



Employment transition in ASEAN and East Asia

Terms of reference

Background

Lower- and middle-income countries are undergoing rapid changes in the structure of economic activity due to global megatrends such as supply chain reorganization, shifting trade patterns, technological proliferation, and sustainability transition, requiring reallocation of workers towards growth sectors. While employment transitions occur organically over long periods during the process of economic growth, the rapid pace of economic change due to multiple forces has necessitated quicker adjustment in the labor market.

Employment transition refers to the process of individuals moving from one stage or type of employment to another, such as entering the workforce for the first time, changing jobs or careers (including adapting to new roles or industries), moving from unemployment to employment, transitioning from temporary to permanent work, moving across formal/informal divide, or retiring from the workforce. Cost of employment transition is heterogenous: some transitions require a few adjustments for workers in terms of skills, while others comprise a more drastic reskilling or upskilling. Some transitions may also require relocation, adding to the transition cost.

From a theoretical perspective, employment transition takes place when transition costs are more than compensated by transition benefit which comprises of higher wages and greater employment probability. Both transition cost and transition benefit have internal dynamics – both could fall as more workers transition. Transition benefits and costs are also affected by external economic conditions, including product market competition, characteristics of upstream and downstream industries, as well as characteristics of labor market institutions. In a well-functioning labor market, transition occurs until the net benefit from transition becomes zero, and the economy reaches a new equilibrium. But in many cases, there are policy or institutional barriers to complete or smooth transition, which prevents the economy from achieving allocative efficiency and lowers aggregate productivity.

For policymakers, it is important to understand how efficiently the labor market enables workers to move to sectors and locations with higher growth potential, and based on



this understanding, to enact reforms that would ensure smooth transition. Some policy factors to consider include employment policies, effective education and training institutions, labor market information system, etc.

Objective

The objective of this project is to better understand the process of employment transition in low- and middle-income countries participating in the East Asia Summit (Cambodia, China, India, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Thailand, and Viet Nam) to provide policy recommendations on how to support employment transition during period of rapid economic changes. The project comprises of several research studies that will examine issues relevant to the theme.

Deliverables

Progress report

The progress report will provide an update on the progress of the research. It should expand on the research proposal and add additional information and clarification, based on discussion with the ERIA project coordinator.

Workshop participation

The study team will also participate in two workshops organized by ERIA. The purpose of the workshops is to obtain feedback from other project members on the research. One author from each study team will present their study and serve as a discussant of another paper assigned by the project coordinator. Depending on the number of participants, the workshop may last one or two days.

Research paper

Each study will produce a publication-quality research paper. The approximate length of the paper should be around 10,000 words and use ERIA Discussion Paper template. Throughout the project duration, each study will submit draft versions of the paper as indicated in the timeline below. The first draft should include motivation, literature review, theoretical framework, data analysis and preliminary results. The second draft should incorporate the feedback received during the first workshop and include the full set of results and policy recommendations. The final draft will be the full research paper. It will go through ERIA's internal editing process before. For final submission, the authors will respond to queries from the editor.

Policy brief

Each study will produce a 2-page research note, summarizing the research's findings and providing policy recommendations to enhance employment transition. The policy



recommendations are expected to be as specific and actionable as possible while being supported by empirical evidence from the research.

Project timeline

Date	Milestones and/or activities
Oct 30, 2024	Proposal selection completed
Nov 30, 2024	Research contract issued, commencement of research activities
Dec 01, 2024	Project inception meeting (virtual)
Jan 30, 2024	Progress report
Mar 30, 2025	1st draft of paper
Apr xx, 2025	1 st project workshop (ERIA office, Jakarta) [Date TBD]
Jul 30, 2025	2 nd draft of paper
Aug xx, 2025	2 nd project workshop [Location TBD] [Date TBD]
Sep 30, 2025	Final draft of paper and draft of policy brief (before editing and formatting by ERIA editors)
Nov 30, 2025	Final submission of paper and policy brief (responding to queries from ERIA editors) and policy recommendations
Dec 30, 2025	Publication as ERIA discussion paper (after editing)

* Project timeline is tentative and subject to change depending on project needs.

Remuneration

Each study will be provided a research honorarium of USD 8,000 will be provided in four installments as follows:

Installment	Amount (USD)
1 st installment (15%) – upon signing the research contract	1,200
2 nd installment (15%) – upon submission of progress report and approval by ERIA	1,200
3 rd installment (45%) – upon the completion of the 2 nd project workshop and approval by ERIA	3,600
4 th installment (25%) – upon the final submission (responding to queries from ERIA editors) and approval by ERIA	2,000

The cost of travel to attend ERIA-organized workshops will be covered by ERIA separately.