

Strategies to combat poverty and generate decent employment in the Asia - Pacific region

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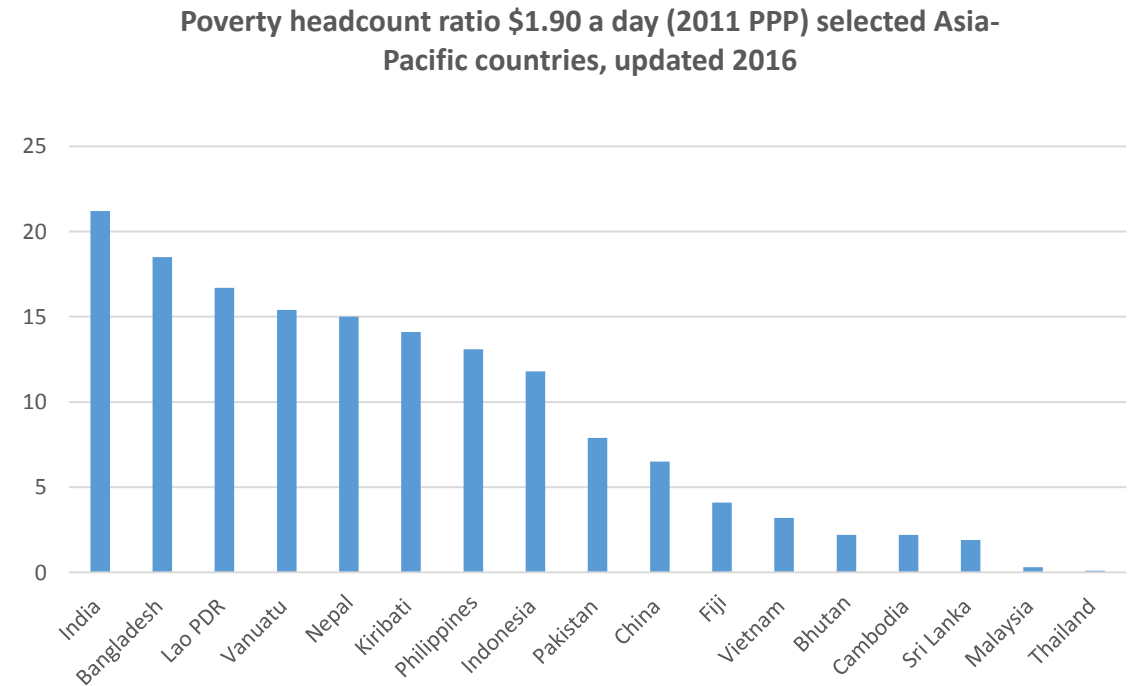
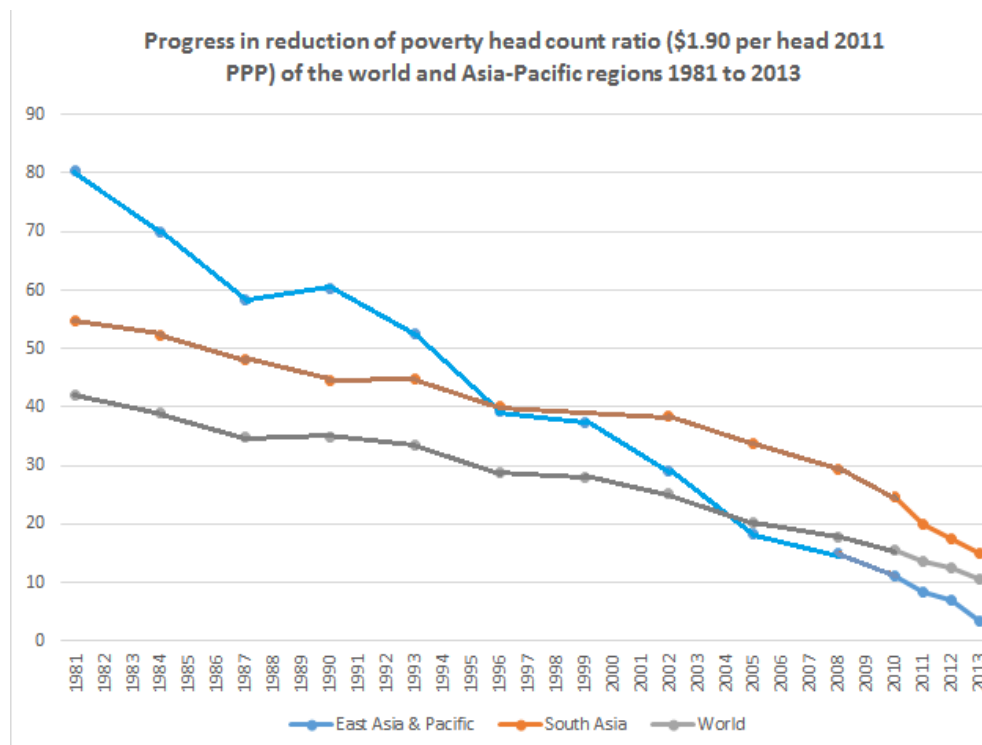
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Plan of presentation

- Introduction
- Lessons from the past
 - Promoting inclusive growth
 - Public action
 - Improving efficiency of public services
- Emerging threats
 - Demographic change
 - Impact of technology
 - Climate change
 - Growing protectionism

Introduction: Asia-Pacific has witnessed significant poverty reduction between 2000 and 2015

- However, the effort to free the region of poverty by 2030 will require considerable effort
 - Around 350 million still remain in extreme poverty; double that in near poverty
 - Several countries continue to have high poverty incidence



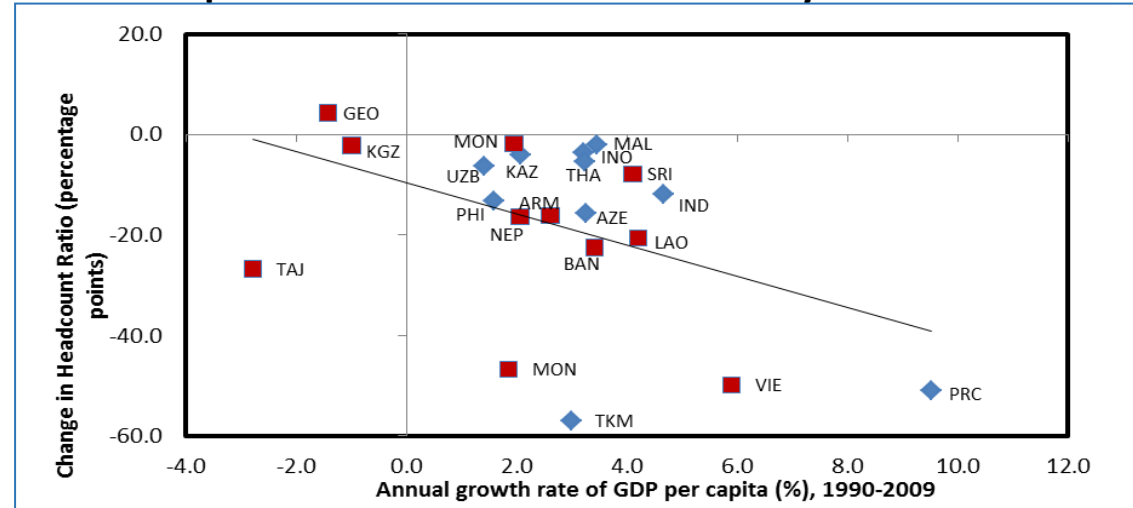
Source: WDI

What worked and what lessons
have been learnt

1. Inclusive growth has been major driver of poverty reduction in the Asia-Pacific region

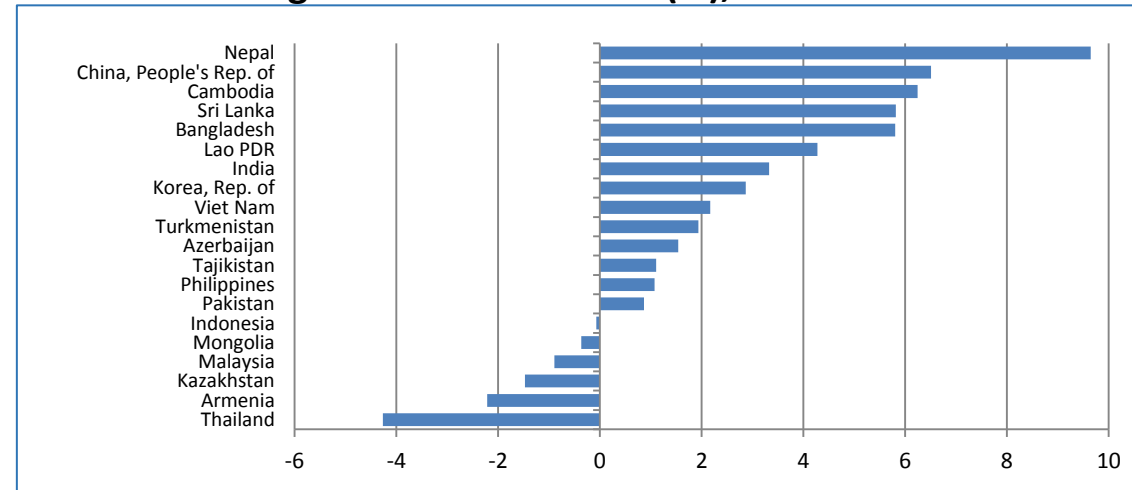
- Economic growth has been closely associated with poverty reduction
- But with rising inequality, growth has become less inclusive over the years and losing efficacy in reducing poverty and promoting employment
 - Poverty elasticity of growth declining
- Promoting inclusive growth is therefore essential

Relationship of Economic Growth and Poverty Reduction in Asia



Source: Chatterjee 2013

Change in Gini Coefficient (%), 1990s to 2000s



Source: Zhuang and Ali (2010).

1. Promoting inclusive growth : what are the ways?

- a. Encouraging growth that generates productive employment of the poor
 - i. Promoting rural and agricultural growth which reduces poverty in rural areas where poor mainly reside
 - ii. Encouraging structural change of economy towards productive employment in secondary and tertiary sectors
 - PRC succeeded more than India in both
 - Higher agricultural growth
 - More effective land reforms, public investments and R&D
 - Significantly more structural change

	Average Agricultural Growth	Period	Proportion of land irrigated	Year
PRC	4.0	1978-2002	50	2007
India	2.9	1981/82- 2002/03	43	2007

Source : Wan, Zhu and Chatterjee (2013)

Sector	Share of GDP (%)				Share of Employment (%)			
	PRC		India		PRC		India	
	1990	2010	1994	2010	1990	2008	1994	2010
Agriculture	27.1	10.1	29.3	19	60.1	39.6	61.9	51.1
Industry	41.3	46.8	26.9	26.3	21.4	27.2	15.7	22.4
Services	31.5	43.1	43.8	54.7	18.5	33.2	22.4	26.5

Source: ADB (2011)

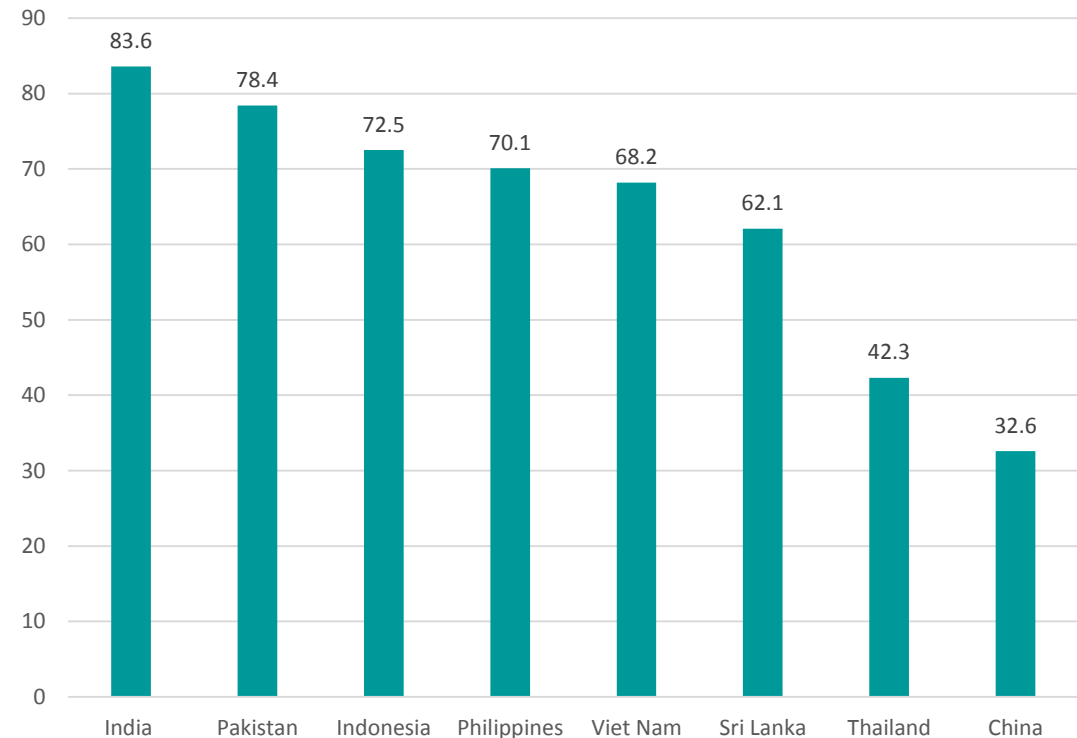
1. Promoting inclusive growth – what are the ways? (cont'd)

a. Encouraging growth that generates productive employment of the poor (cont'd)

iii. Tackling informal sector employment

- Informal sector is large and growing in Asia
- It has poor working conditions and low pay causing growth of “working poor”
- Focus should be on
 - Migration of employment from informal to formal and expanding formal sector employment
 - increasing productivity of those in informal employment

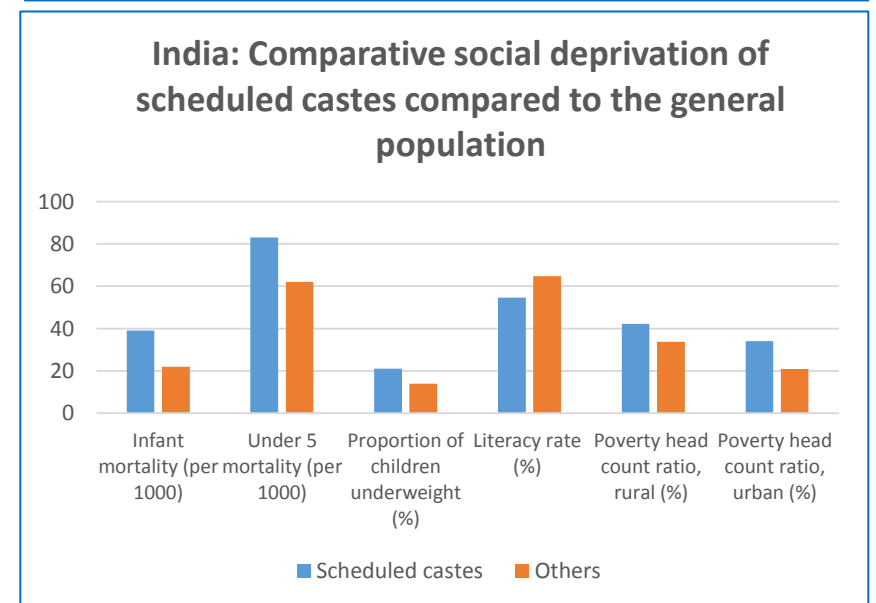
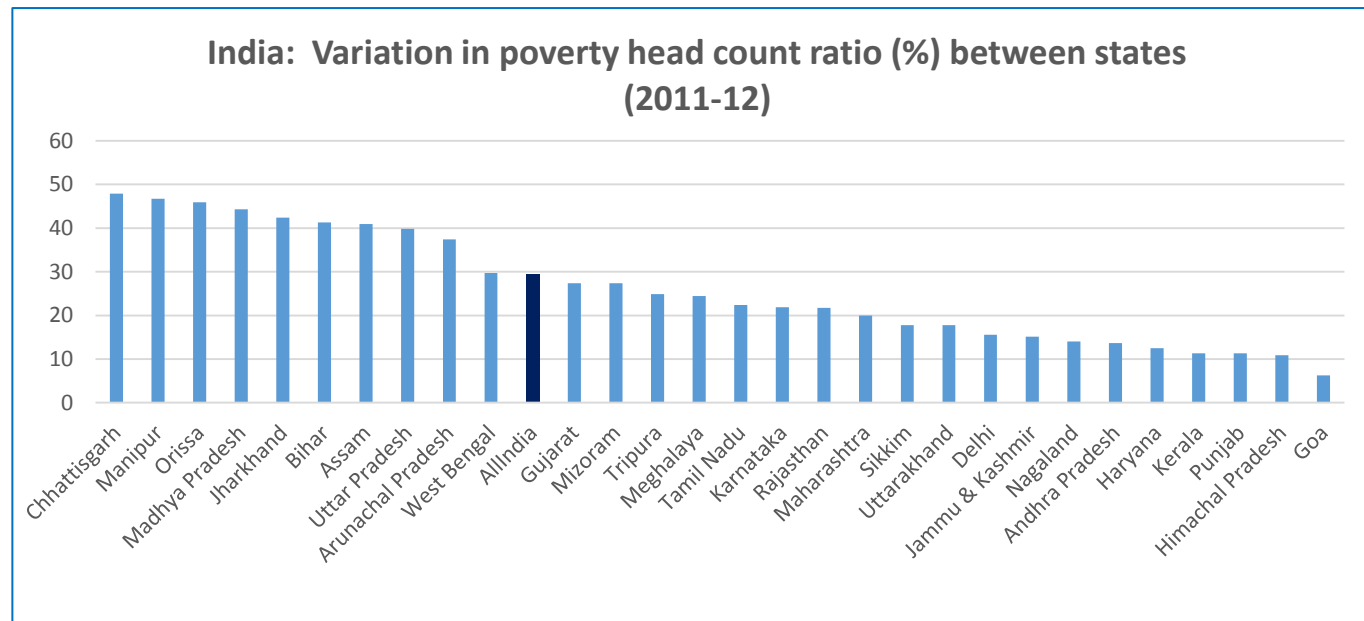
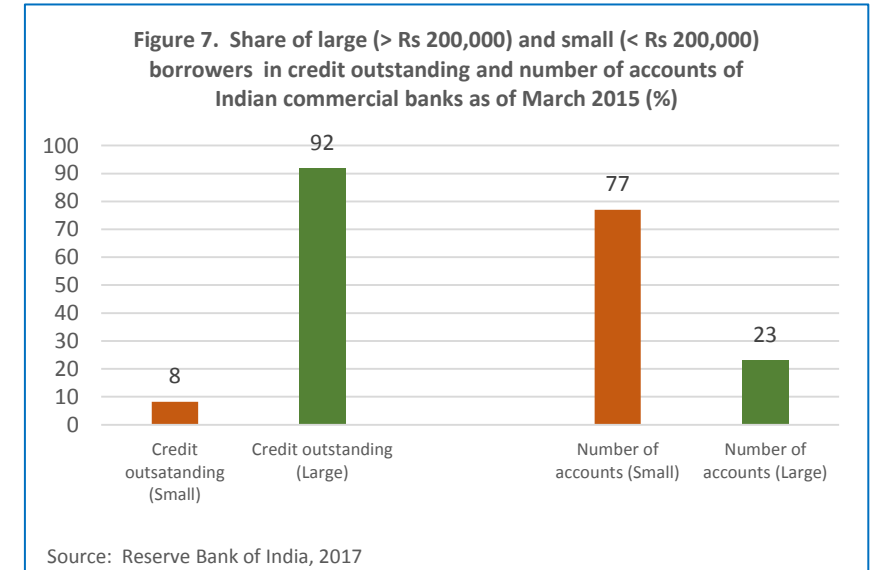
Persons in informal employment in non-agricultural activities as a proportion of non-agricultural employment in selected Asian countries (%), latest year (updated 2012)



Source: ILO 2012

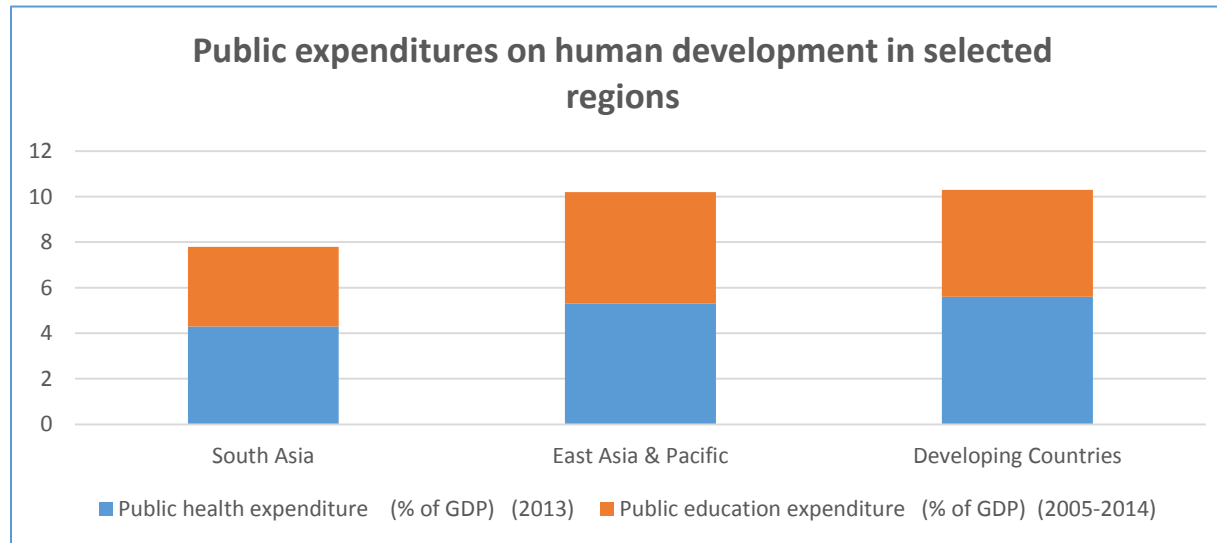
1. Promoting inclusive growth – what are the ways? (cont'd)

- b. Encouraging development of poorer regions (geographical focus)
- c. Promoting financial inclusion
- d. Promoting inclusion of deprived groups in development
 - Women
 - Groups disadvantaged by caste, ethnicity, and minority status

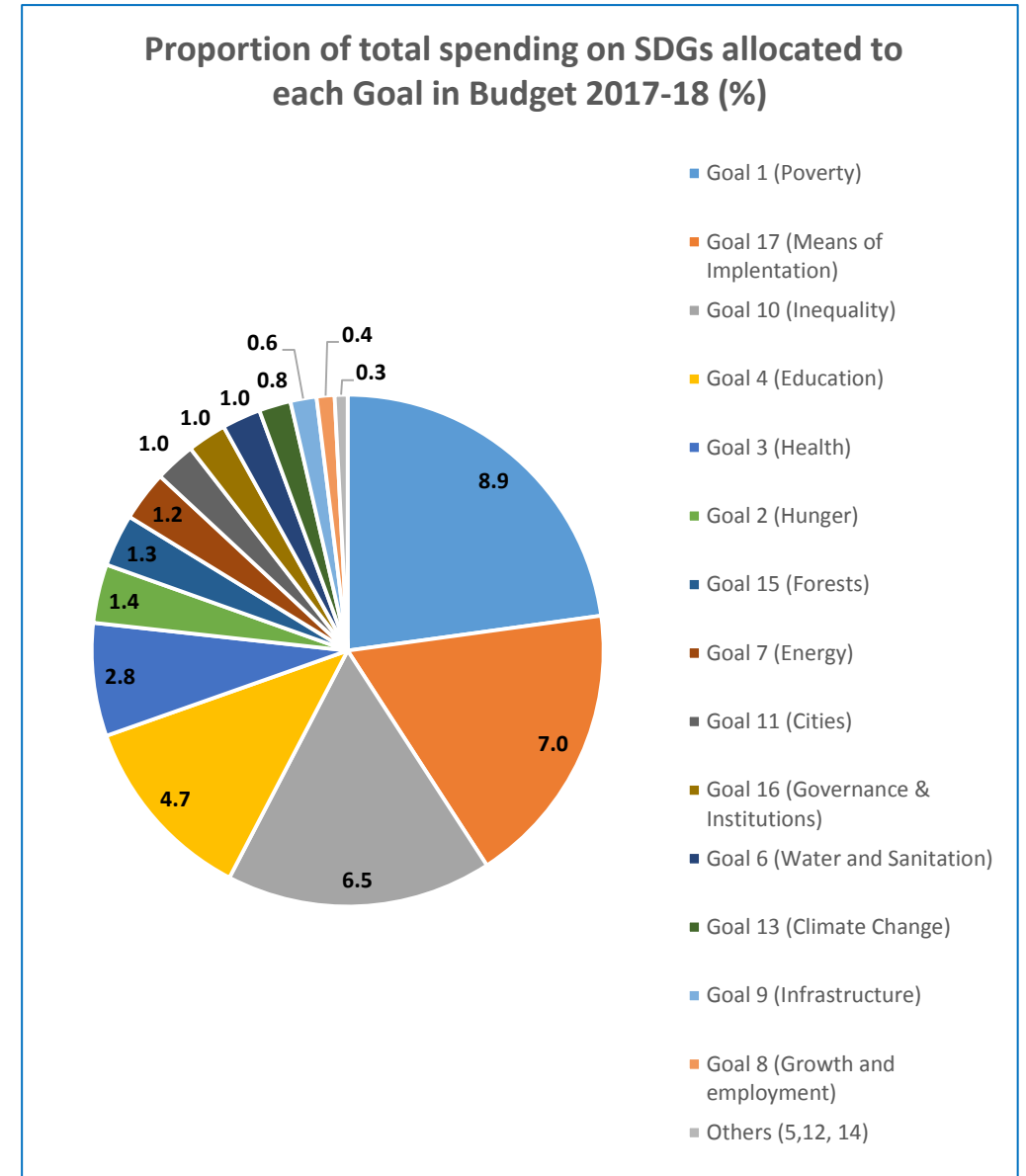


2. Public action towards inclusion

- a. To act proactively, governments must have larger access to resources
 - through better revenue generation efforts
- b. Resources must be spent inclusively
 - With budgets focused on outcomes
 - Example: Assam budget focused on SDGs
 - By prioritizing human development
 - Not sufficiently prioritized in Asia



Source: Human Development Report, 2015



Source: Government of Assam Budget 2017-18

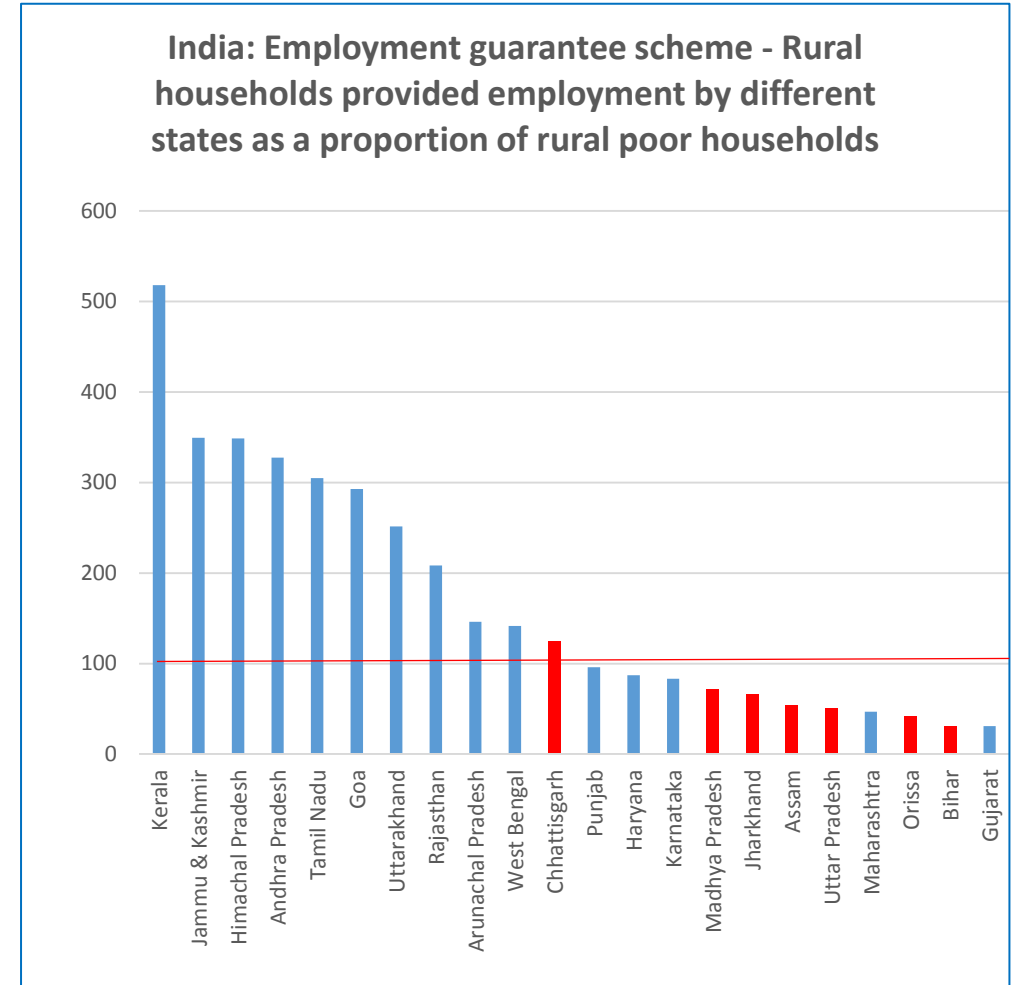
2. Public action towards inclusion (cont'd)

c. Employment generation programs

- For example India's MNREGA
 - Has had major poverty impact but better targeting necessary

d. Basic infrastructure construction

- Basic infrastructure (e.g. rural roads and electrification) reduces poverty directly by creating employment and indirectly through growth
 - Works best in pro-poor policy environments (e.g. location in areas of poverty concentration and pricing to enable access by poor)

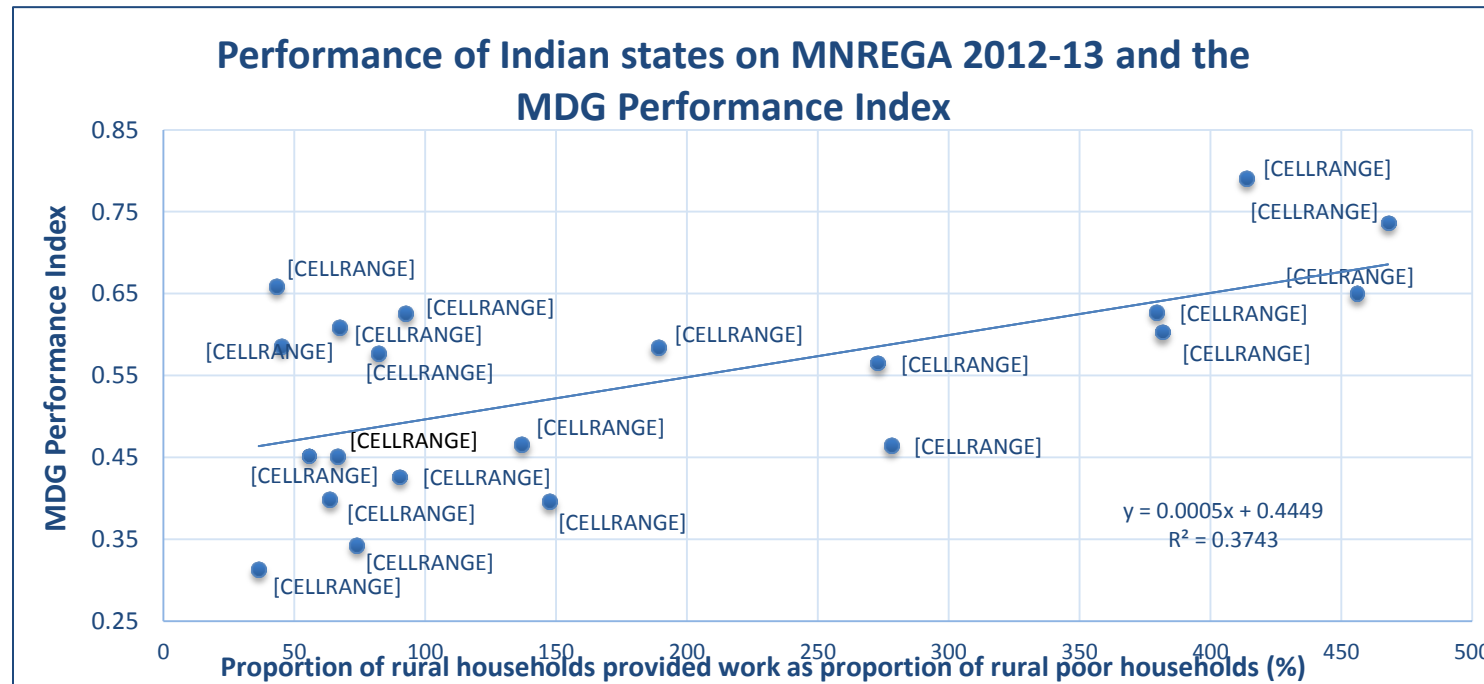


Box: Universal basic income as a more effective instrument of public action – pros and cons

- Basic rationale
 - Uncertain employment generation makes it necessary to provide income guarantees
 - Existing employment generation and anti-poverty programs face severe targeting failures and suffer from implementation problems
- Problems
 - May cause disincentives to work
 - Requires developing reliable system for delivery of funds
 - Costs high unless expensive welfare schemes and subsidies are withdrawn

3. Improving efficiency of public services for the poor

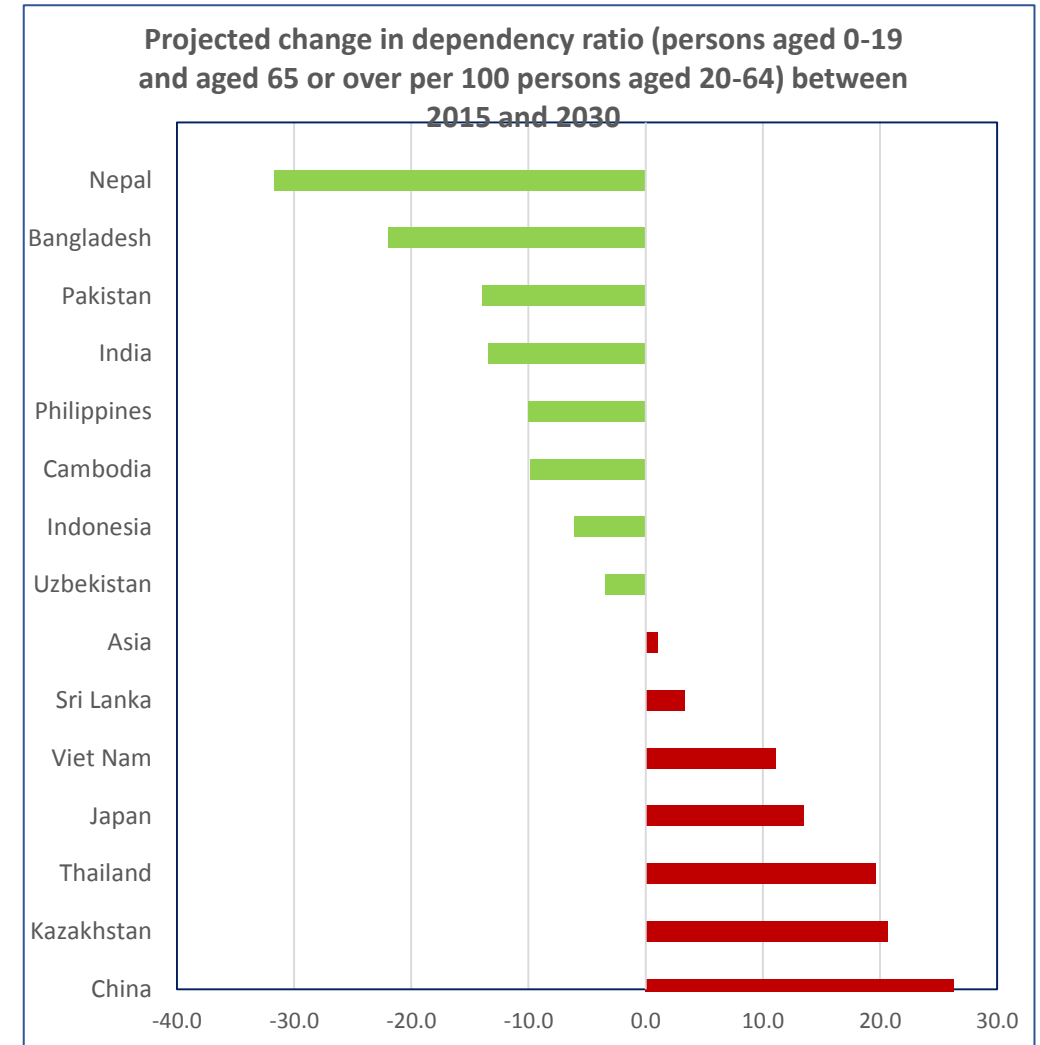
- Efficiency closely related to outcomes
- Improving efficiency requires
 - Improving capacities at all levels
 - Strong accountability, responsiveness and anti-corruption systems
 - Participation
 - Decentralization (still incomplete in Asia)



Coping with emerging
opportunities and threats to
poverty reduction efforts

1. Demographic change

- Several countries face adverse change in dependency ratio
 - Affordable health care and adequate pensions needed in these to prevent aged from reverting to poverty
 - Labor scarcities and fall in savings could reduce growth also
- Demographic dividend likely for others
 - But could become a threat if it leads to increasing numbers of unemployed youth
- Intra-regional labor migration from labor surplus to labor scarce economies can be mutually beneficial

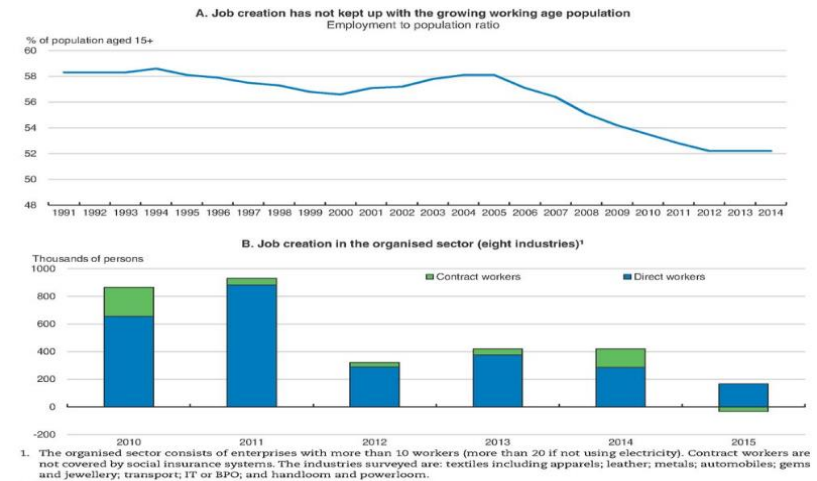


Source: UNDESA World Population Ageing 2015

2. Impact of new technology

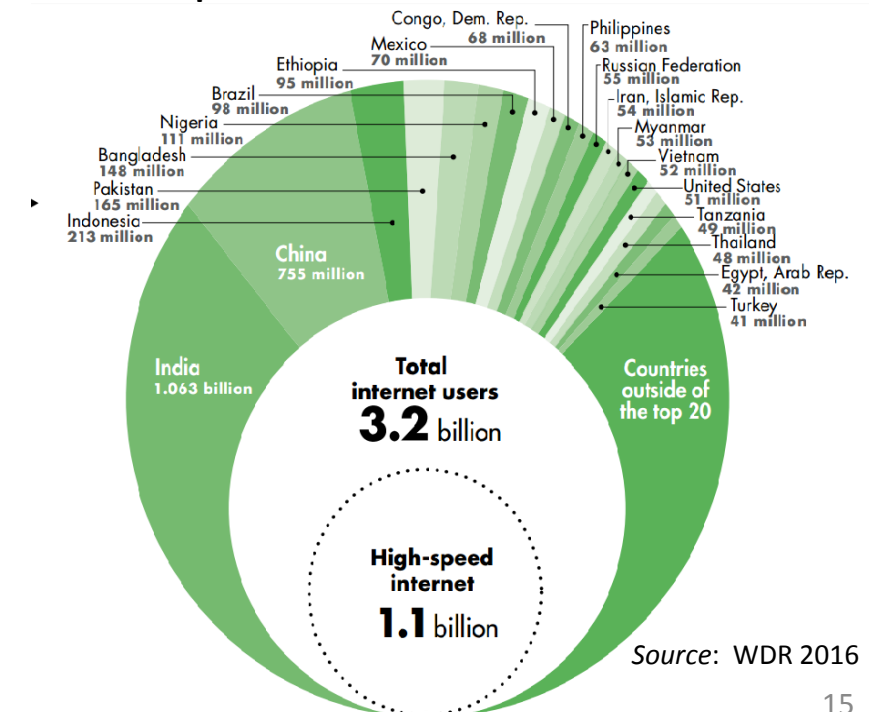
- Can pose a threat
 - Labor saving technology causing jobless growth
 - Respond by encouraging SMEs in sectors with job-creating potential
 - e.g. apparel, leather and footwear in India
- But also holds opportunities
 - Through inclusion, efficiency and innovation
 - Technology mediated human development expansion
 - Digital identities (e.g. Aadhar) to augment services and transfers to poor
 - Potential largely unutilized
 - Lack of access to internet
 - Lack of education and skills to use digital innovations

Inadequate job creation in India despite rapid growth



Source: OECD Economic Survey India 2017

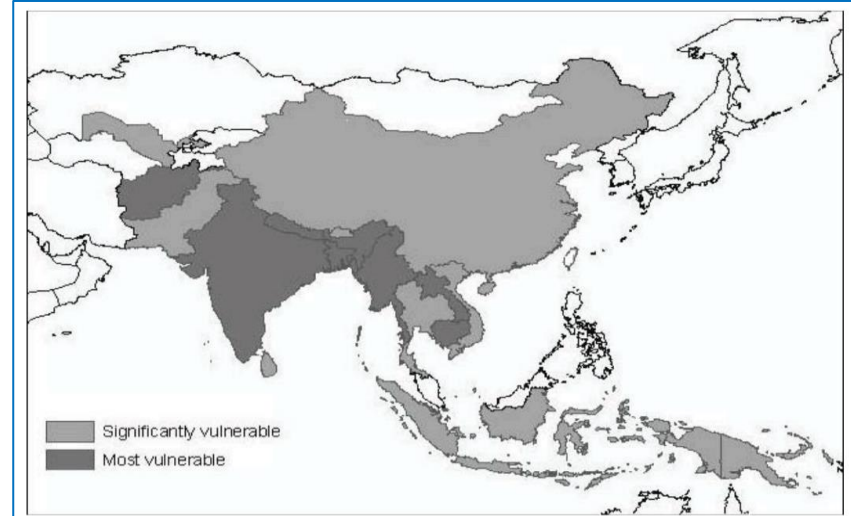
Population without access to internet



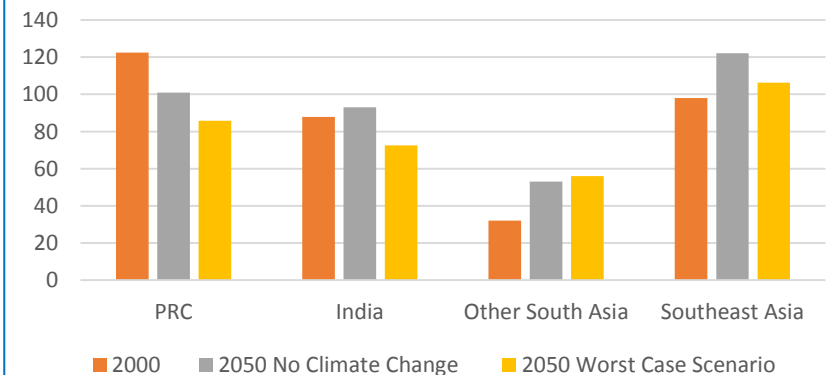
3. Coping with climate and environmental change

- Asia-Pacific likely to be severely affected by climate change and environmental deterioration affecting poor the most
 - Will reduce agricultural production in Asia-Pacific developing countries most
 - Increase risk of natural disasters
 - Urban pollution and air quality likely to worsen
- Variety of adaptation mechanisms will be needed with special focus on poor

Countries vulnerable to climate change in Asia



Projected rice production levels in 2050 with and without climate change compared to 2000 levels (million tonnes)

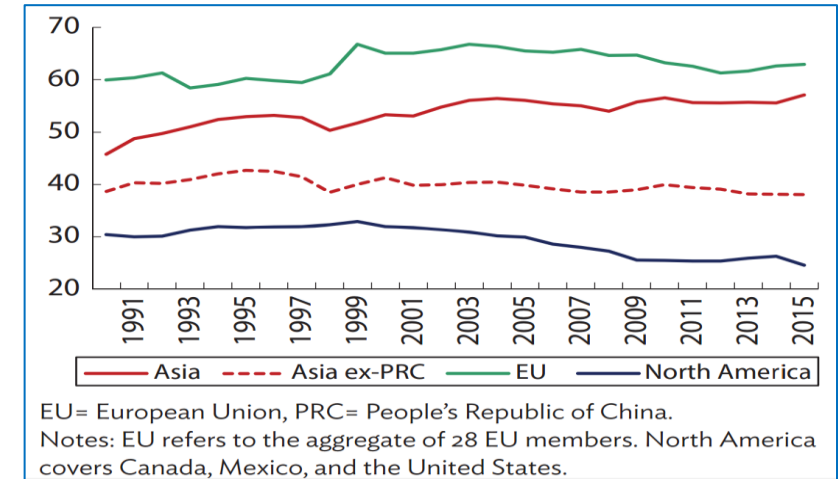


Source: ADB & IFPRI 2009

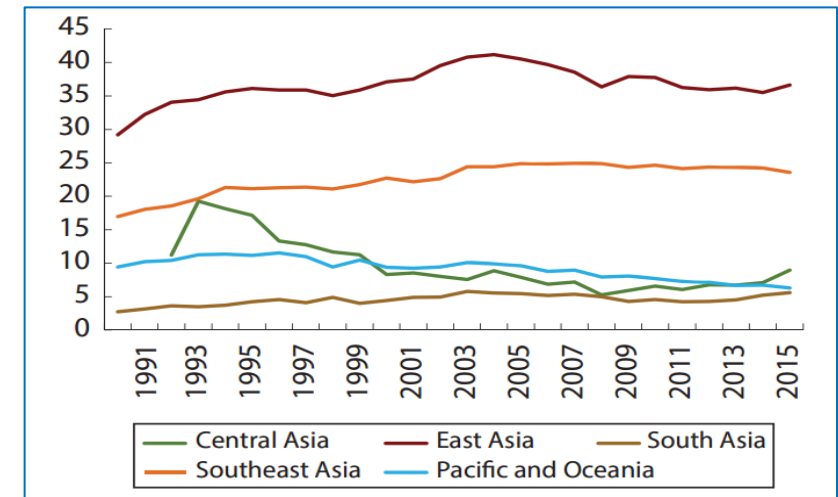
4. Growing protectionism

- Growing protectionism may affect Asian growth and employment
 - Developments (such as Brexit, NAFTA and TPP) could spiral into a trade war
 - Antidumping cases against region's exporters are rising
 - Global value chains are weakening
- Regional cooperation and integration can counter this
 - Intraregional trade share is lower than EU showing more trade integration possible
 - Intra-subregional trade is also low, especially South Asia
 - Financial integration is particularly weak

Intra-regional trade shares Asia, EU and North America



Intra-subregional trade shares, Asian subregions



Source: ADB. Asian Economic Integration Report 2016

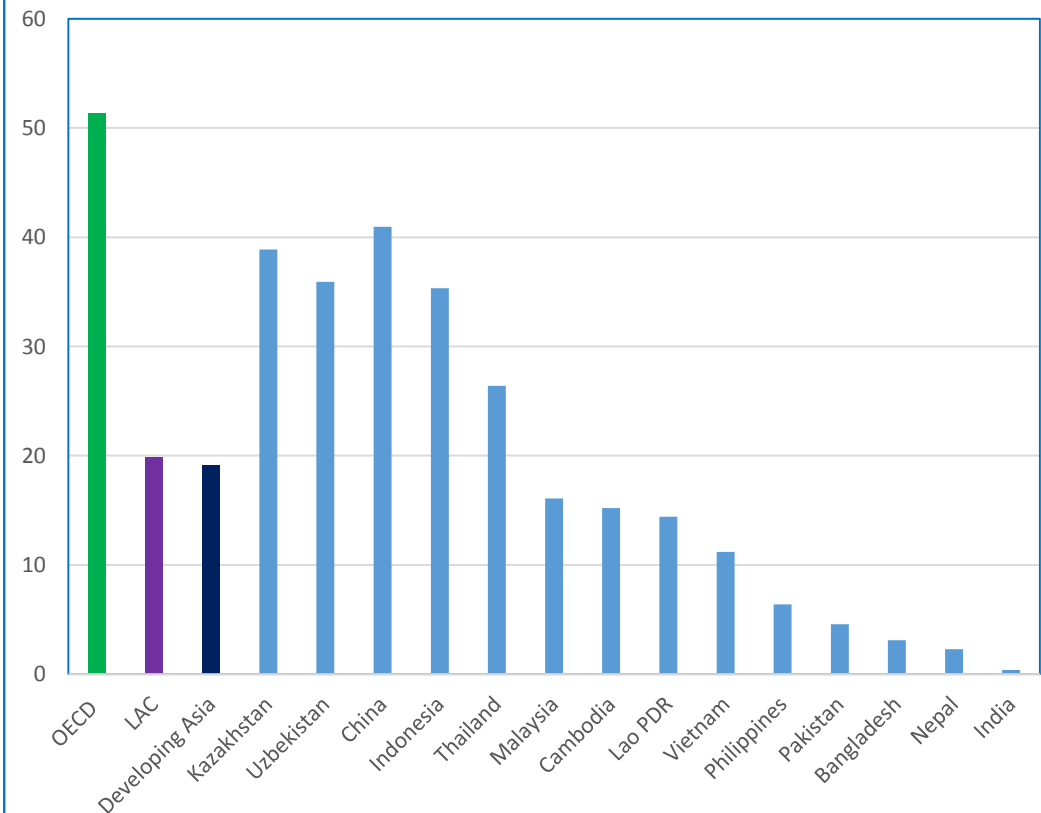
Thank You

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Box: Skills development for employment generation

- Skills development begins with basic education
 - Here quality issues in the region are a major concern
- Asia-Pacific has historically accorded low priority to vocational education
 - particularly South Asia
- Deprived groups need special attention
 - e.g. women whose labor force participation remains low
 - Minorities, ethnically and economically deprived groups

Enrollment in vocational programs in developing regions and selected Asian countries (2006)



Source: UNESCO Institute of Statistics 2006