



COVID-19 AND THE CHALLENGE OF MEETING THE SDGS: REFLECTIONS ON DEVELOPING ASIA

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COVID-19 and challenges to the Sustainable Development Goals

Australia's neighbours in developing Asia¹—stretching from East to South Asia as well as the Pacific Islands—have not escaped the pernicious imprint of COVID-19. Based on the well-known global data tracker maintained by John Hopkins University, three South Asian countries (India, Pakistan, Bangladesh) are in the unenviable position of being part of the “top thirty” with the highest number of infections.² India now has the world's second largest number of cases and the highest number of deaths after the United States and Brazil.

All countries, whether they are in Asia or elsewhere, have had to cope with the malevolent consequences of an insidious public health crisis. As mobility restrictions and workplace closures were imposed in countries of the Asian region in a bid to suppress the spread of COVID-19, economic contractions ensued with great speed. Thus, both lives and livelihoods were lost. The poor and vulnerable—encompassing those who toil away in the informal sector—were badly hit. They are the ones who rely heavily on daily earnings to make a living. Hence, mobility restrictions affected them most. At the same time, inadequately paid front-line workers in health delivery, aged care, cleaning, and sanitation services, who are often women, bore the burden of providing the essential support that is needed during a public health crisis.

COVID-19 has posed a serious threat to the livelihoods of migrant workers as job opportunities shrink in labour-importing regions, such as the Gulf States, as well as major urban centres within Asian countries due to workplace closures. At the same time, the pandemic has posed a threat to the macroeconomic stability of countries, such as Bangladesh, Nepal, and the Philippines, that rely significantly on remittances. Projections suggest that migration-driven remittances could decline by 20 per cent over the course of this year.³

The persistence of COVID-19 has posed a major challenge to the attainment of the United Nations Sustainable Development Goals (SDGs). By disrupting economic activities and destroying livelihoods, the current global pandemic has raised considerable concerns about the ability of countries across the world, including those in Asia, to reach goals and targets specified in the SDGs.

But despite the likely increase in poverty and inequality in the Asian region because of the current pandemic, it is possible to temper and reverse these deleterious trends in the long run. This will require a commitment to comprehensive policies and programs that can pave the way for a fairer post-COVID future. Australia has an important role to play in this critical endeavour.

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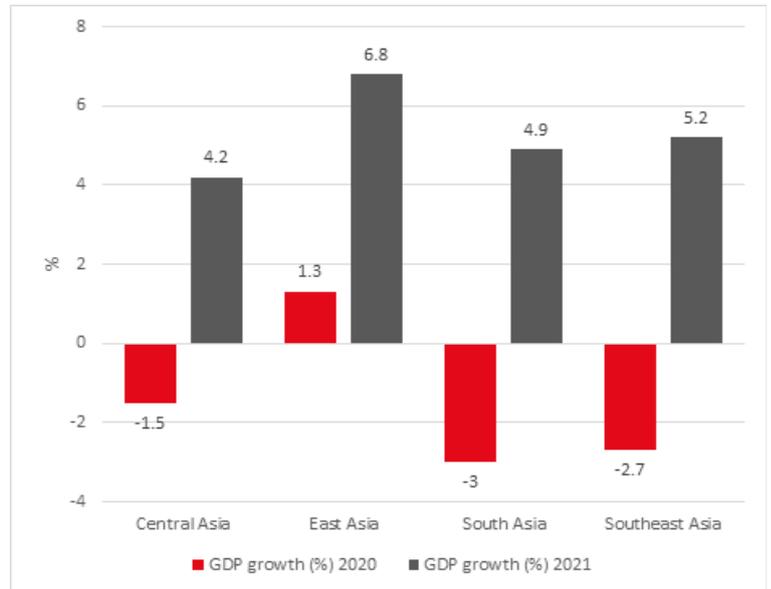


The impact of COVID-19 on economic growth and the labour market: Issues, evidence, and implications

The current global pandemic joins a gruesome list of 15 public health crises since the 14th century in which at least 100,000 fatalities occurred.⁴ Its impact on economic growth across many parts of the world is probably the most severe easily surpassing the Great Recession of 2008-2009. In the case of developing Asia, there is considerable diversity in terms of the impact of COVID-19 on economic growth.

As Figure 1 shows, South Asia is the worst-hit sub region closely followed by South East Asia. Gross domestic profit (GDP) is expected to decline substantially in East Asia, but the sub-region will still be able to post a modest growth rate in 2020. All parts of Asia are expected to stage a solid recovery by 2021.

Figure 1: Projected GDP growth, 2020 and 2021



Source: Derived from Asian Development Bank.²¹



GDP as a metric exercises a strong hold on governments across the world. Yet, during economic downturns, it cannot adequately capture the stresses and strains experienced by ordinary workers and their families. This is where labour market indicators impart valuable information.

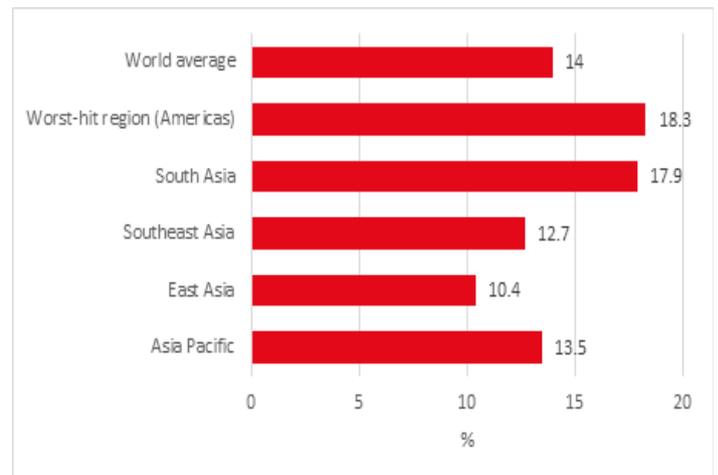
The International Labour Organization (ILO) has constructed a global and regional monitor that measures and projects loss of working hours and reduced employment opportunities due to workplace closures and other forms of mobility restrictions. An added advantage of this framework is that the available data is disaggregated by gender enabling us to assess whether women experience deleterious labour market consequences relative to men.

The ILO, in its latest estimates, concludes that ‘... the vast majority, namely, 93 per cent, of the world’s workers continue to reside in countries with workplace closure measures of some kind still in force.’⁵ This has translated into substantial loss of working hours. Global estimates suggest that, in the second quarter of June, there was a 14 per cent reduction in working hours which is equivalent to 400 million full-time jobs.

Figure 2 shows how the Asia-Pacific region fares relative to the rest of the world and the worst-hit region (the Americas).

The reduction in working time in the Asia-Pacific is just below the global average and well below the worst-hit region of the Americas. On the other hand, given that the region contains some of the most populous countries in the world, and hence the largest number of workers in the world, a disproportionate share of the decline in working hours across countries can be attributed to the Asia-Pacific countries. Furthermore, there are significant intra-regional variations in the decline in working-time. Once again, South Asia fares poorly relative to East Asia, with its decline in working time almost at par with the worst-hit region in the world.

Figure 2: Reduction in working hours (%), second quarter 2020 due to workplace closure



Source: Derived from ILO.²²





COVID-19 and gender dimensions of the labour market

As noted, the ILO global and regional monitor provides gender-disaggregated data. This enables us to explore whether women have been disproportionately affected relative to men. Provisional estimates suggest that this is indeed the case. Data from the latest labour surveys in a number of countries that include three from the Asia-Pacific region (Australia, Japan, South Korea) show that the decline in employment in April and May 2020 vis-à-vis the same period in 2019 has been substantially higher for women relative to men. Decades of progress that have been made towards attaining the goal of gender equality are thus under threat.⁶

The disproportionate impact of COVID-19 on women stem from gender-specific occupational and sectoral profiles. Women tend to be overrepresented in sectors and occupations that have suffered the most from containment measures, such as accommodation and wholesale and retail trade, and domestic work. For example, in South East Asia, well over 40 per cent of women are employed in the hard-hit sectors.⁷ At the same time, health care and the social sectors have required an increased presence of front-line workers who are mainly women. The burden of unpaid care work, which is borne largely by women, has intensified during the pandemic. This is due to children being withdrawn from school and the increased attention that needs to be directed towards elderly members of households, given their vulnerability to COVID-19.

COVID-19 and the digital divide

There is another way in which COVID-19 appears to have exposed entrenched inequalities in countries around the world.⁸ Many enterprises and individual entrepreneurs have circumvented the constraints of workplace closures by engaging in teleworking. An evaluation based on a sample of 35 countries (which includes several Asian economies) suggest that such an opportunity is available to a cohort that is relatively well educated, endowed with a high degree of digital literacy and with good access to digital infrastructure. Those who are deprived of teleworking facilities are inadequately educated, lack adequate digital literacy, and have insufficient access to good quality digital infrastructure.

Furthermore, they work in areas and activities that require on-site presence, even in so-called digitally enabled service delivery sectors, such as ridesharing. Thus, some already well-off groups in the workforce can protect their living standards in the presence of a global pandemic, while others—probably about 15 per cent of the workforce in the 35 countries—cannot. They are exposed to the high risk of layoffs and furlough. Hence, pre-existing educational and digital divide can exacerbate inequality by altering work arrangements in a way that favours the few at the expense of others.





The SDGs framework on poverty and inequality: Implications for developing Asia

The SDGs represent a comprehensive framework for guiding both rich and poor nations in their common quest to build a fair and inclusive global community. Of its 17 goals and hundreds of targets and indicators, I highlight a very small number of goals, targets and indicators that are germane to the issues covered in this chapter. See Box 1 and 2.⁹

Box 1

SDGs and poverty—three propositions

1. By 2030, eradicate extreme poverty for all people everywhere, currently measured as people living on less than \$1.25 a day.
2. Implement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable.
3. Ensure significant mobilisation of resources from a variety of sources, including through enhanced development cooperation, in order to provide adequate and predictable means for developing countries, in particular least developed countries, to implement programmes and policies to end poverty in all its dimensions.

Box 2

SDGs and inequality—two propositions

1. Adopt policies, especially fiscal, wage and social protection policies, and progressively achieve greater equality.
2. Facilitate orderly, safe, regular, and responsible migration and mobility of people, including through the implementation of planned and well-managed migration policies.

The three propositions listed in Box 1 need to be re-examined given the onset and persistence of the current global pandemic. Can extreme poverty in developing Asia be eradicated by 2030?

There is no clear-cut answer given that the impact of COVID-19 on poverty is subject to a wide range of estimates that rely on alternative assumptions pertaining to 1) the expected decline in GDP; 2) the evolution of inequality as measured by the Gini Ratio; and 3) the international poverty line (IPL) that is used. The alternative scenarios are illustrated in Figure 3 using an updated international poverty line.

If there is a modest decline in GDP, if inequality remains constant, and if the updated international poverty line (now USD 1.90 per day) is used, then this is the best-case scenario. Global poverty—and, by implication, poverty in Asia—will hardly change.

If on the other hand, the GDP decline is severe, and if at the same time, inequality rises sharply, then poverty could rise by more than four percentage points reversing decades of progress in poverty reduction in Asia and elsewhere.



The above scenarios can be repeated for alternative IPLs (USD 3.20 per day that is applicable to lower middle-income economies; USD 5.50 per day that is applicable to upper middle-income economies). The worst outcome happens when an IPL of USD 3.30 per day is used. In that case global poverty can increase by more than six percentage points assuming that there is a severe decline in GDP and a sharp rise in inequality.

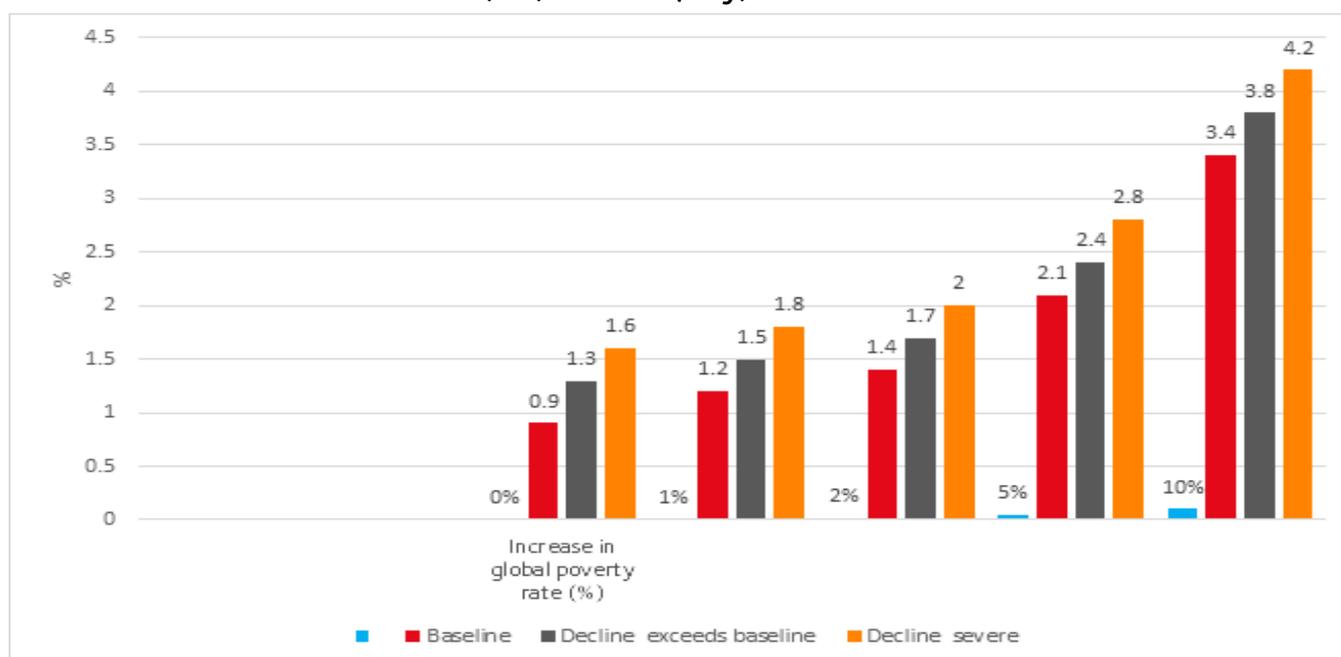
In absolute terms, poverty is expected to rise between 32 and 102 million in South Asia and between 4 and 63 million in East Asia and Pacific.¹⁰ These are admittedly rather wide ranges reflecting the highly uncertain nature of economic and social changes that lie ahead.

These hypothetical scenarios highlight the critical role that inequality plays in attaining the core goal of eradicating extreme poverty by 2030. They reinforce that seeking to eliminate extreme poverty in Asia and elsewhere through growth alone will not be sufficient.¹¹ The most efficient way is to employ a range of policies that can reduce inequality. This is the subject of the ensuing discussion.

The two propositions on inequality in Box 2 and the three propositions in Box 1 are inter-linked. Eliminating extreme poverty and reducing inequality require a common set of policies. Most notable is the need for expanding social protection systems across developing Asia. Such systems—entailing conditional and unconditional income and in-kind transfers to all who need them combined with active labour market policies that focus on training and re-skilling—can protect individuals and households from unforeseen contingencies (such as the current pandemic). They can also prevent vulnerable groups from remaining mired in chronic poverty and enable them to invest in human development.

Many Asian countries have underinvested in social protection policies. Apart from some high-income Asian economies, and those with a socialist legacy, both the level of social protection benefits and coverage, are rather modest.¹²

Figure 3: Projected increase in global poverty based on alternative combinations of expected GDP decline and rise in Gini Index (IPL, USD1.90/day)



Note: Blue column shows assumed increase in Gini index, while the other columns show impact on global poverty given assumed decline in GDP/increase in Gini. Source: Derived from the World Bank.²³



The value of expanding existing social protection systems to cope with a public health crisis has been amply demonstrated in OECD countries. In Australia, for example, a time-bound and substantial expansion of unemployment benefits has, according to one major evaluation, reduced poverty despite rising unemployment and economic turmoil.¹³ Similar results have been reported for the United States.¹⁴

Wage policies have also been effectively deployed in Australia and other high-income OECD countries. They have taken the form of wage subsidies to discourage firms to implement large-scale layoffs. In general, various countries, including those in Asia, have amassed around USD 9 trillion in terms of fiscal assistance to the individuals, households, and enterprises.¹⁵ Central banks too have stepped in with record low policy rates and unprecedented access to liquidity.

In sum, forced by extraordinary circumstances, governments in Asia and elsewhere have undertaken extraordinary measures. They have, by default, rather than by design, heeded the exhortation in the SDGs framework to deploy a wide range of “fiscal, wage, and social protection policies” to stave off the deleterious impact of a pernicious pandemic on poverty and inequality. The challenge now is to make the transition to a long-term and sustainable configuration of policies that seek to eradicate extreme poverty and to temper inequality.

There are several additional issues that are germane to the discussion of responding to the aspiration of eliminating extreme poverty and attenuating inequality. First, any post-COVID agenda of tackling entrenched inequality would be incomplete without a renewed commitment to promoting gender equality, especially



given the harsh reality that the pandemic has badly affected women. Some ASEAN economies (notably the Philippines, Thailand and Vietnam) have made commendable progress in eliminating the gender pay gap, but female labour force participation (FLFPR) still remains low (below 50 per cent) in quite a few cases (such as Malaysia and Philippines).¹⁶ A major evaluation has shown that boosting FLFPR can significantly boost GDP.¹⁷

Second, the precarious position of migrant workers must be considered in any strategy of inclusive growth. This includes rural-urban migrants within countries as well as those who seek to make a living overseas. Both forms of migration are vital to the vitality of Asian countries.¹⁸ The sad experience of India has shown how failing to anticipate the harsh consequences of rural-urban migrants in lockdown and containment policies to deal with COVID-19 can worsen the living standards of a large and vulnerable group.¹⁹ Hence, the critical relevance

of “planned and well-managed migration policies” as proclaimed in the SDGs (Box 2) cannot be overstated.

Third, the attenuation of the digital divide in Asia is pivotal in paving the way for an innovation-driven and fairer future. Evidence compiled by the International Telecommunications Union suggest that, apart from a few high-income countries in the region, most of Asia rank poorly in terms of an aggregate index of ‘ICT development’.²⁰

Finally, any post-COVID strategy should be tethered to a sustainable financing strategy entailing a combination of adequate domestic revenue mobilization and enhanced development assistance. This is in line with the proclamation in the SDGs (see Box 2). Here too there is a long way to go.



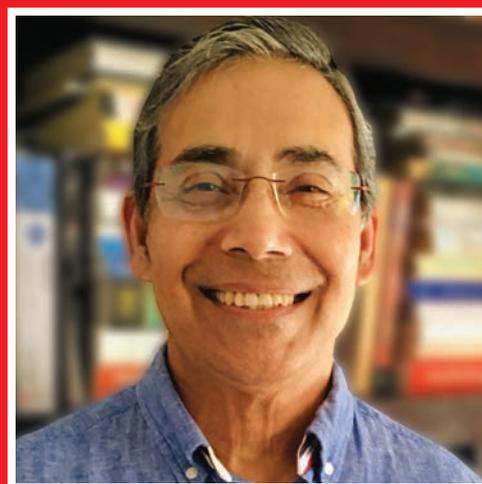
Conclusion

It is possible to look beyond the doom and gloom of the current pandemic and identify scenarios in which the SDGs are a reality, rather than a mere collection of aspirational statements. In this respect, Australia has an important role to play. As one of the richest nations in the world, and as a significant provider of development assistance, especially to its Asian neighbours, Australia can play a major role as a global citizen. This would mean enhancing its commitment to the SDGs as well as development assistance. This would mean assuming a leadership role in the realm of ideas about an inclusive and equitable post-COVID future.

Peace and prosperity in Australia cannot be disconnected from peace and prosperity in developing Asia.

Notes and references

1. The term 'developing Asia' draws on the Asian Development Bank's regional membership of 49 countries encompassing all parts of Asia plus the Pacific Islands. Of the 49 countries, four, including Australia, belong to the high-income OECD group, two are non-OECD high income countries, 12 are Pacific Island states, nine belong to Central Asia and the South Caucasus.
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