

# What are the Prospects for Decent Work in Services?

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# Outline

1. What are good jobs?
2. Are there good jobs in services?
3. What are the drivers of good jobs
4. How is technology changing services?
5. What are the challenges for decent work in services?

# What are Good Jobs?

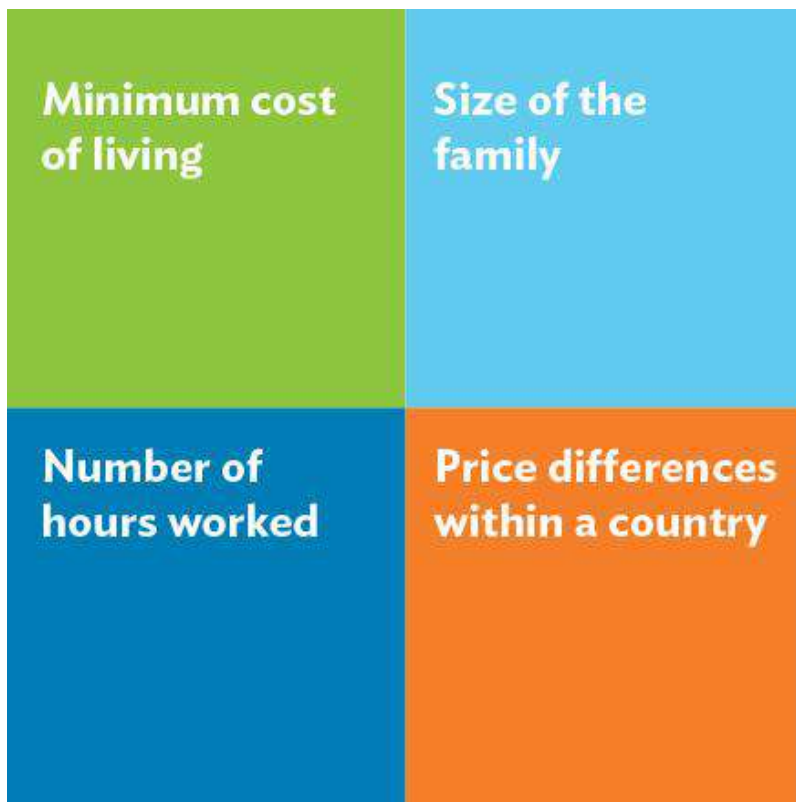
# Decent work as defined by the ILO



# Quality jobs as defined by the OECD



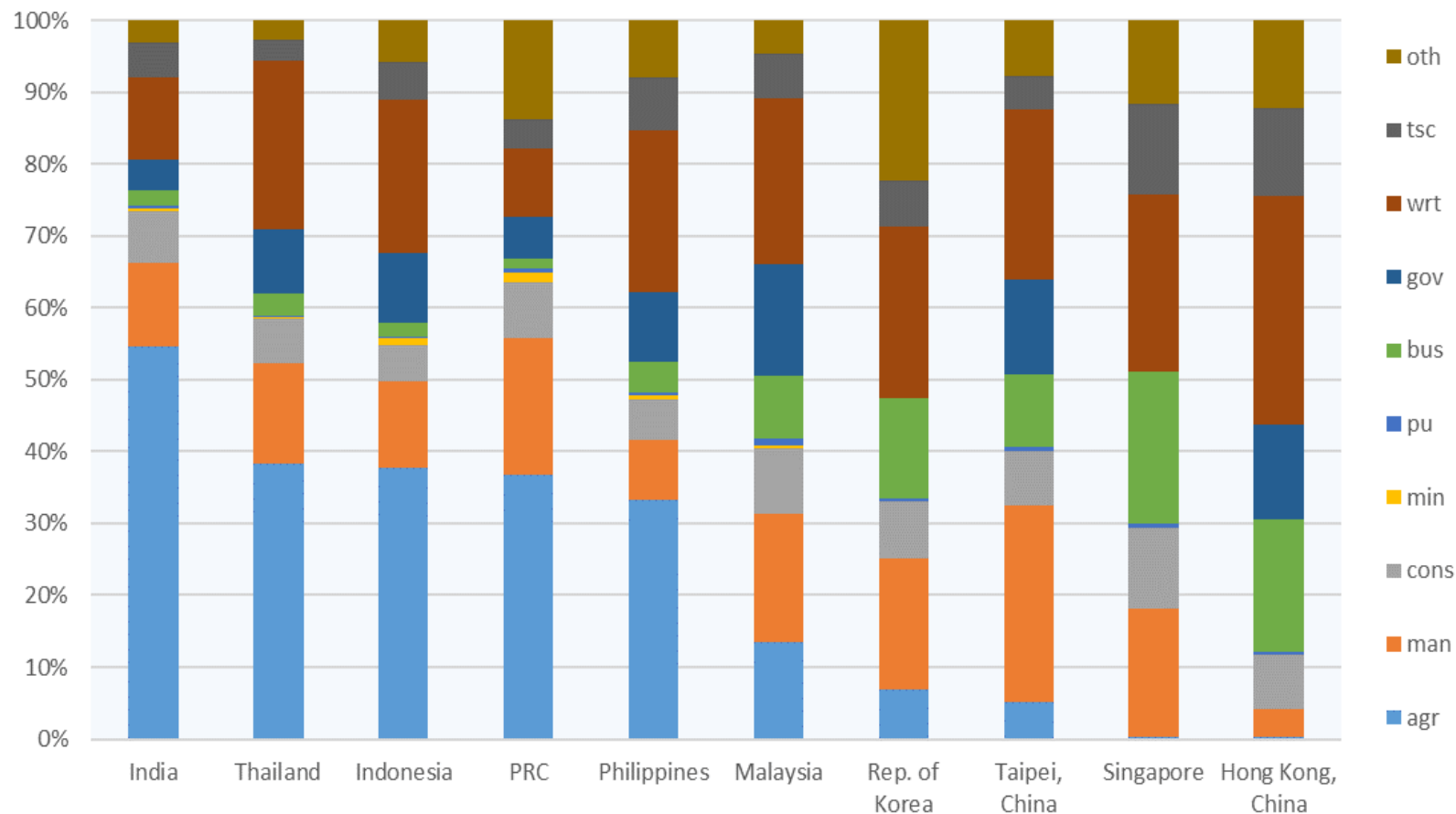
# Calculating living wage rates



- This is anchored on the poverty line - \$1.90 for absolute poverty and \$3.10 for moderate poverty - and inflated by 10 percent to allow for savings and discretionary income.
- We assume that the living wage should be able to support a family of 4, consisting of 2 adults and 2 kids.
- We specify the maximum number of work hours (48) to leave the worker with time for leisure.
- We account for spatial price differences across regions or provinces within a country by adjusting the national living wage rate by the ratio of regional/provincial poverty line to the national poverty line.

# Are there Good Jobs in Services?

# Employment distribution by sector across Asia (2010)

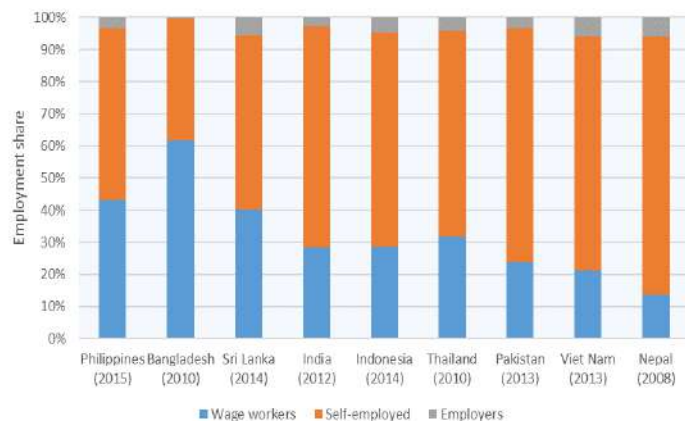


PRC refers to the People's Republic of China. agr: agriculture, man: manufacturing, cons: construction, min: mining, pu: public utilities, bus: business services, gov: government services, wrt: trade services, tsc: transport & communication services, oth: other services. Source: Groningen Growth and Development Centre (GGDC) 10-Sector Database

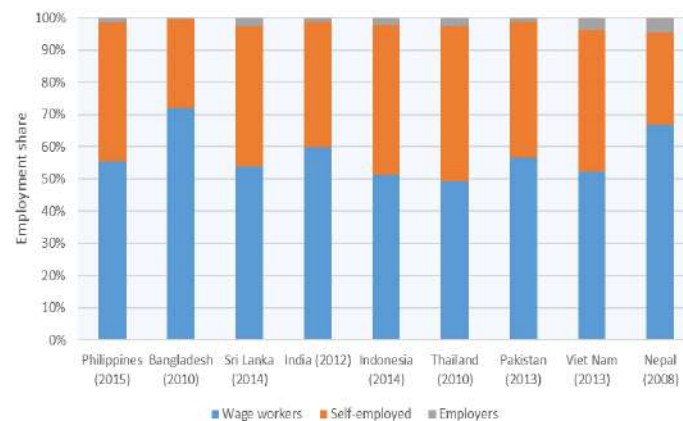


# Composition of employment within services

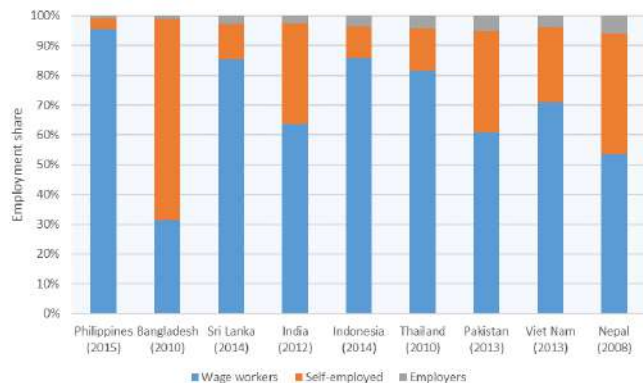
**Panel A: Trade Services**



**Panel B: Transport Services**



**Panel C: Business Services**



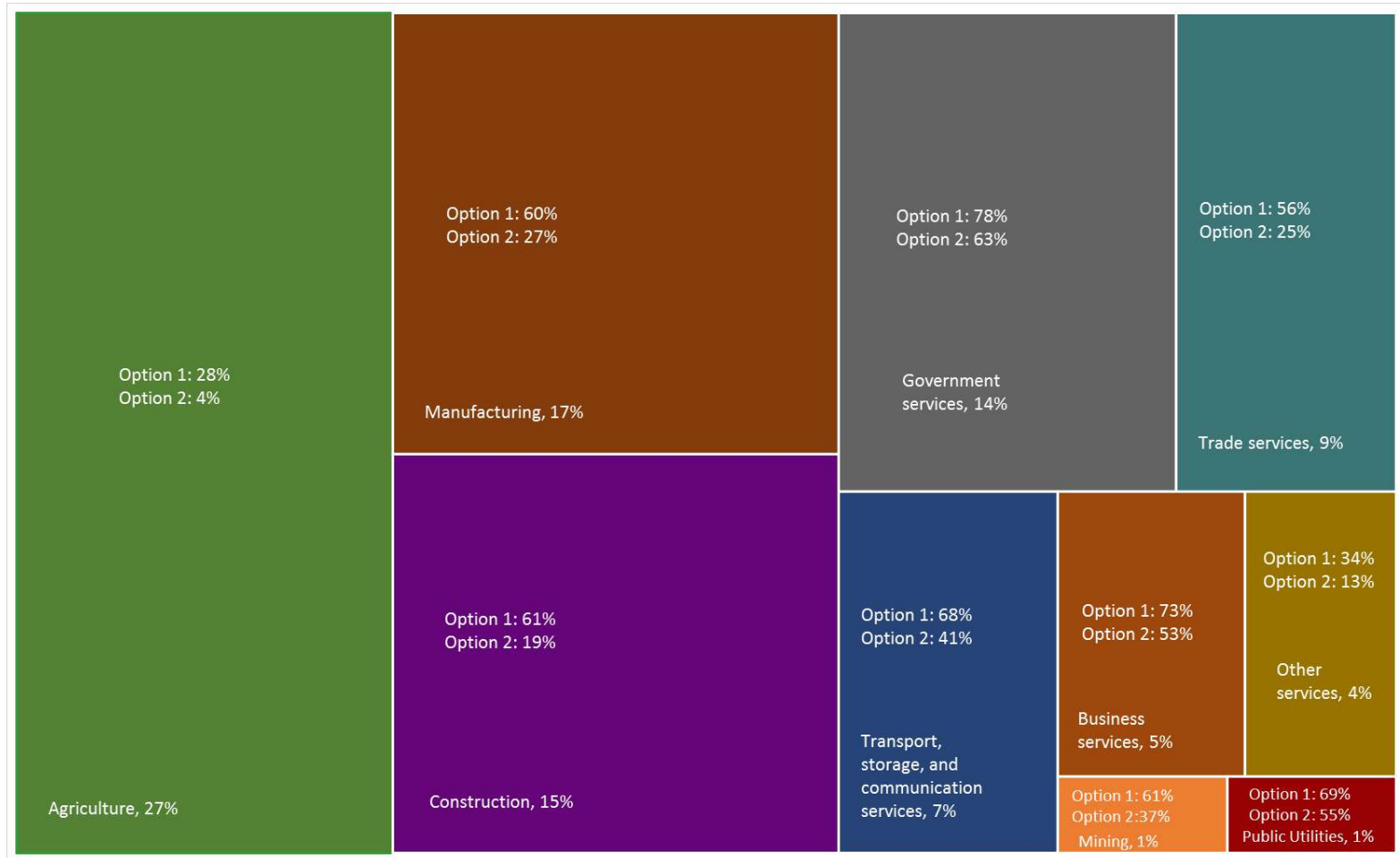
**Panel D: Other Services**



Notes: Calculations using LFS data, except for Bangladesh where we use HIES.

# Sectors that pay living wage are in manufacturing and services

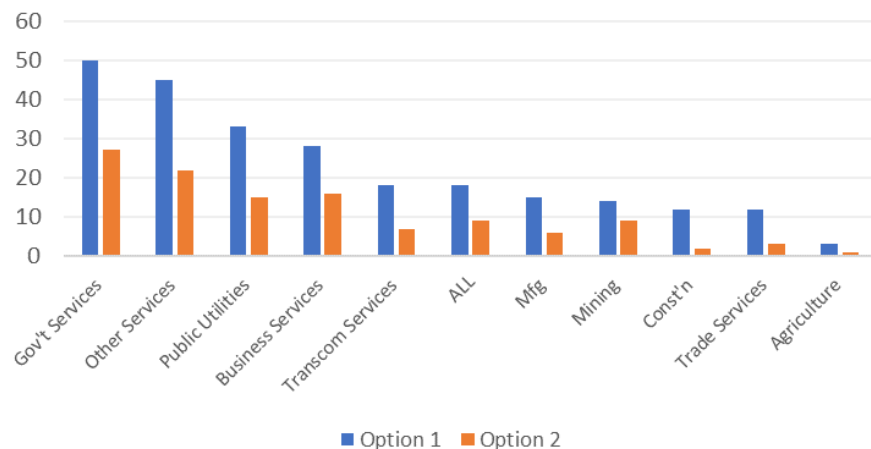
Share of wage earners earning a living wage by sector



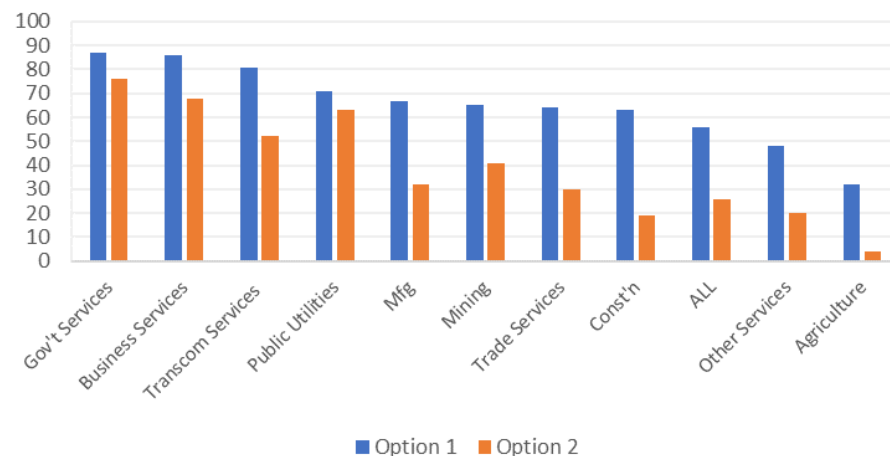
Notes: The data refers to following countries, with year in parenthesis: Bangladesh (2010), India (2012), Indonesia (2014), Nepal (2008), Pakistan (2013), Philippines (2013), Sri Lanka (2014), Thailand (2010) and Viet Nam (2013). Calculations using each country's LFS data and HIES data for Bangladesh

# Living wage earners by country (I)

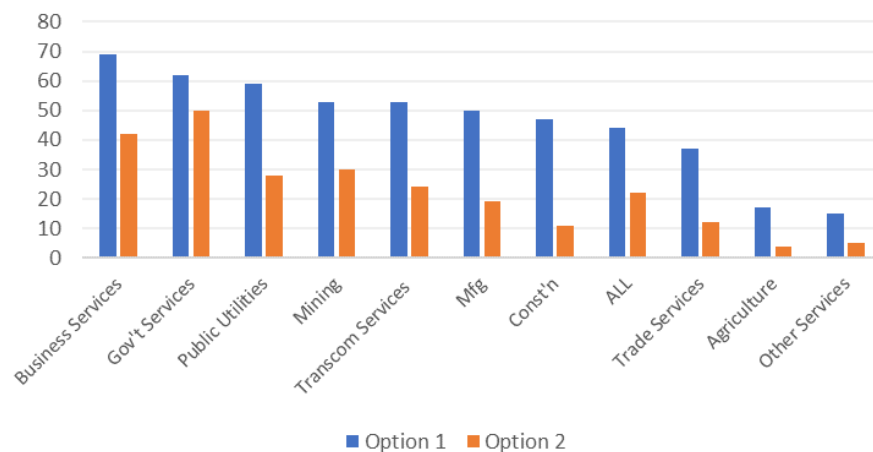
Bangladesh



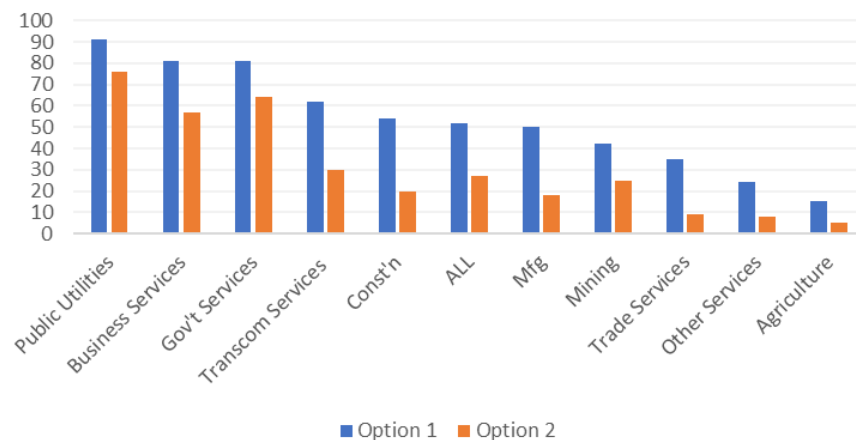
India



Indonesia



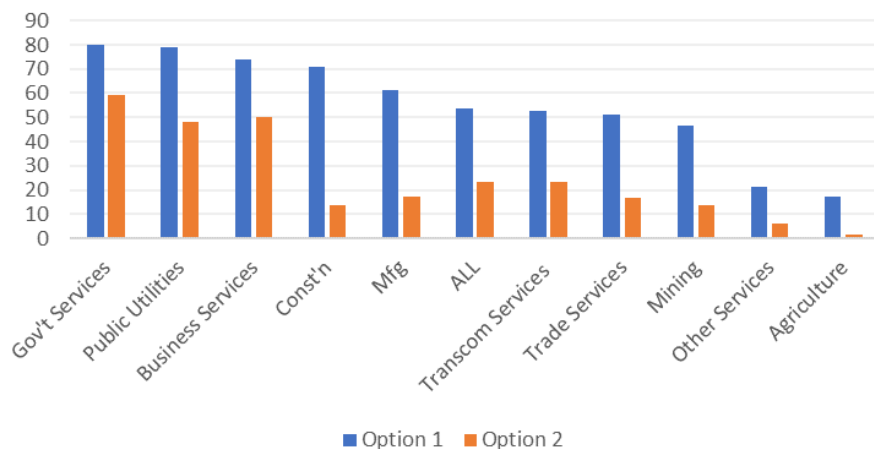
Pakistan



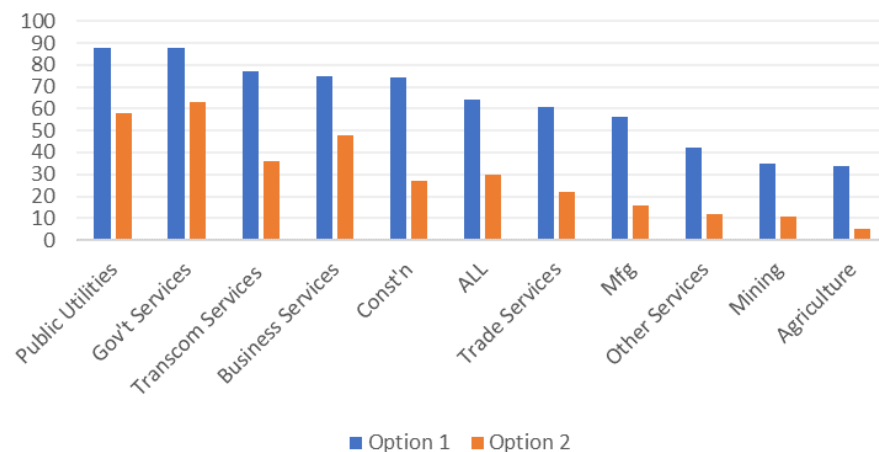
Notes: Calculations are based on each country's LFS data and HIES data for Bangladesh

# Living wage earners by country (II)

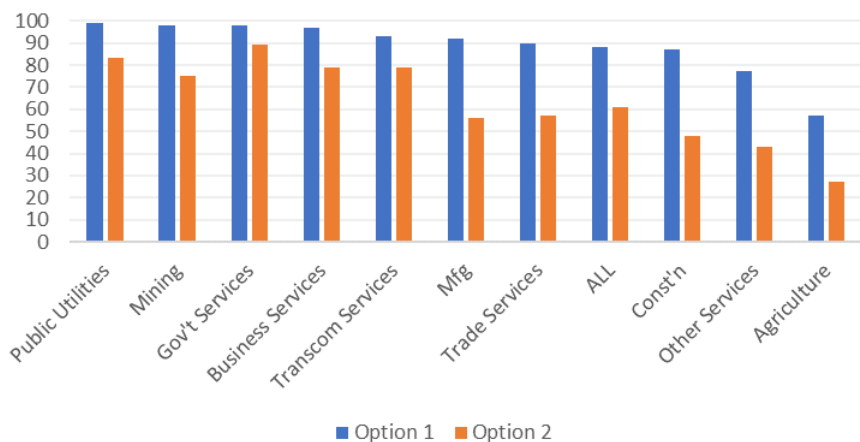
Philippines



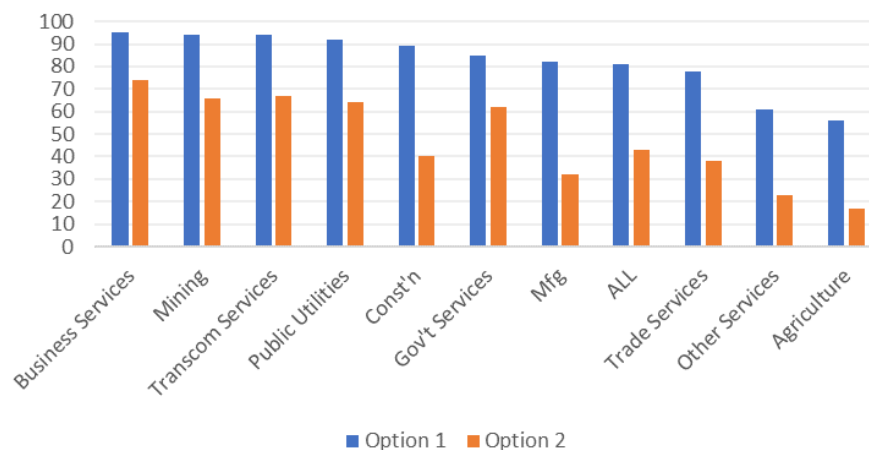
Sri Lanka



Thailand



Viet Nam



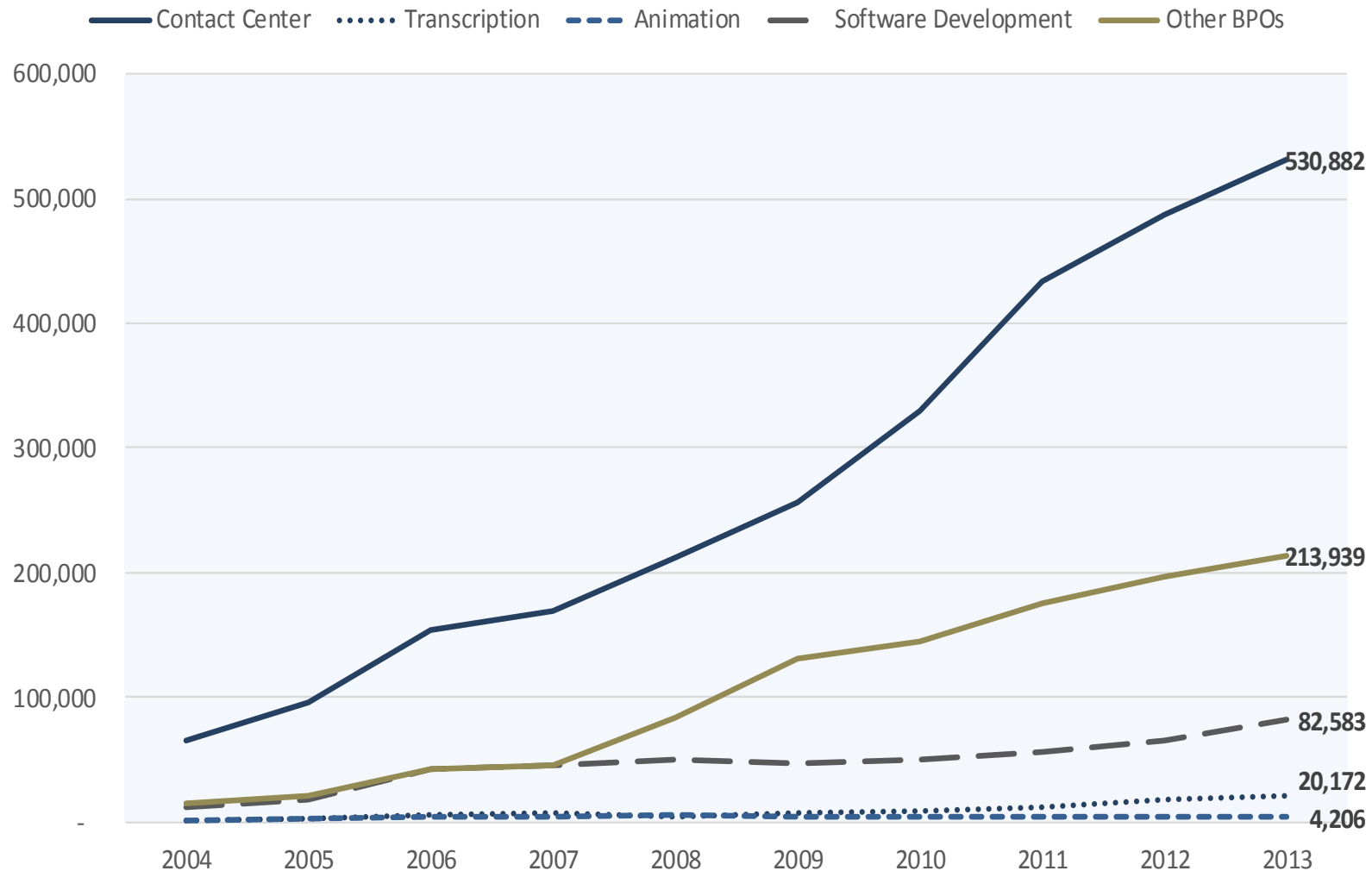
Notes: Calculations are based on each country's LFS data and HIES data for Bangladesh

# Case in point: BPO in the Philippines



- BPO is a sector that grew out of increased connectivity, technological advancement and need to reduce cost.
- 13 per cent of global market share now is captured by the Philippines.
- In 2013, **BPO accounted for 20% of Philippine exports, and 6% of gross domestic product (GDP).**
- More recent (2016) industry estimates put IT-BPO revenues at \$22.9 billion—or **about 7.5% of GDP.**

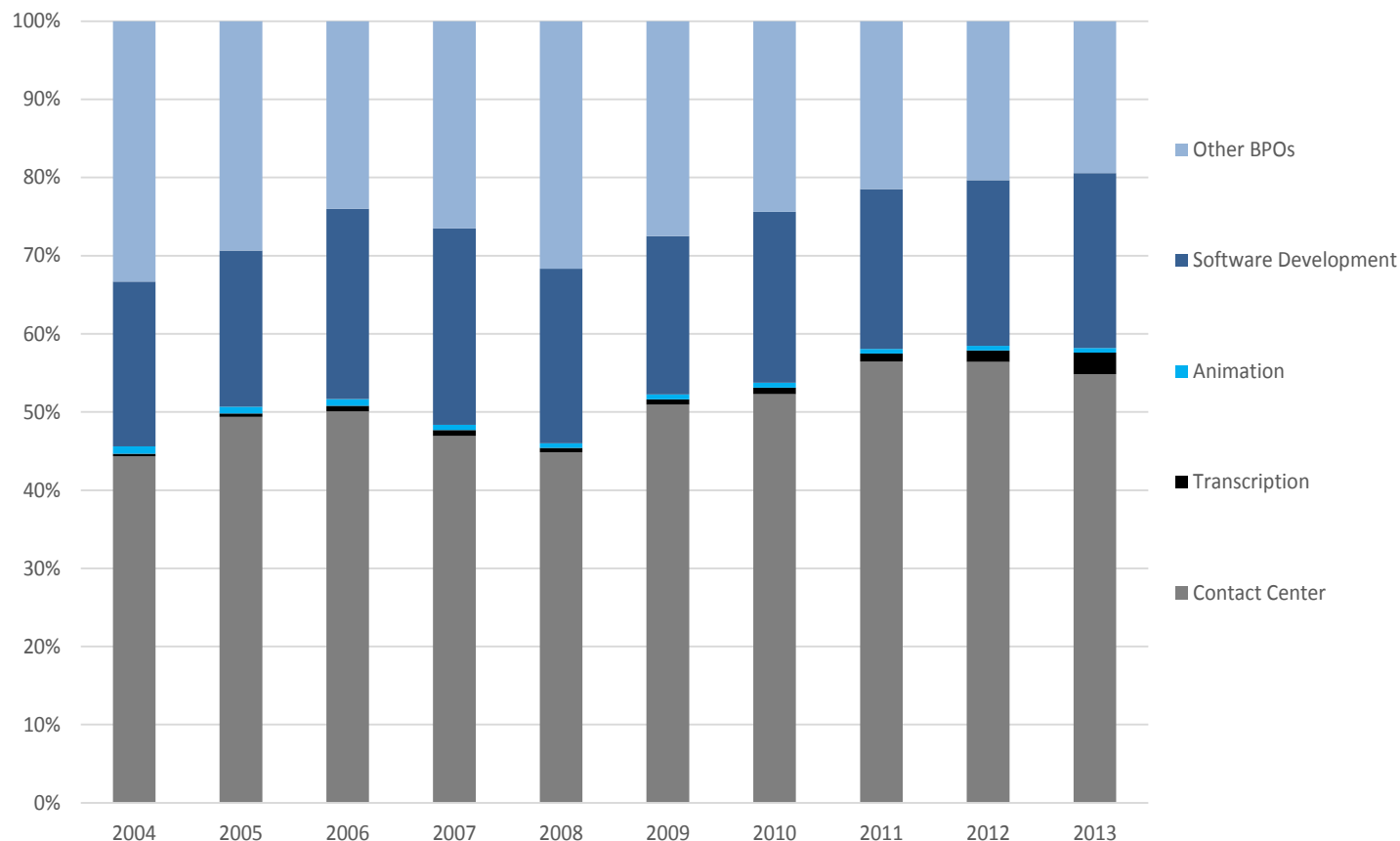
# BPO accounts for 4.2 per cent of all wage employment in the Philippines



Source: Bangko Sentral ng Pilipinas (BSP)

# Composition of the IT-BPO Sector

Size of the BPO sub-sectors in the Philippines (in terms of sales revenue), 2005-2013

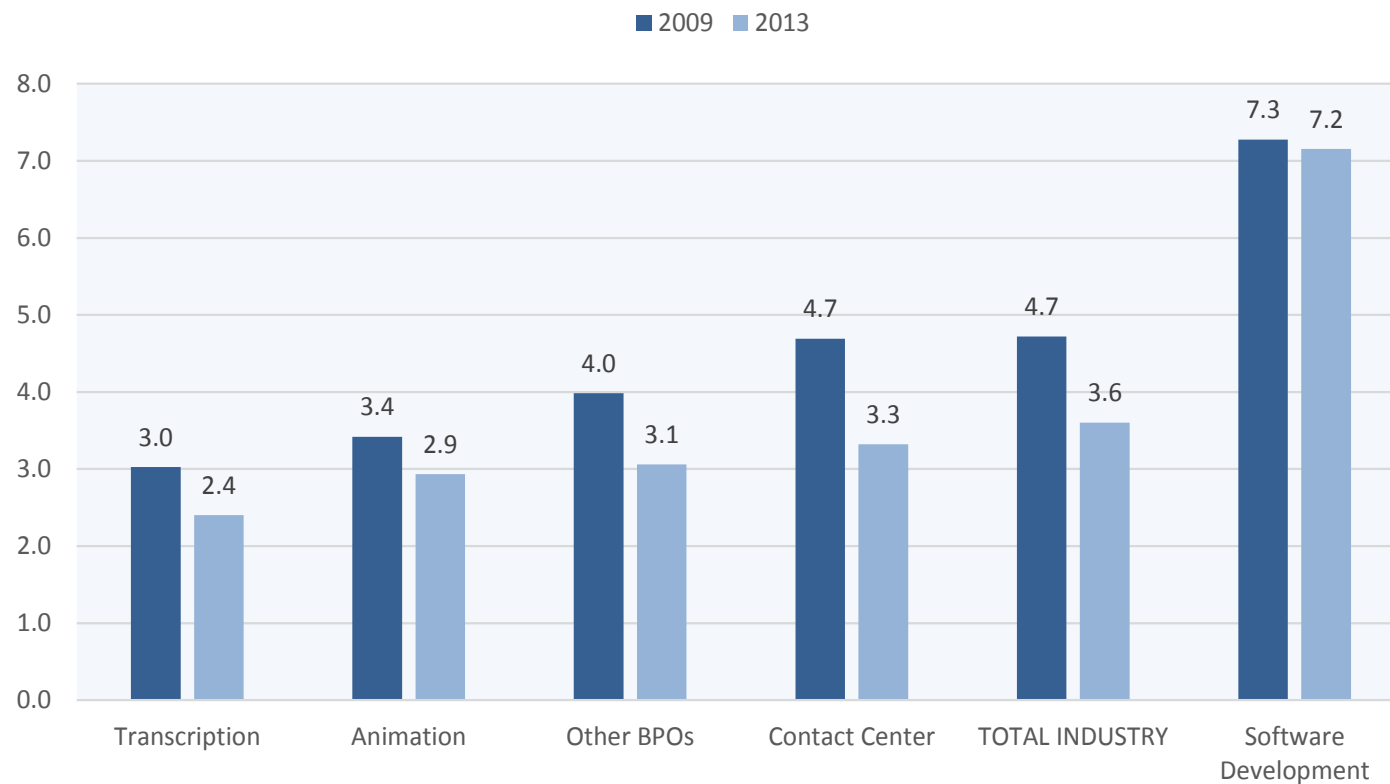


Note: the bars refer to sales revenue for each BPO sub-sector out of total sales revenue in the BPO sector in the Philippines.

Source: Authors' calculations based on Bangko Sentral Ng Pilipinas.

# Higher wages in the BPO sector is the biggest draw for young graduates in the Philippines

**Ratio of average annual wage in the BPO sub-sectors over average annual wage in the Philippines, 2009-2013**

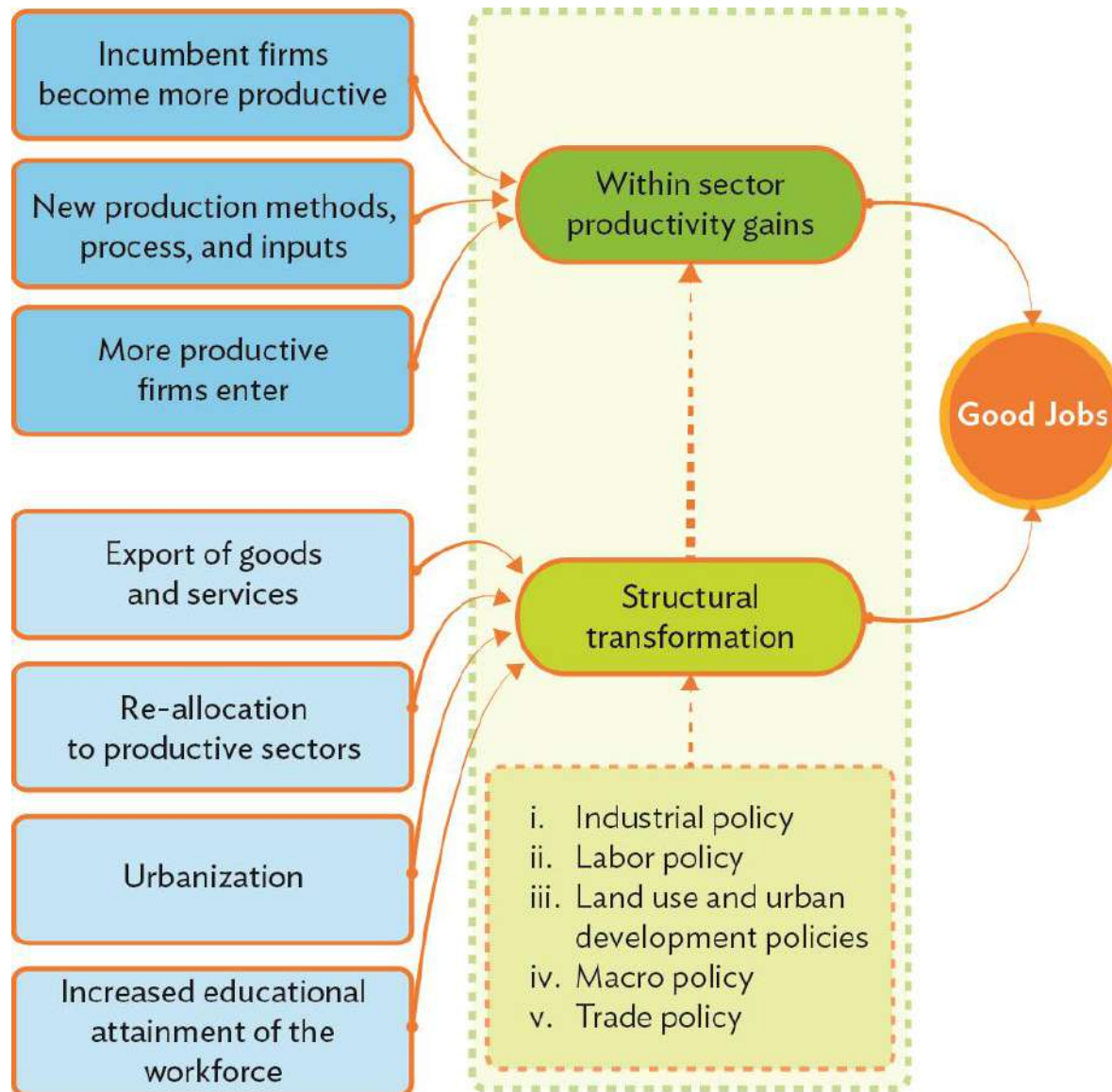


Source: Authors' calculations based on the Bangko Sentral Ng Pilipinas and Global Wage Report, 2014/15

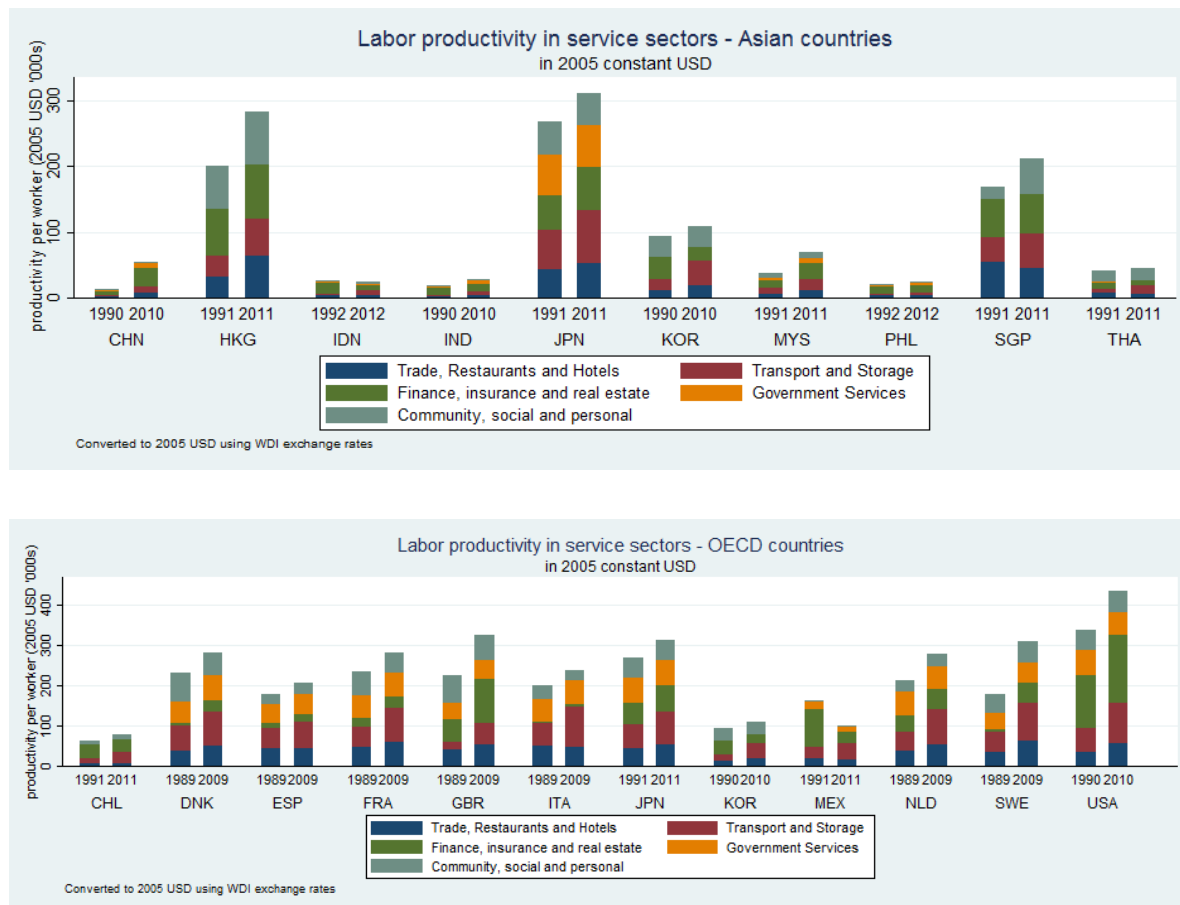


# Drivers of Good Jobs

# Determinants of good jobs



# Productivity in services lag behind the OECD



Notes: Value added is converted into USD using the 2005 exchange rate found in the WDI.

Sources: GGDC 10-Sector Database.

# Structural transformation key for good jobs



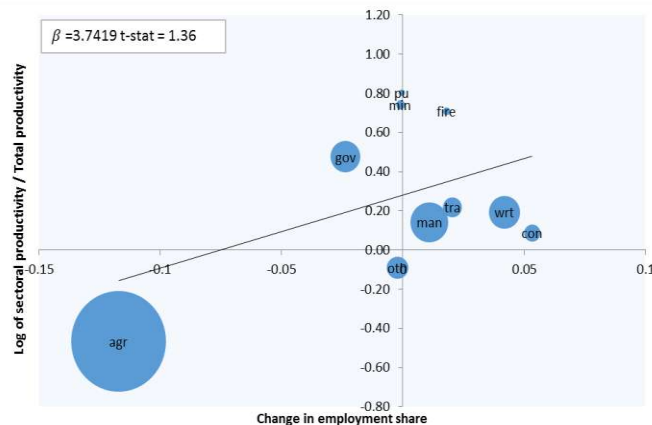
Making jobs better is basically about **3 interconnected transitions**:

1. Moving worker away from low productivity to higher productivity sectors
2. Rural to urban locations
3. Informal to formal sector: i) Micro-enterprises to SMEs and large firms; ii) Accessing and catering to more dynamic markets

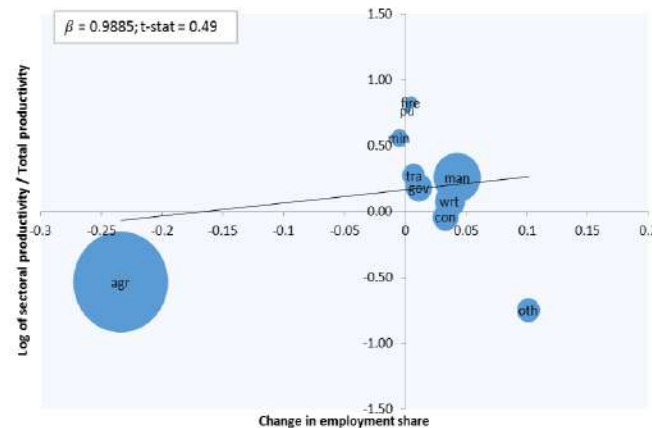
# Structural transformation in developing Asia

Correlation between sectoral productivity and change in employment shares, 1990-2010

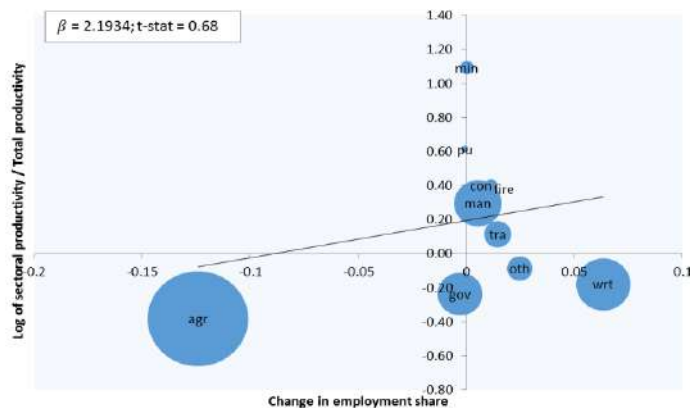
Panel A: India



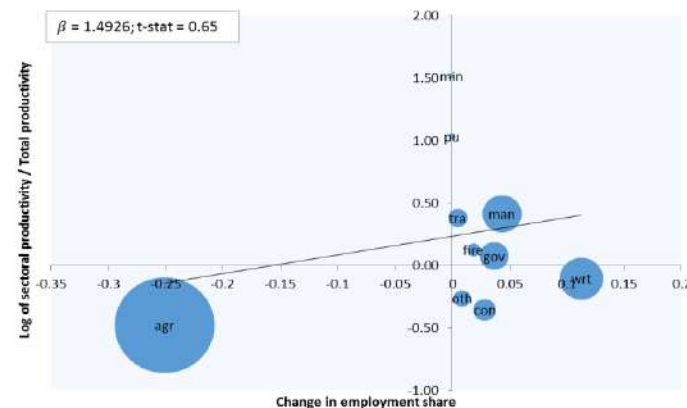
Panel B: People's Rep. of China



Panel C: Indonesia



Panel D: Thailand



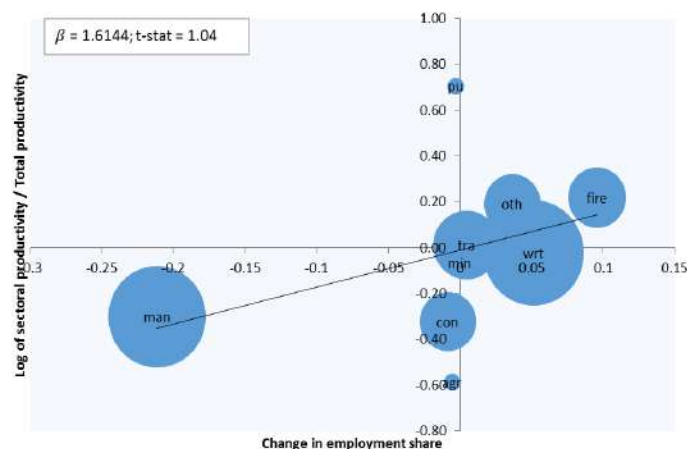
Notes: The black line is the fitted value of relative productivity and changes in employment shares weighted by sectoral value added calculated using information on all sectors.  $\beta$  and  $t$  refer to the coefficient and  $t$  statistic, respectively. Sectors: agr = agriculture; pu = public utilities; gov = government services; min = mining; man = manufacturing; con = construction; tra = trade services; oth = other personal services; bus = business services; wrt = wholesale and retail trade services

Source: Authors' calculations based on GGDC database.

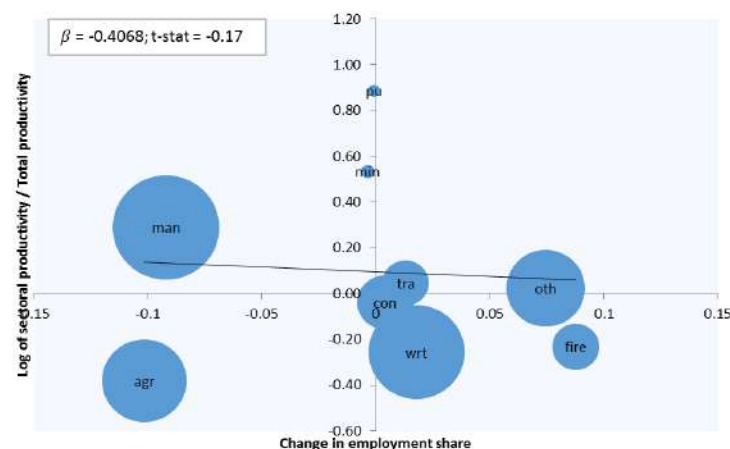
# In case of newly industrialized economies, movement away from manufacturing to services

## Correlation between sectoral productivity and change in employment shares in advanced Asia, 1990-2010

Panel A: Hong Kong, SAR China



Panel B: Rep. of Korea



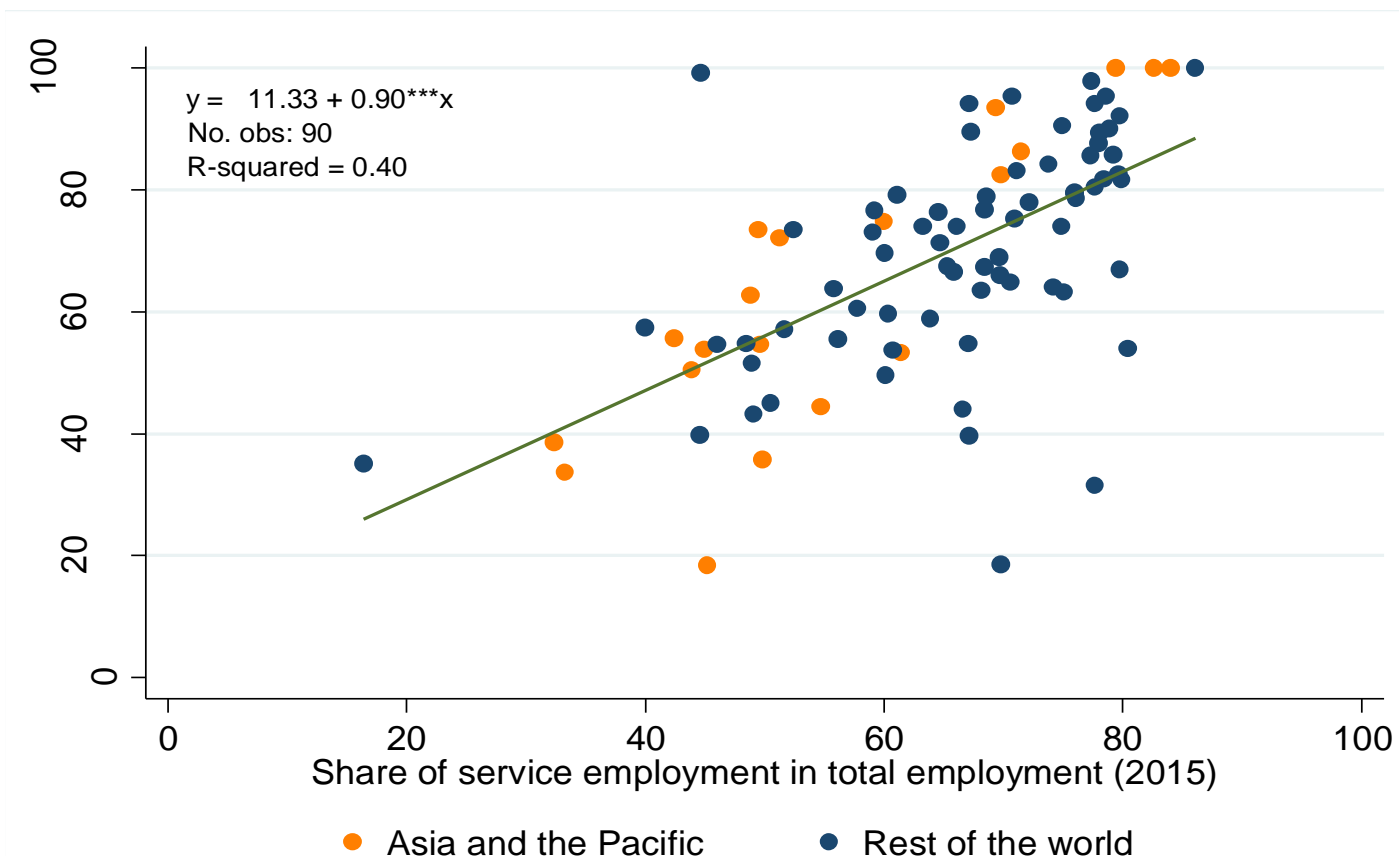
Notes: The black line is the fitted value of relative productivity and changes in employment shares weighted by sectoral value added calculated using information on all sectors.  $\beta$  and  $t$  refer to the coefficient and  $t$  statistic, respectively.

Sectors: agr = agriculture; pu = public utilities; gov = government services; min = mining; man = manufacturing; cons = construction; tsc = trade services; oth = other personal services; bus = business services; wrt = wholesale and retail trade services

Source: Authors' calculations based on GGDC database.

# Urbanization is associated with higher shares of employment in services

Urbanization and share of service employment in total employment (2015)



# Technology and Jobs in Services

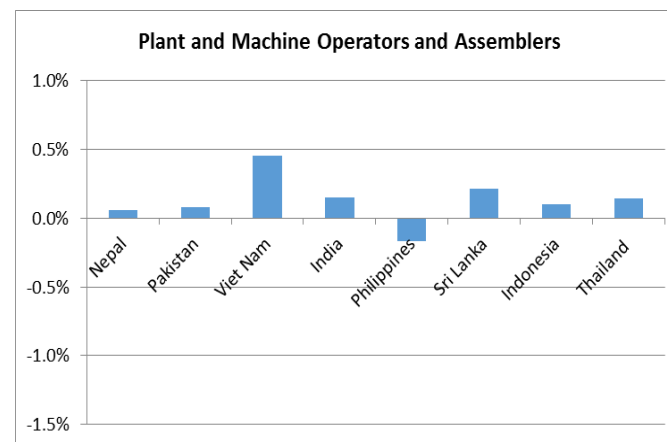
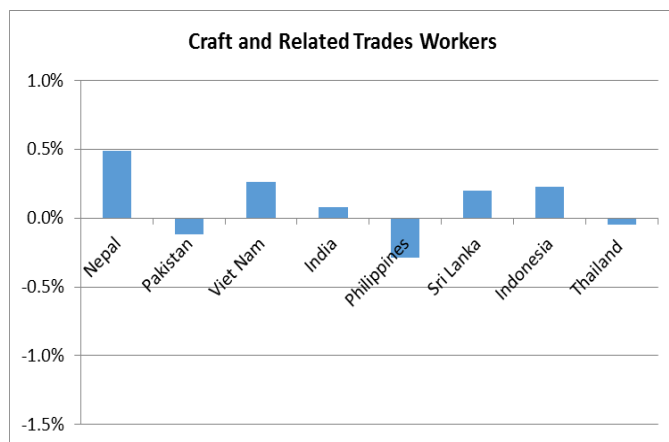
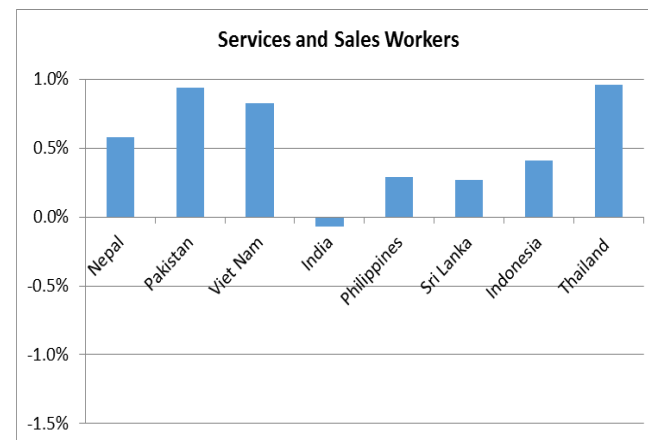
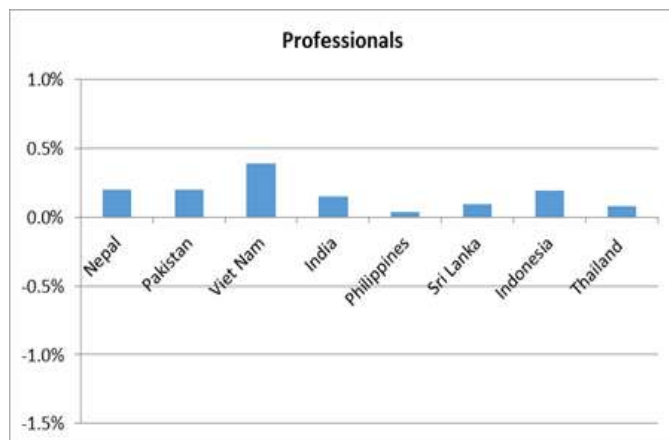


# New technology → export of services

- **Digitization** has allowed for productivity growth in services, which previously was not possible (Eichengreen and Gupta, 2011).
- This is the case with **modern services**: financial, communication, computer, legal, advertising and business services.
- Ghani and O'Connell (2014) find: services are the fastest growing component of trade; growth in service exports in developing economies have exceeded that of advanced countries.

# Jobs in services have grown across developing Asia

## Annual change in employment shares of occupations, selected Asian countries



Notes: Nepal (1998-2008), Pakistan (2002-2013), Viet Nam (2002-2013), India (2000-2012), Philippines (2001-2013), Sri Lanka (2004-2014), Indonesia (2000-2014), Thailand (2000-2010). Source: Calculations using LFS data.

# Technology leads to new occupations, which tend to be in non-routine cognitive category

Distribution of New Occupations by Job Type



\* Computer Aided Manufacturing

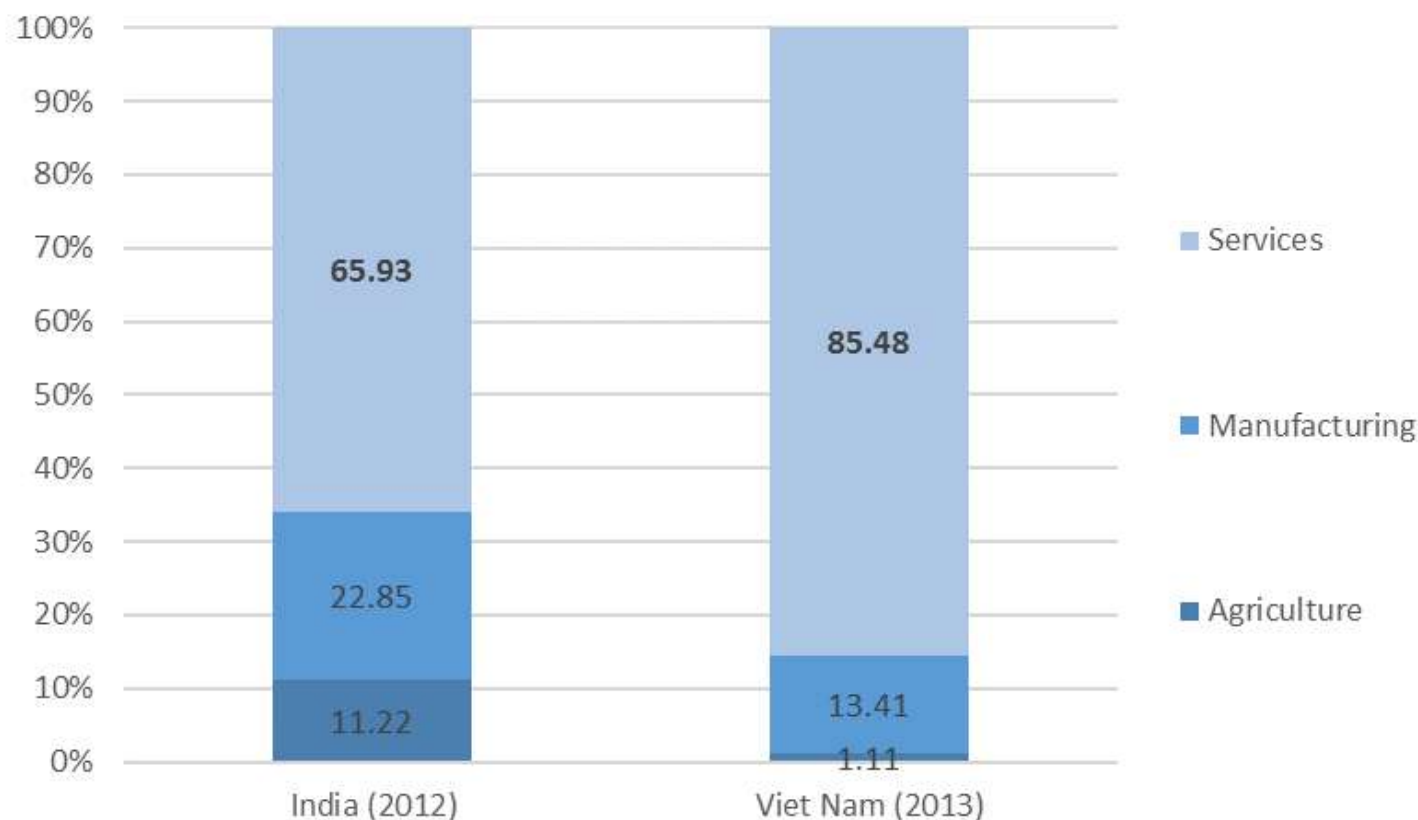
Left: Percentages refer to share of new job titles

Below: New job titles, various time periods

	Total No. of Job Titles (latest year)	No. of New Job Titles	Share of New Job Titles
India 2004-2015	3,600	120	3.33%
Malaysia 1998-2008	2,338	28	1.20%
Philippines 1990-2012	3,698	42	1.14%

# New occupations are mostly in services: Evidence from India and Viet Nam

Figure: Share of new occupations by broad sectors



Notes: In case of India, the total number of people employed in new occupations is 15.2 million, while in case of Viet Nam it is slightly less than a million.

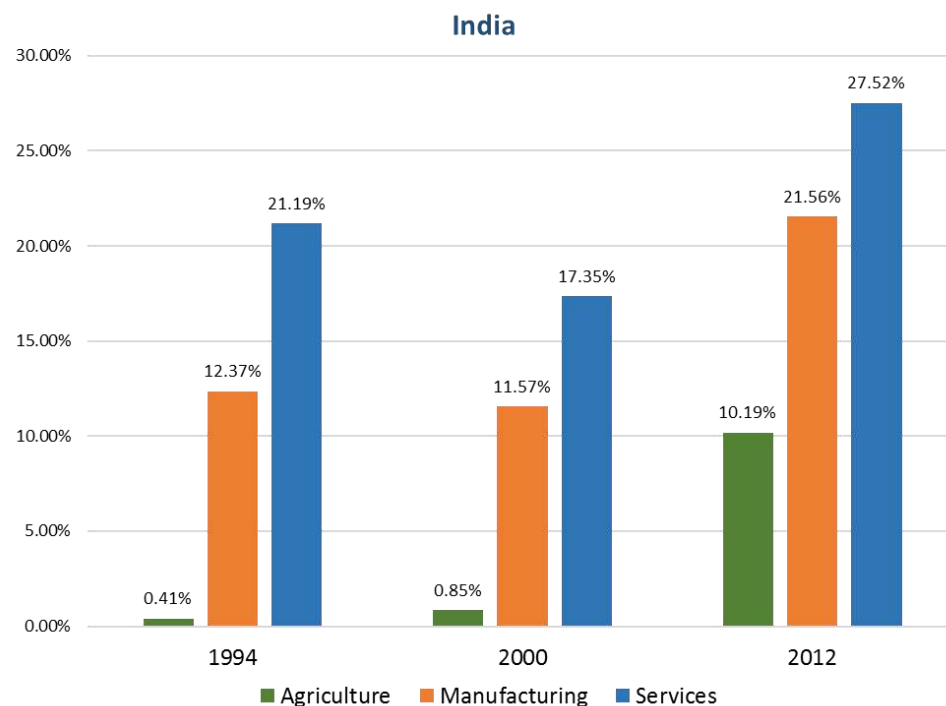
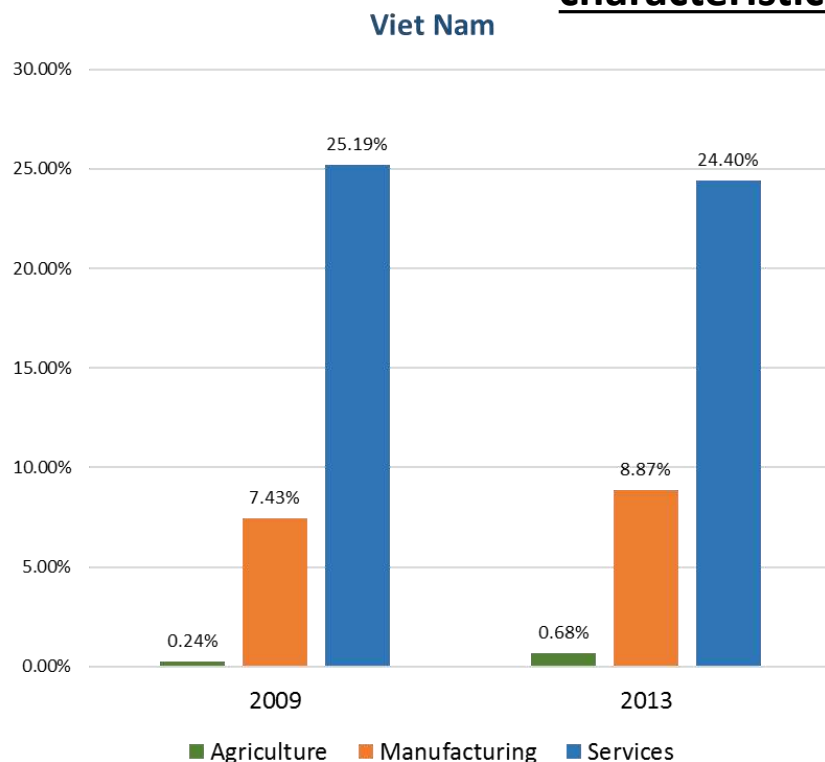
Source: Flaminiano, Khatiwada and Veloso (forthcoming).

# Probability of entering into new work is higher for workers' in services

**Viet Nam:** Male, College-educated, Urban-dweller, Single, Age 25-34

**India:** Male, College-educated, Urban-dweller, Single, Age 35-44

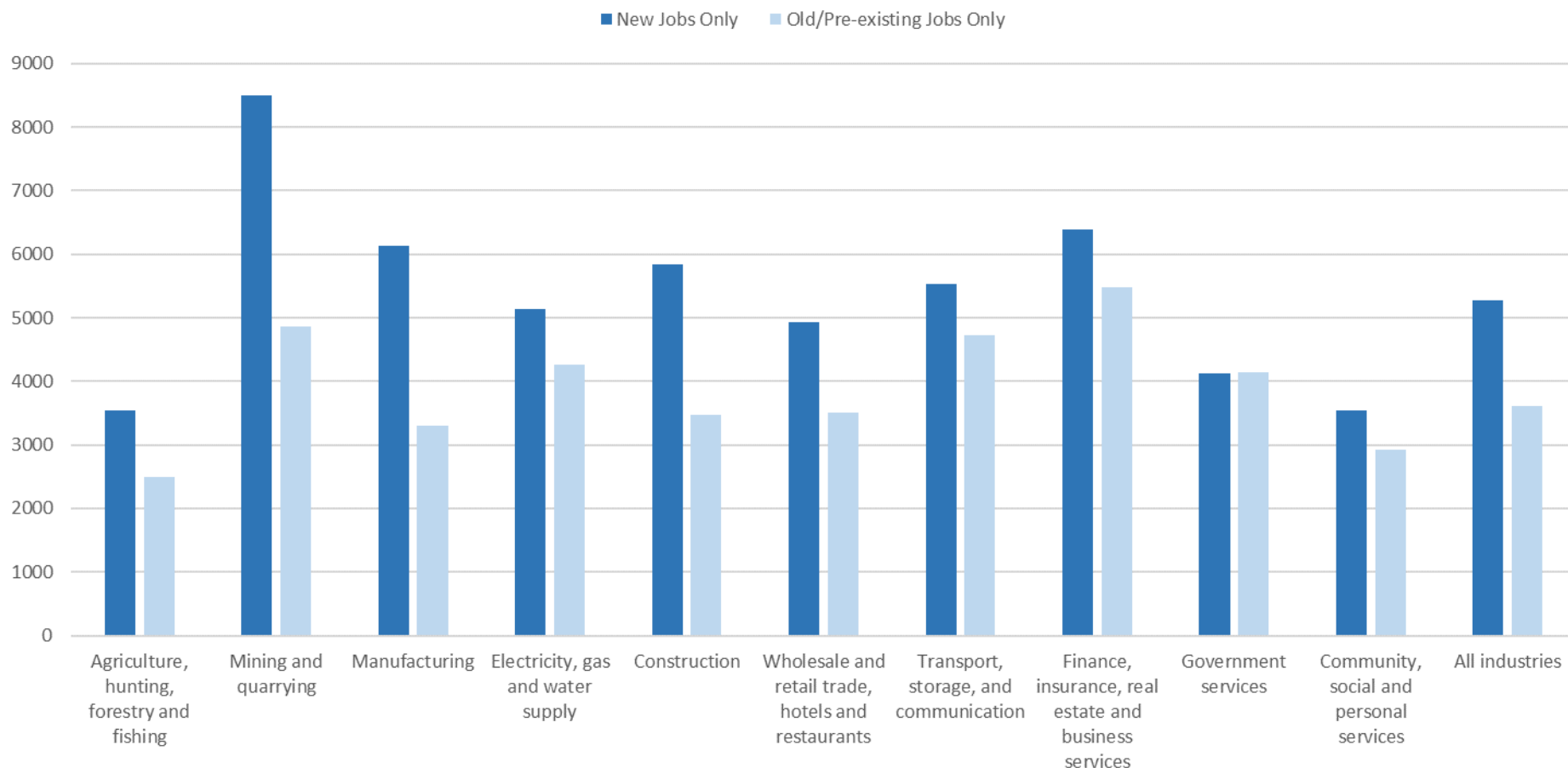
**The predicted probabilities of selecting into emerging occupations given the characteristics above are the following:**



Source: Flaminiano, Khatiwada and Veloso (forthcoming).

# New jobs also pay better than old jobs

**Average monthly wages in new vs. old work in Viet Nam (in VND)**

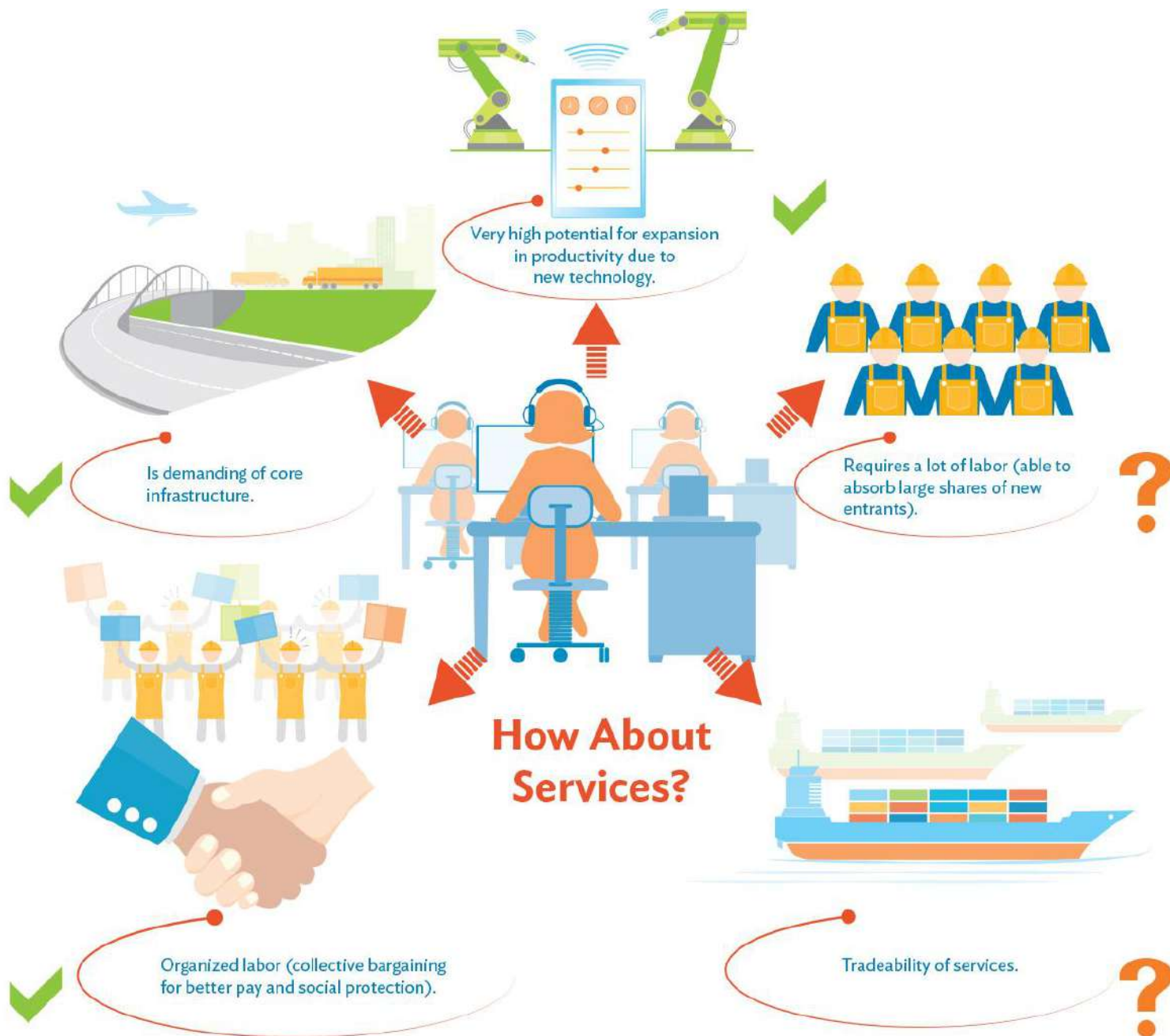


Source: Flaminiano, Khatiwada and Veloso (forthcoming).

# Challenges for Decent Work







## Fast growing services such as BPOs have limited linkages to the rest of the economy

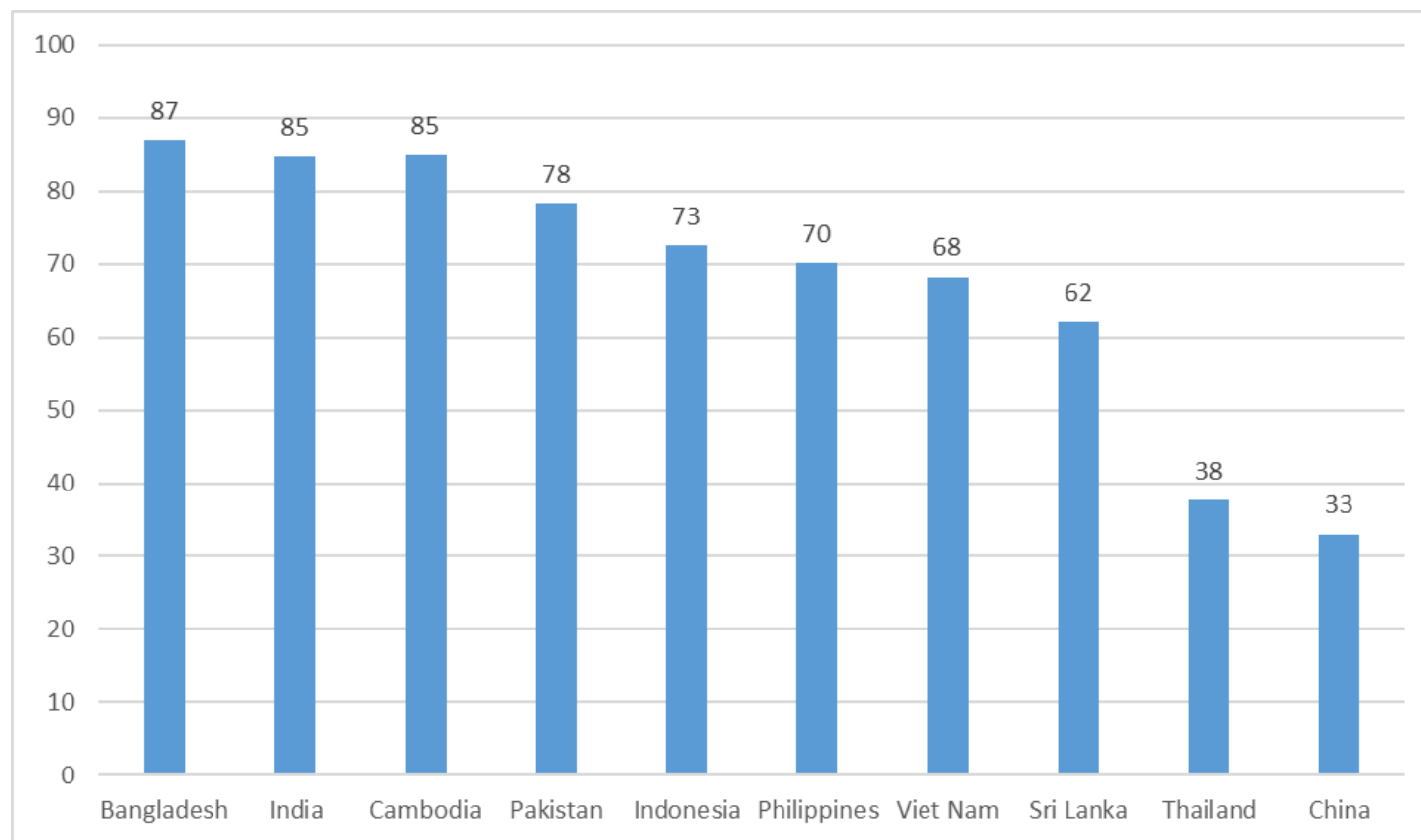


A study commissioned by the ADB found that the BPO industry in the Philippines has limited inter-sectoral linkages (Magtibay-Ramos et al, 2007):

- Out of the 240 sectors studied, **the BPO sector ranked 138<sup>th</sup> in terms of forward linkages** → tour and travel agencies, wholesale and retail trade and banking.
- It ranked **178<sup>th</sup> in terms of backward linkages** ← banking, electricity and communication.

# Informal employment is prevalent across Asia

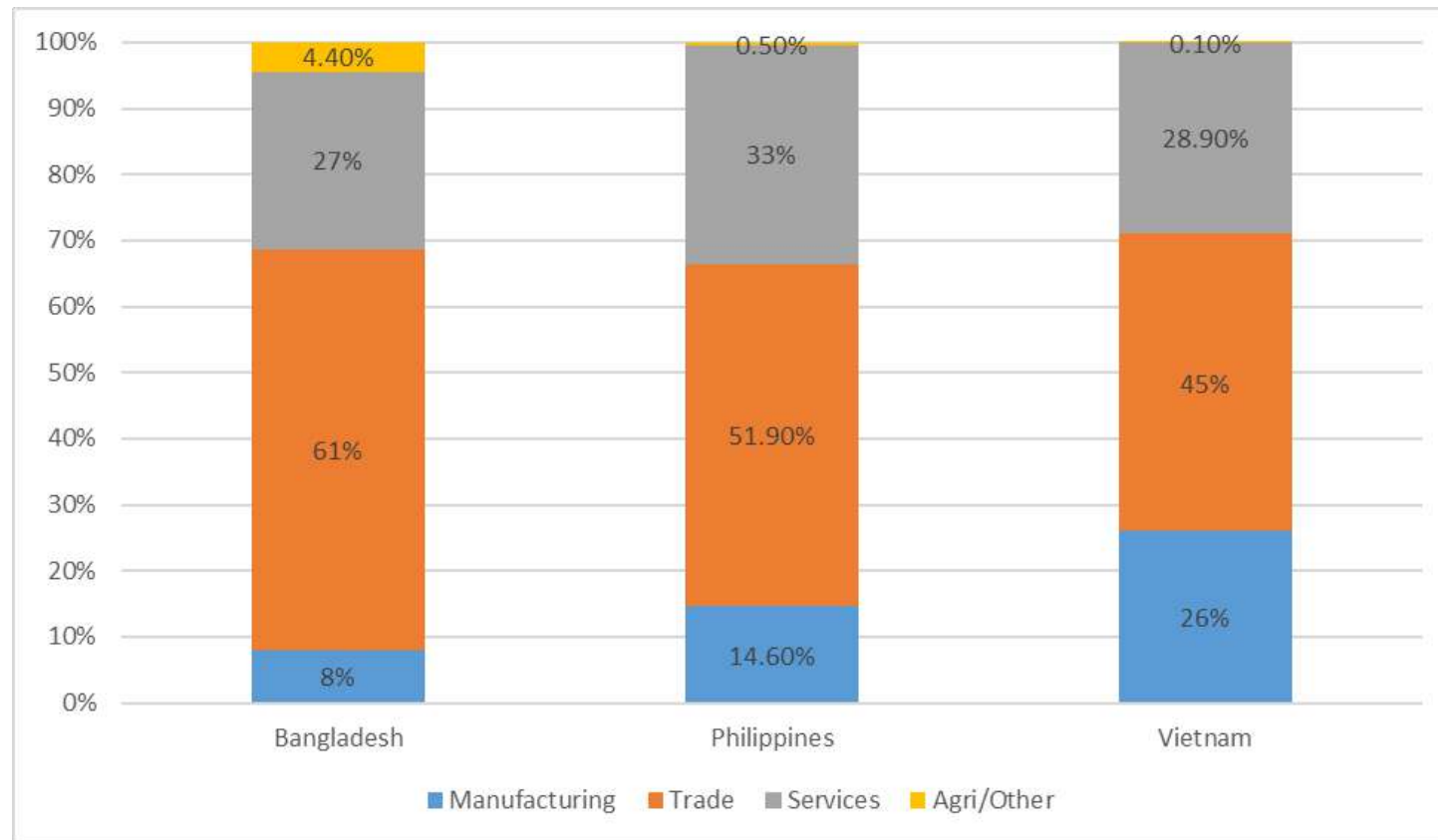
Informal employment as a share of total non-agricultural employment (%)



Source: Latest year available from the ILO statistics, 2018. China figure is from ILO statistics, 2015, and based only on six urban cities. Bangladesh is from ILO Bangladesh based on LFS (2010). Cambodia is from ILO (2006).

# Informal employment is mostly comprised of jobs in services

Sector distribution of micro-enterprises (%)

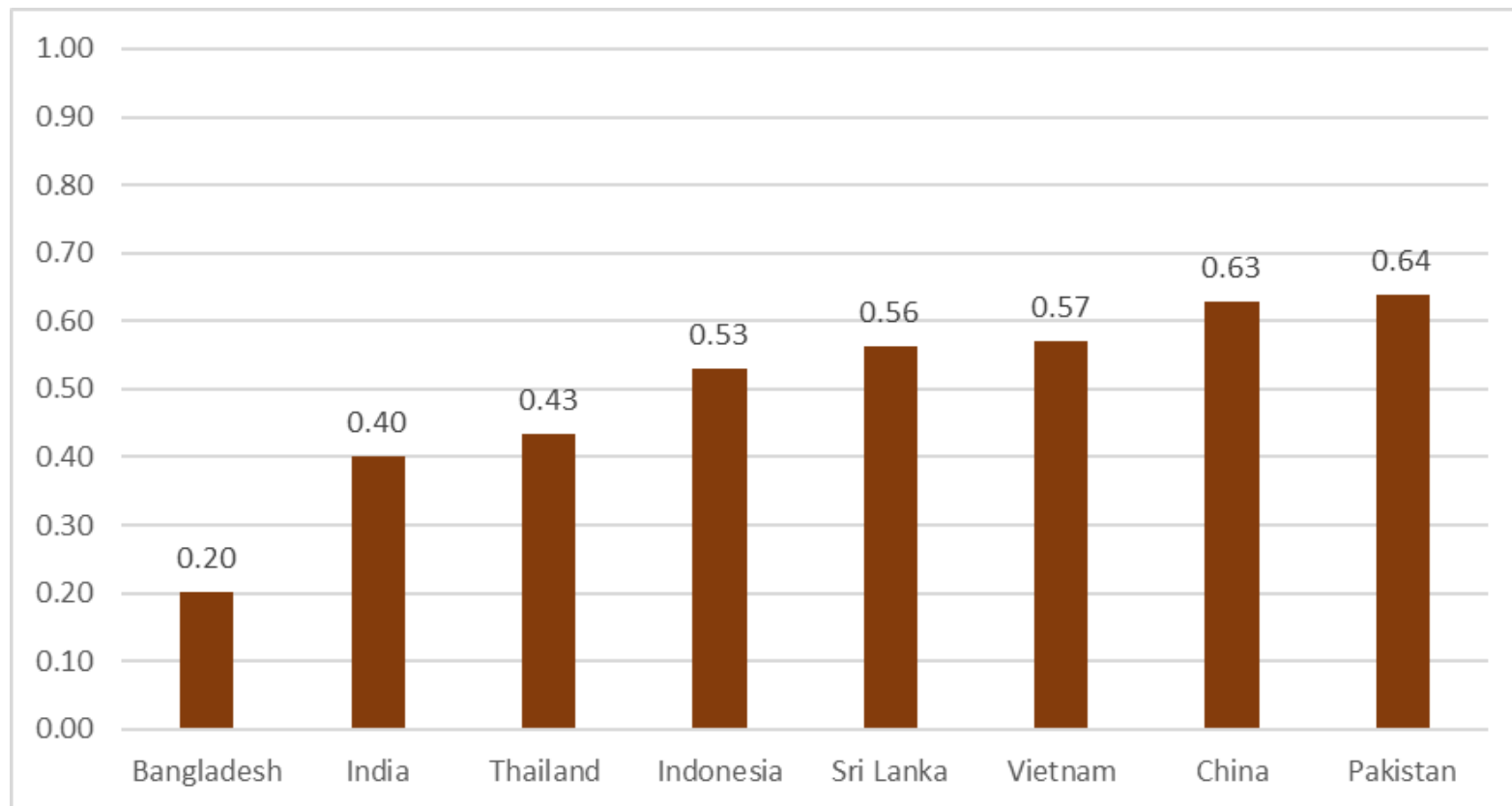


Notes: Trade refers to whole sale and retail services.

Source: MSME Country Indicators Database 2014, Latest Year Available (SME Finance).

# Where average wage tends to be lower than the formal sector

Informal to formal to monthly wage ratio, various years



Notes: Indonesian figures are based on 2009 Yogyakarta and Banten wages.

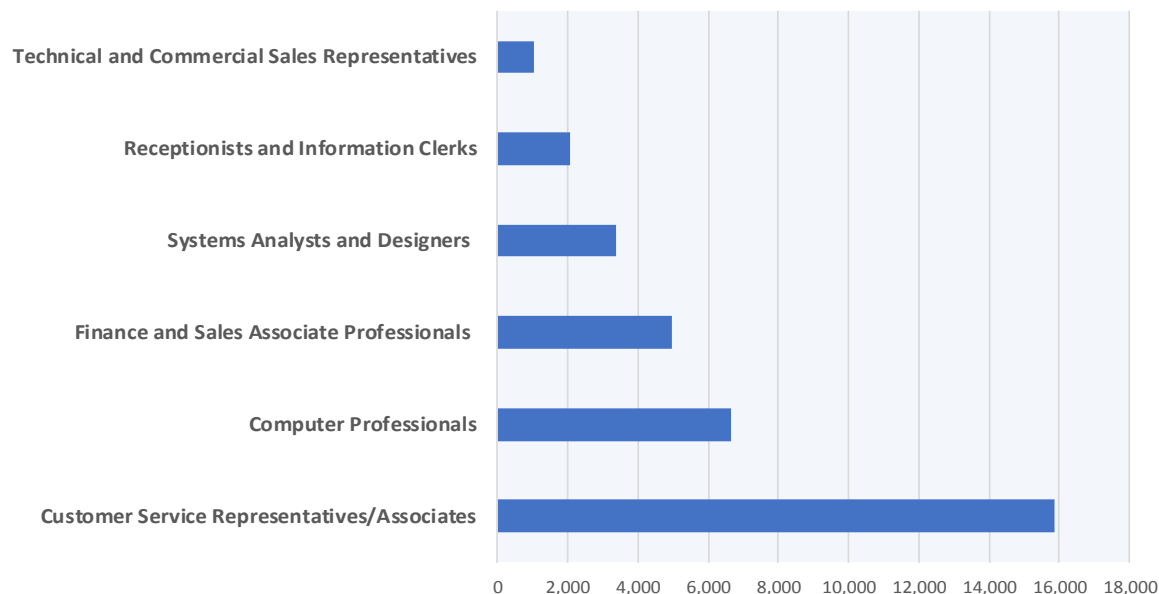
Sources: Irfan (2008) for Pakistan, Guifu & Shigeyuki (2009) for China, Viet (2010) for Vietnam, Gunatilaka (2008) for Sri Lanka, ADB (2011) for Indonesia, Dasgupta et al. (2015) for Thailand, and Unni (2005) for India.

# More productive and better paid service jobs require higher skilled workforce



- Higher skilled workforce is scarce in developing countries.
- Tradeable services can absorb only a fraction of labour supply in these countries (Rodrik, 2014; Felipe and Mehta, 2016).
- Market size is usually limited by domestic demand (Rodrik, 2014)

# Case in point: difficulty in filling BPO jobs in the Philippines



**Left panel: Top hard-to-fill vacancies in IT-BPO, most recent year**

**Right panel: Top 10 most hired Philippine occupations on LinkedIn, most recent year**

		BPO related
1	Sales Professional	Yes
2	Software Developer	Yes
3	Customer Service Specialist	Yes
4	Marketing Specialist	Not clear
5	Administrative Manager	Not clear
6	Recruiter	Yes
7	IT Support	Yes
8	Human Resources	Yes
9	IT Consultant	Yes
10	Accountant	Yes

# Conclusion

1. What are good jobs? **One that pays a living wage rate.**
2. Are there good jobs in services? **Yes, but not nearly enough.**
3. What are the drivers of good jobs? **Within sector productivity gains, structural transformation**
4. How is technology changing services? **More and better jobs are being created due to new technology**
5. What are the challenges for decent work in services? **Adequate good jobs, informality, lack of skilled workforce**