	15	15.7	16.5	8.1	8.5	9.2
Philippines	93.1	100.8	108.8	117.3	38.6	43	43.8
Indonesia	237.6	255.6	270.2	282.5	116.6	124.7	134.6
Lao	6.2	6.7	7.3	7.88	3.1	3.5	3.8
Malaysia	28.6	31.2	32.9	35	12.3	14.6	15.9
Myanmar	49.2	51.2	53.2	54.8	23.9	24.9	23
Singapore	5.1	5.5	5.8	6.1	3	3.5	3.5
Thailand	67.2	68.7	69.8	70.3	38.9	38.9	38.5
Vietnam	88	91.7	97.4	101.8	51.3	55.6	56.6
ASEAN	589.7	627	661.5	692.6	295	317.4	328.9
China	1,340.9	1,374.6	1,404.3	1,417.9	775.4	786.3	771.3
Korea	49.6	51	51.8	51.9	25.3	27.6	28.3
India	1,234.3	1,310.2	1,378.6	1,443.5	463	477.3	471.7
Japan	127.6	127	125.8	123	66.7	66.4	68.6
CKIJ	2,752.3	2,862.8	2,960.5	3,036.4	1,330.3	1,357.6	1,339.9
TOTAL AP & I	3,342	3,489.7	3,622	3,728.9	1,625.2	1,675	1,668.8

Source: Research Institute based on IMF and World Bank.

Unemployment and manufacturing jobs

Unemployment in the Asia Pacific region showed in 2019 a decreasing trend. The strength of its economies created millions of jobs, and the unemployment rate declined one percentage point between 2010 and 2019.

Jobs were created primarily in the service sector, that in 2000 accounted for 38% of the jobs, and by 2019 it had jumped to 53%. The manufacturing industry also saw an increase of two percentage points, although from 2010 until 2019 there was a decrease in its participation. These

processes imply a remarkable decrease in jobs in the primary industry, from accounting 38% in 2000 to 21.5% of total jobs in 2019.

Table 2. Unemployment and jobs by sector

	Unemployment (%)				Employment by sector (in %)					
	2010	2015	2019	2020	Manufacturing			Services		
					2000	2010	2019	2000	2010	2019
Brunei	s.d.	7.7	6.8	6.7	22.5	19.5	20.8	76.3	79.8	77.3
Cambodia	0.8	0.4	0.1	0.3	8.5	16	27.9	18	26.6	37.6
Philippines	7.3	6.3	5.1	10.4	15.9	15.7	19.1	47	51.4	58
Indonesia	7.1	6.2	5.3	7.1	17.4	18.7	22.4	37.3	42.2	49.1
Lao	0.7	0.7	0.6	1	4.6	8.3	12.9	13.6	20.2	25.6
Malaysia	3.3	3.2	3.3	4.5	32.2	27.6	27.9	49.5	59.1	62.7
Myanmar	0.8	0.8	0.5	1.8	12.9	16.5	16.9	23	30.3	37.6
Singapore	2.2	1.9	2.3	3.1	28	22.9	15.5	71.9	78	84.4
Thailand	1.1	0.9	1	2	19	20.6	22.8	32.2	41.1	45.7
Vietnam	2.9	2.3	2.2	3.3	12.4	21.7	27.4	22.3	29.6	35.3
ASEAN	4.5	4	3.6	5.3	19.7	20.2	22.1	41	47.4	53.4
China	4.1	4.1	3.6	3.8	22.5	28.7	27.4	27.5	34.6	47.3
Korea	3.7	3.6	3.8	3.9	28.2	25	24.6	61.3	68.4	70.3
India	5.7	5.6	5.3	7.1	16.3	21.8	25.1	24	26.7	32.3
Japan	5.1	3.4	2.4	2.8	31.4	25.6	24.2	63.5	70.4	72.4
CKIJ	4.5	4.1	3.5	4	24.2	26.9	26.2	37.8	44.3	52.9
TOTAL AP & I	4.5	4.1	3.5	4.1	23.7	26.1	25.7	38.1	44.6	52.9

Source: Research Institute based on IMF and World Bank.

In 2020, unemployment rates showed an important jump, mainly in India and ASEAN. China, Japan and Korea were able to maintain unemployment rates under control, even though GDP declined in these last two countries. In ASEAN, the Philippines show a strong growth in unemployment, based on the collapse of tourism, responsible for 12.7% of its GDP. Indonesia, one of the three countries of the bloc with a relatively high unemployment rate, lost 2.8 million jobs and saw an increase of 1.8 percentage points, with a jump in informal employment, that reached over 60%. Malaysia reached the highest unemployment rate since 1993.

The region saw an increase in the proportion of jobs in the service sector, especially those in restaurants, bars and in entertainment and tourism. When restrictions on the mobility of people, both domestically and internationally were implemented to contain the pandemics, unemployment surged. The reopening of these sectors has improved the employment situation this year: Singapore shows 7 months of continuous decline in unemployment; the unemployment rate in the Philippines in May was 7.7%, compared to 10.4% in the same month of 2020; and labor data shows improvements in Malaysia and Indonesia.

Between May 2020 and May 2021 Japan created 110,000 job posts; the unemployment rate in India was in February 2021 6.9%, below the 7.8% showed in the same month of 2020. China also

experienced a drop in the unemployment rate of its urban population, declining almost one percentage point between May 2020 and May 2021.

The forecasted growth of the region's GDP and its demand of new employees in the coming years imply a potential threat to the current model of growth based on the supply of huge amount of cheap labor force: the smallest number of young workers. Together with ageing societies and a strong growth in labor demand by the service sector, there could be a continuation in the mid-term future of an increase in the costs of labor in the manufacturing sector. In 2020, for example - and despite the challenging context- labor costs in the private manufacturing sector in China grew 9.6%. It is not surprising, then, that multinational companies seek other destinations for their investments in the assembly of products, be it in the region's less advanced countries, or just outside of it.

Points of interest and perspectives

- At the beginning of June this year, a Korean court ruled against individuals' right to sue Japanese companies for compensations for having been forced to work for them during the Second World War. This has been an especially important source of conflict between the two countries since 2018, when the Korean Supreme Court ruled that companies should pay compensations. Tokyo replied by putting an embargo on Korean exports of some chemicals needed to produce semiconductors. Japan argued this dispute was solved with the Treaty on Basic Relations Between Japan and the Republic of Korea, signed in 1965 that put an end to the disputes originated in the 35-year long occupation of the Korean peninsula by Japan.
- China relaxed even more its "one child policy", introduced in 1980. It now allows families to have up to 3 children. The strict policy was changed in 2015, when families were allowed to have a second child.
- On July 1st, Phuket Island in Thailand opened its doors to fully vaccinated foreign visitors. The island was in 2019 the second tourist destination in the country, after Bangkok. In Bali, Indonesia, plans for reopening were postponed until August, due to a recent increase in CoViD-19 cases.
- At the end of June, for the first time the proportion of Japan's population vaccinated with one dose was higher than the world's average. The vaccination campaign started late and with little strength, but accelerated in June, with 14% of the population getting vaccinated that month. The recent increase in cases in the Tokyo area led to the declaration of "State of emergency" on the area. Events during the Summer Olympics, that will be held from July 23rd to August 8th, will not have spectators.