

First Supplementary Report: ILO activities in response to the financial crisis in East and South-East Asia

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(as at 10 August 1998)

Introduction

1. Following the onset of the financial crisis in East and South-East Asia in mid-1997, the ILO redirected its country-level activities in the member States affected by the crisis to make them responsive to the immediate social and economic consequences of the financial crisis. In some cases country objectives were reviewed. The means of action at its disposal, such as advisory services, research, regional, subregional and national meetings, operational activities, and the effective deployment of the ILO's own funding resources (RBTC) and human resources (multidisciplinary teams and expertise from technical departments at headquarters) were also reviewed. At the High-level Meeting on Social Responses to the Financial Crisis in East and South-East Asian Countries (Bangkok, 22-24 April 1998) the participating countries provided strategic guidelines for the ILO's work in Asia on the immediate, medium- and long-term responses to the underlying problems which contributed to the crisis or which the crisis had exacerbated.

2. This paper is intended to provide the Governing Body with an initial review of the work undertaken by the ILO to respond to the crisis since that meeting.¹ It focuses on three countries in particular (Indonesia, the Republic of Korea and Thailand) but also illustrates the main thrust of the ILO's work in China, the Special Administrative Region of Hong Kong, China, the Philippines, Malaysia and Viet Nam. In order to facilitate this review, the paper begins with a brief update on the evolution of the crisis itself and its social impact. It then provides information on the four main areas of the ILO's action taken in conjunction with governments, employers' and workers' organizations at the country level, and at the subregional and regional levels. Finally, the paper presents some indications of future ILO orientations to stimulate and support the Governing Body's discussion.

I. The crisis deepens

Duration and depth of the crisis

3. The technical report submitted to the ILO High-level Meeting on Social Responses to the Financial Crisis in East and South-East Asian Countries (Bangkok, 22-24 April 1998) indicated that 1998 would be a difficult year for East and South-East Asia. Now, based on regional performance in the second and third quarters of the year, estimates of the crisis are being reappraised for its depth, duration and extent. The IMF had projected in May 1998 an average contraction of 2.7 per cent in 1998 for Thailand, the Republic of Korea, Indonesia, and Malaysia, which it revised in September to 10.4 per cent. Projections of next year's positive growth of 2.5 per cent have also been scaled down to a near contraction. The crisis is coming to affect the entire region, with Singapore registering negative growth for the first time, Japan experiencing a 2-per-cent contraction, and projections for China for 1999 being revised downwards by 2 per cent; world economic growth is now projected to drop by 1 to 2 per cent in 1998. The social implications of the crisis have become enormous, with unemployment, underemployment, and poverty rising steeply.

Growth projections

¹ See also Report of the High-level Meeting on Social Responses to the Financial Crisis in East and South-East Asian Countries (Bangkok, 22-24 April 1998) submitted to the Governing Body in June 1998 (GB.274/4), and a brief note on the preparations for that meeting (GB.271/6 (Add.1)). The background paper for the meeting is available on the ILO's website.

4. The evolution of the crisis can be seen in Appendix I. Thailand has gone from 8 per cent growth in the second quarter of 1997 to a contraction of 4 per cent in the third quarter, a downturn of 12 per cent. In subsequent quarters, the contraction increases, with 16 per cent negative growth in the second quarter of 1998. The Thai economy is expected to contract by 8 per cent over 1998 and by 1 per cent in 1999, giving only low positive growth in 2000.

5. The financial and real economic impact reached Indonesia, the Republic of Korea, Malaysia, and Hong Kong, China two quarters after Thailand, in the first quarter of 1998. By the second quarter of 1998, the Indonesian economy had contracted the most, by 16 per cent, followed by the Korean and Malaysian economies contracting by 7 per cent, and the Hong Kong SAR economy contracting by 5 per cent. The Indonesian *rupiah* had bottomed out by September 1998, but equity markets are still falling. The projections in table 1 therefore estimate that the Indonesian economy will contract the most, by 15 per cent this year, and will be the last to recover of the affected economies, reaching positive growth only in 2001.

6. The economy of the Republic of Korea is following the trajectory of Thailand. Both the *won*, and the *baht* have recovered in the third quarter of 1998, as have equity prices in both countries, but with Thai asset prices falling most. The Republic of Korea is expected to contract by 8 per cent in 1998, and by 2 per cent in 1999, reaching only low positive growth in 2000.

7. Malaysia has opted for external payment controls to contain the effects of an expansionary fiscal and monetary policy on its external balances. The Malaysian *ringgit* and its equity prices had recovered by the third quarter of 1998. The Malaysian economy is projected to contract by 6 per cent over 1998, by 2 per cent in 1999, just reaching positive growth by 2000.

8. The contagion has spread to Hong Kong, China, Singapore and the Philippines. Hong Kong SAR's currency has not depreciated, but its equity prices dropped in the third quarter of 1998. Table 1 projects the Hong Kong economy to contract by 2 per cent over 1998, reaching positive growth only by 2000. In Singapore, both its currency and equity prices have dropped. Table 1 estimates that the Singapore economy will contract in 1998, and then recover to positive growth over the next three years. The Philippine economy had relatively weaker growth, and this has declined further over the first two quarters of 1998. While the *peso* recovered by the second quarter of 1998, equity prices kept falling and have just begun to bottom out in the third quarter. Projections of the Philippine economy give it just positive growth over 1998 in table 1.

9. Finally, the Japanese economy posted virtually zero growth over the first two quarters of 1998, and is expected to contract by 2 per cent over the whole year, a performance unprecedented in five decades. With its strong export links in the region, the Japanese economy has a strong impact on all these slumping economies.

Government economic policy and Bretton Woods programmes for recovery

10. The Republic of Korea, Indonesia and Thailand have moved into economic reform programmes with the IMF, with loan commitments of \$58 billion, \$42 billion and \$17 billion respectively. Common elements of the reform strategy are flexible exchange rates, tight monetary policy through higher interest rates, reduction of budgetary deficits, financial reform through closure of unviable institutions,

recapitalization, supervision, and improved governance through the severance of links between business and government.

11. The country reform programs are based on some specific elements. In Thailand 56 unviable finance companies have been closed, measures have been taken concerning the weakest banks, and the banking system has been recapitalized. To reduce the budgetary balance deficit to 3 per cent of GDP, reduce the current account deficit, and support financial restructuring costs, fiscal measures of 3 per cent of GDP are being proposed, including raising the VAT tax rate from 7 to 10 per cent.

12. In Indonesia, state banks are to be merged, and the financial system regulated. To reduce the budgetary deficit to 8.5 per cent of GDP, support financial restructuring, and reduce the current account deficit, fiscal measures of 1 per cent of GDP are being proposed, including raising the prices of electricity and petroleum, removal of VAT exemptions, cancelling 12 infrastructure projects, and revoking concessions for the national aeroplane and car projects.

13. In the Republic of Korea nine insolvent banks have been suspended, and two rescued. To reduce the budgetary deficit to 5 per cent of GDP, support costs of financial restructuring, and to reduce the current account deficit, fiscal measures of 2 per cent of GDP are proposed, including raising corporate, income, and VAT tax rates. A reduction of ties between government and conglomerates is planned.

14. The major impact of the reform packages has been the stabilization of the exchange rate. The Thai and Korean exchange rates have both appreciated by 20 per cent from their lows in the first quarter of 1998. The Indonesian *rupiah* had just started climbing in September. However, the observed simultaneity of the crisis in multiple markets -- currency, financial, and economic -- argues the need for reform in each of these markets.

15. The crisis was made possible by a number of financial and economic conditions that need redress. First, the erosion of competitiveness in labour-intensive products appreciated the exchange rate, and increased the trade deficit, prompting speculative attacks on the currency. Table 2 shows that the trade deficit has fallen, but this is only due to import compression, and not export expansion, which remains difficult given competitive devaluations in the region. Secondly, high capital inflows enabled not only the high exchange rate and current account deficit, but also high liquidity for an export response. However, the crisis outflow has not reversed, and currently low liquidity and the high opportunity cost of capital are not helping exports. Thirdly, the high capital inflows and moral hazard had created structural weaknesses in the banking system, with high risk strategies of borrowing unhedged foreign capital to invest in domestic currency, with short-term borrowing and long-term lending. Despite some measures, there is still a need for prudential regulations and for a reduction in the infected portfolio of the financial sector. Finally, the corporate sector was highly leveraged, with high debt equity ratios and governance problems of transparency. There remain doubts about the adequacy of the corporate reform measures and corporate viability, and investor confidence is low. This process of lowered output and compression of demand continues.

The extent of the social impact *Employment and wage rates*

16. The reversal of economic growth into contraction has had such a major impact on employment in these economies, that four quarters after the onset of the crisis unemployment is still increasing. As a result, the social crisis is defined by the loss in employment, which includes increases in total unemployment, retrenchment, underemployment and the informal sector, and reversals in occupational trends, wage cuts, and increasing poverty.

17. In Thailand, table 2 shows that there was virtually full employment in 1996, with a 2 per cent unemployment rate, and recourse to 1.5 million migrant workers. In 1997, the unemployment rate doubled, and over 1998 it is estimated to reach 9 per cent of a 34-million strong labour force, meaning 3 million unemployed. Even such large changes in unemployment can mean that the impact of the crisis is underestimated, since the unemployed will accept work at lower wages, and for lesser hours, which requires evaluation of retrenchment, underemployment, and wage cuts. Current estimates of seasonally adjusted retrenchment caused by the crisis alone are set at 0.8 million. Estimates of underemployment, defined as working under 20 hours per week, show an increase from 0.6 million (1.7 per cent of the labour force in 1997) to 1.5 million (4.6 per cent of the labour force in 1998). Real wages, which were growing positively, are expected to take an 8 per cent cut over 1998. Real income per earner is estimated to have dropped by 21 per cent due to the crisis. The sectors most strongly hit by the recession are trade, construction, restaurants and hotels, insurance, and finance. Table 2 projects that unemployment will have bottomed out in 1998, falling very slowly to 8 per cent, and 7 per cent in subsequent years. Real wages, however, are expected to fall by 4 per cent even in 1999, showing an upturn only in 2000.

18. In Indonesia, table 2 shows that while the pre-crisis growth rate had been very high, at 8 per cent, employment growth could not match the growth of the vast labour force of 90 million. The unemployment rate, already 8 per cent in 1996, hence increased to 10 per cent in 1997. Over 1998, the unemployment rate is estimated to increase to 16 per cent of a labour force of 95 million. The ILO estimates crisis-induced unemployment to be 10.8 million, comprising displaced workers (5.4 million) and new entrants (1.4 million). The sector with the highest job losses has been services with 37 per cent, followed by manufacturing with 25 per cent, construction with 19 per cent, trade and hotels with 10 per cent, transport with 6 per cent, and finance with 3 per cent. Retrenched workers have reduced formal-sector employment from 35 per cent to 30 per cent, taking refuge in the informal sector and in agriculture. No evidence has emerged as yet of any gender bias in this retrenchment. Estimates of Indonesian migrant labour in Malaysia and the Republic of Korea, affected by the crisis, range between 0.2 and 0.3 million. Finally, table 2 shows that unemployment is expected to increase further to 18 per cent of the 97 million labour force in 1999, giving 18 million unemployed before a downturn in rates in the following year.

19. In the Republic of Korea, table 2 shows that pre-crisis high growth had resulted in virtually full employment, with unemployment down to 2 per cent, emerging labour shortages, and very high real wage increases. With the crisis, as the economy slowed down in the last quarter of 1997, unemployment rose by 1 per cent, and over 1998 it is expected to triple to 9 per cent of its 22 million labour force, giving 2 million unemployed. Estimates of crisis-induced retrenchment for July 1998 show that, of total unemployment of 1.7 million, 1.5 million were retrenched workers with job experience, of whom 1.4 million had lost their job in the previous year. As a result, wage increases have slowed from their high of 7 per cent in 1996 to 4 per cent in 1997, and are expected to turn into cuts of 2 per cent over 1998. Table 2 projects

that unemployment levels will keep rising during 1999 to reach 11 per cent of the 23 million labour force, before they bottom out in 2000, but still high at 9 per cent, when real wage rate increases also just turn positive.

20. For Malaysia, table 2 shows that its very high growth rates had resulted in near full employment, with unemployment down to 2.5 per cent of its labour force of 9 million in the pre-crisis year. The crisis is projected to increase the unemployment rate to 6 per cent of a labour force of 9 million over 1998, giving 0.5 million unemployed. The very tight labour market had given high real wage increases of 6 per cent in 1996, but the crisis has now reduced real wages by 2 per cent. However, unemployment is projected to drop to 4 per cent by 1999, when wage cuts will bottom out.

21. For the Philippines, table 2 shows that the weak growth rates in the pre-crisis years had left unemployment high at 8 per cent. The crisis, still growing, has almost doubled unemployment in 1998 to 14 per cent of its 30 million labour force, giving 4 million unemployed. Real wage rates, which had been growing at 8 per cent before the crisis, are now facing cuts of 3 per cent. Moreover, as growth climbs back in the next two years, the unemployment rate is projected to remain stubbornly high at 13 per cent, and real wages barely constant.

22. Net immigration to Malaysia, Thailand, and the Republic of Korea, which had increased to 250,000 annually, is expected to have dropped considerably, strongly affecting Indonesian and Philippine migrants.

Poverty and social conditions

23. Thus with such high levels of retrenchment, largely uncovered, increased underemployment and self employment, and real wage and income cuts, the declining poverty trends in the region have been reversed. In pre-crisis high growth, Indonesia had managed to lower poverty, defined by a 50 cents per capita per day urban norm and a 40 cents rural norm, to 11 per cent of the population. However this still left a large 50 per cent of the population bunched just above this poverty line and below a \$1 norm. The crisis has resulted in poverty increasing radically from 11 per cent in 1997 to 48 per cent by end 1998. This has been caused both by income foregone, and depreciation of the minimum wage from the equivalent of 6.3 kilograms of rice in January 1997 to 2.6 kilograms in June 1998.

24. With the significant decrease in incomes, and relapse into poverty, has come an increase in child labour. With pre-crisis very high growth rates, child labour in Thailand was estimated to have been decreasing, but this progress is now threatened, and low-income households may be compelled to send more children per household into the labour market.

25. There is as yet no systematic evidence of the impact of the crisis on women, but sporadic estimates from the Republic of Korea, where sex- disaggregated data is available, indicate that between the last quarters of 1996 and 1997, while male unemployment rates were higher, female unemployment increased by a bigger margin.

II. Main areas of ILO action to assist the most affected countries

26. Following the High-level Meeting of April 1998 with the crisis-affected countries, the ILO's work has followed four main themes, which are here taken as the basis for

an analysis of the joint action undertaken by the ILO with governments and with employers' and workers' organizations, both separately and within a tripartite framework. Some of these activities and programmes were already in operation prior to the crisis; this paper describes their reorientation in response to the crisis and the unanticipated deterioration in economic and social circumstances. The reoriented activities in particular concern targeted measures for adversely affected groups such as women and migrant workers, and child labour. The four main areas are:

- a. the promotion of the ratification and/or improved implementation of the ILO's *fundamental Conventions*, particularly the Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87) and the Right to Organise and Collective Bargaining Convention, 1949 (No. 98);
- b. the promotion of *social dialogue* based on ILO principles;
- c. *employment, job creation and labour market issues*;
- d. *social protection*.

Promotion of the ratification and improved implementation of the ILO's fundamental Conventions

27. The financial crisis, together with the political changes occurring in the region, has brought a greater awareness of workers' rights, promoted in the name of human rights, and for a regulatory framework to facilitate relations between the social partners to help surmount the social and economic effects of the crisis.

28. In response the ILO has intensified the provision of technical advisory services on international labour standards to constituents, and has sharpened the focus on the promotion of fundamental Conventions. This has been facilitated by the presence, since early 1998, of international labour standards specialists in all three MDTs in Asia, who work in close cooperation with headquarters. In the countries under review, the following steps were undertaken to promote the ILO's fundamental Conventions.

Regional

29. An Asian-Pacific Regional Symposium on Standards-Related Issues in Manila in May 1998 underlined the importance of fundamental Conventions and the then forthcoming *ILO Declaration on Fundamental Principles and Rights at Work and its Follow-up*. These instruments figured prominently in discussions at the symposium and provided important information to delegates to the International Labour Conference. A further such symposium will be convened in February 1999 and will focus on the implementation of the Declaration.

China

30. While there are major cases pending with the Committee on Freedom of Association, a marked interest in human rights can be observed in China. This year's signing of the UN Covenant on Civil and Political Rights bears witness to this tendency. Following a tripartite workshop on Convention No. 138 in October 1997 in Beijing, the ratification process for the Convention has been engaged and is well advanced. The proposal for ratification is scheduled to be submitted to the Standing Committee of the National People's Congress in late 1998 or early 1999 for approval.

31. The Chinese employers' federation had requested the ILO to hold a workshop on the issue of workers' fundamental rights. In September 1998 an ILO/CEDA (China Enterprise Directors' Association) Workshop on Industrial Relations dealt extensively

with the Declaration of Fundamental Rights and Principles at Work and informed the participants of its requirements.

Indonesia

32. The sweeping political changes in Indonesia have brought about closer cooperation with the ILO on issues relating to international labour standards, including freedom of association. Only weeks after the change of government, the ratification of Convention No. 87 was registered during the International Labour Conference and the Government invited a direct contacts mission to visit the country. The mission took place in August. Its members examined the steps to be taken to ensure full application of Convention No. 98 and provided advice on the necessary measures to ensure full compliance with the newly ratified Convention No. 87. They held discussions with representatives of government, employers' and workers' organizations, and other interested parties. The mission examined the present labour law framework and as a result, the coming into force of the Manpower Act of 1997 and its implementing regulations has been postponed for 24 months. Furthermore, the ILO was invited to assist in drafting and revising several acts and regulations. ILO specialists from SEAPAT MDT and headquarters are now assisting the Indonesian Government with the drafting of a new Trade Union Bill and a Labour Dispute Settlement Bill, and with the revision of the Manpower Act. This work has included assistance to the Department of Manpower in the conduct of consultative workshops on the legislative proposals, comprising representatives of employers and workers (including the newly established unions) together with NGOs, academics and other government ministries.

33. The Government is currently considering ratification of all three remaining fundamental Conventions (Nos. 105, 111 and 138). The process is most advanced for Convention No. 138.

Republic of Korea

34. In February a high-level tripartite mission to follow up on a complaint before the Committee on Freedom of Association (Case No. 1865) visited the country and held extensive consultations with constituents. While the case is not yet closed, the Government and the social partners are cooperating with the Committee on Freedom of Association and supplying necessary information.

35. In the wake of the high-level tripartite mission, an ILO/FKTU/KCTU National Workshop on International Labour Standards and Women Workers' Rights was held, focusing on Conventions Nos. 100 and 111. Participants elaborated a trade union policy for the promotion of women workers' rights in the tight crisis conditions.

36. As a joint exercise between the ILO multidisciplinary team in Bangkok and headquarters, a tripartite seminar on Conventions Nos. 29, 105, 100, 111 and 138 was held and the Government advised on the implications of ratifying these Conventions. It was found that, while certain obstacles lay in the way of immediate ratification of Conventions Nos. 29 and 105, the law and practice regarding Conventions Nos. 138, 100 and 111 were essentially in harmony with the requirements of the ILO instruments. Since then the Government has entered into an intensive dialogue with the Office with a view to eliminating remaining obstacles and eventually ratifying these Conventions.

Malaysia

37. Malaysia ratified Conventions Nos. 100 and 138 in September 1997. To ensure proper implementation, a three-day national tripartite seminar on these instruments was held in September 1998 with specialists from headquarters and the field. Certain discrepancies between the Conventions and national law and practice were discussed and strategies to overcome them designed. Following this, during specific briefings national officials were acquainted with reporting requirements and practical measures for implementation. These events were followed by a trade union oriented workshop on Conventions Nos. 100 and 138 for the MTUC and CUEPACS, which enabled participants to devise a national trade union policy regarding equal remuneration and child labour.

Philippines

38. The Philippines has pursued for some time a vigorous campaign against child labour, in cooperation with the ILO's International Programme on the Elimination of Child Labour (IPEC). Following intensive tripartite consultations, and after technical assistance by the ILO, Convention No. 138 was ratified in July to provide an international legal framework for further improvements of the situation of children in the country.

Thailand

39. A State Enterprises Labour Relations Act had banned trade unions from state-owned enterprises in 1991, which led to a complaint to the Committee on Freedom of Association (Case No. 1581). Advice was provided by the ILO, and in October the Thai Parliament adopted a new State Enterprises Labour Relations Act. While the text is not yet available in a translated version, it is said to bring about marked improvements over the previous situation.

40. On several occasions the Government of Thailand has sought advice on the application of Convention No. 100 with a view to its ratification. In July a tripartite seminar on Convention No. 100 was held in Bangkok. Participants found that the national law and practice were essentially in line with the requirements of the Convention and recommended its ratification. A proposal for ratification is now being circulated through various government agencies for their comments. Furthermore, a Thai government representative has indicated that Convention No. 138 will be taken up by the National Committee on International Labour Standards. It is likely that the Committee will recommend ratification of the Convention, as Thai labour law on minimum age has recently been amended to raise the minimum age of employment from 13 to 15 years.

The promotion of social dialogue

41. Although often limited in the region, social dialogue has had a vital role to play in the search for employment stability in the present crisis by promoting an appropriate balance between economically sound policies and the need for social protection. Despite weaknesses in tripartite approaches to policy-making, the months of the financial crisis and its aftermath appear, nevertheless, to have created opportunities for strengthening social dialogue at the national level in many countries.

42. Most of the ILO's activities in the area of social dialogue in the region revolve around the need to improve institutional capacity. As such, the focus has clearly been

on building and strengthening channels through which social dialogue can occur. Three main forms of ILO assistance can be identified: (1) strengthening the processes of dialogue through institution building; (2) policy advice on the legislative framework for dialogue; and (3) assisting in information flows and the content of dialogue.

Strengthening the process of social dialogue

43. The crisis has highlighted the weaknesses in the elements that are needed for effective social dialogue and the need for intensified ILO action in all these areas. While the Tripartite Consultation (International Labour Standards) Convention, 1976 (No. 144) has been ratified by a number of countries in the region, the principles of this ILO priority instrument need to be further promoted. In Thailand, for example, the ILO initiated a tripartite process to promote dialogue on the social consequences of the crisis and encourage a tripartite approach to the problems. This process, involving the identification of the main issues and objectives by all the parties, culminated in a National Tripartite Forum in November 1997 in which all of Thailand's labour federations and employers' organizations took part. The substantive outcome of the Forum was the adoption of the background document prepared during the consultation process (country objectives) and a ten-point statement of recommendations for future action. This was followed by the preparation of an action plan of activities, a number of which are currently being executed.

44. Several other programmes are in place to strengthen the process of tripartite and bipartite social dialogue. Seminars and workshops have offered constituents a forum for exchanges of information on how tripartism functions and can best be promoted. An equal need is for training in the conduct of collective bargaining and tripartism. Training workshops in the techniques of collective bargaining have been conducted in China and Viet Nam. Within the framework of DANIDA-funded ILO activities in Viet Nam focusing on the development of industrial relations systems in an economy in transition to a market economy, two conferences have been held in Hanoi and Ho Chi Minh City on industrial relations, addressed to employers' organizations.

45. Basic training materials already prepared by ILO/EASMAT prior to the crisis for improving negotiating skills, workplace cooperation and tripartism are being used in numerous training courses carried out throughout the region. Seminars on building workplace cooperation have been held in the Philippines, Thailand and Viet Nam.

46. Building effective social dialogue also requires separate efforts to strengthen individual organizations. Effective social dialogue requires the existence of free, representative and strong trade unions to defend the interests of workers and act as authoritative interlocutors for enterprises, employers' organizations and government. In the countries most affected by the crisis there are great variations in the extent to which these conditions are met, although there are clear signs that the crisis is serving as a catalyst for change in industrial relations legislation, institutions and practices. The ILO, in many instances in conjunction with the ICFTU, is working to improve the advocacy skills of workers' organizations, including in relation to the international and regional financial institutions, which in turn are making efforts to involve trade unions in dialogue. World Bank and IMF representatives at the highest level have participated in ICFTU-APRO meetings and trade union fora. The ICFTU-APRO has taken action to defend workers' interests at various conferences organized by ASEAN, as well as the 1998 APEC Leaders' Meeting in Kuala Lumpur and the ASEM II Forum in the United Kingdom in April 1998. The ILO Regional Office has contributed resources, and workers' activities specialists in the multidisciplinary

teams have supported both national and regional seminars, workshops and meetings. Other technical specialists in the MDTs have provided services where the seminars and workshops have addressed substantive questions such as social security, wage determination and occupational safety and health, as well as building capacity in relation to the procedures involved.

47. In the Republic of Korea, for example, the ILO is assisting the Federation of Korean Trade Unions (FKTU) in undertaking a study on "the impact of the financial and economic crisis on Korean workers: The trade union response", which is to be completed before the end of October 1998. After the completion of the study, the ILO and the FKTU will jointly organize a national workshop to discuss the findings of the report and prepare a plan of action. The study covers the overall impact of the financial and economic crisis on Korean workers and the trade union response, focusing on the background issues and tripartite responses and their effectiveness, as well as policy options and strategies.

48. A national seminar with the FKTU and KCTU on international labour standards and labour laws related to women workers, promoted greater awareness among senior women trade union leaders, and discussed their concerns regarding the issues of trade union rights, discrimination and employment in the context of the crisis.

49. In Indonesia, the ILO has now initiated specific activities related to the crisis for trade unions in Indonesia, and has launched two workers' education projects -- one on the informal sector and the other on general workers' education. These projects can help revive and consolidate the independent and democratic trade union movement in Indonesia.

50. In Thailand, the ILO facilitated discussions between the eight major trade union centres through three separate meetings to discuss issues affecting them arising from the crisis, and to work out a common strategy for their participation in tripartite dialogue and with international and regional financial institutions.

51. Of major importance in strengthening the process of social dialogue is ILO technical advice on systems of dispute resolution. The second phase of an ILO/Norway project on tripartism will focus on this aspect in Viet Nam and in South Asia. Training in dispute resolution has also been a major activity of ILO/EASMAT in China and Viet Nam.

52. In Thailand, at the request of the Government, labour inspectors were trained in the preventive role they can play in labour disputes, while the training of conciliators has been the focus of recent ILO work in Malaysia.

53. Member States in the region have called upon the ILO for technical advice in the drafting or redrafting of labour laws. Employers' and workers' organizations have also requested the ILO to assist in the formulation of their proposals for legislative reform and to comment on existing proposals from their respective points of view. The ILO has a major task in labour legislation reform in Indonesia, for example, through assistance in the drafting of the new industrial relations laws and regulations mentioned in greater detail above.

Assistance to shape the content of social dialogue

54. In April 1998, the High-level Meeting on the Asian Financial Crisis not only sponsored comparative policy dialogue on alternatives to retrenchment, but also provided a forum for discussions of the social consequences of the crisis with the international and regional financial institutions. The current phase of a Japan-funded project on industrial relations has launched a series of activities on the implications of globalization for national industrial relations systems, which has included tripartite and bipartite dialogue in Malaysia and Thailand.

55. A major regional seminar for the crisis-affected countries is being held by the ILO in the Republic of Korea in November 1998 for tripartite dialogue on the termination of employment and the search for alternatives in policy and practice to retrenchment.

56. Following the sharp decline in the purchasing power of minimum wages in the crisis-ridden countries, the ILO, at the request of the Government of Thailand, has extended training support to the decentralization of minimum wage determination and has launched a study on labour competitiveness and wages policy with a view to advising the Government on short- and longer-term wage policy options. Similarly, the ILO has assisted in a study on minimum wages in Indonesia, which was discussed at a national tripartite workshop, and has now been asked by the Government of Indonesia to conduct a broader review of wages policy and practices.

Employment promotion policies

57. ILO interventions on employment promotion policies have related both to the immediate problems of economic hardship associated with labour displacement and falling real incomes, and supporting employment and income growth in the medium term. The ILO has broadly followed a three-pronged approach: (a) emergency employment creation as the cornerstone of a social safety net programme; (b) sustainable employment and incomes; and (c) labour market and human resource development.

58. In order to ensure sustainability of employment, all three approaches involve collaboration with the social partners, with civil society and in some instances with the Bretton Woods institutions and the Asian Development Bank. Emphasis is placed on capacity building. Particular emphasis has been given to the needs of groups of workers, such as women, migrant workers and disabled persons, who may face special problems during or as a result of the crisis, in programmes at both the national and regional level. In several schemes, for example in Indonesia, Thailand and Viet Nam, both at the policy level and the micro-economic implementation level, the social partners through their respective organizations are contributing to programme formulation, implementation and monitoring.

Emergency employment creation

59. The ILO's emergency employment activities have focused on assisting small and micro-enterprises, and on direct employment generation through labour-intensive infrastructure development. Micro-enterprise development is based on the enhancement of skills and the provision of credit, which was already being provided by the ILO's Japan-funded promotion of employment programme in China. This has been extended to crisis-affected women in Indonesia, and the operational experience is now proposed as the basis for the ILO's collaboration with the Social Investment Fund Office in Thailand, supported by the World Bank.

60. The second component of emergency employment -- labour-intensive infrastructure development -- has been a standard ILO activity with a demonstrated impact on employment. These programmes are being promoted through ASIST, the DANIDA-funded regional programme set up to provide policy guidance and training to promote employment-generating infrastructure development. Through ASIST, the ILO has responded to a request by the Government of Indonesia for help in improving the design and monitoring of existing large-scale infrastructure schemes. Possible funding to implement technical assistance for this operation is likely to be provided to the ILO through the World Bank and ADB-financed schemes.

Towards sustainable employment and incomes

61. The generation of sustainable employment can only be planned on the basis of good estimates and analyses of the existing crisis in the labour markets; Indonesia and Thailand being perhaps the most strongly hit by the crisis, the ILO has undertaken major analyses of the state of their labour markets. In Indonesia the ILO has finished a comprehensive study of the employment challenges of the Indonesian financial crisis, which quantifies the magnitude and composition of unemployment, underemployment and poverty, and proposes strategies for emergency job creation in the short term and more sustainable employment generation in the long term. The ILO will also be providing assistance to the National Planning Agency in generating data for employment monitoring and an early warning system. In Thailand, to analyse the impact of the crisis on the labour market and suggest policies for generating more and better jobs, the ILO has launched a major country employment policy review. The ILO is also assisting in the improvement of databases on the labour market in China, Thailand and Viet Nam.

62. These activities are facilitated by the Employment Policy Convention, 1964 (No. 122), which emphasizes the development of national employment policy based on social partnership. China has ratified the Convention, and declared it applicable to Hong Kong in December 1997, becoming the latest among 11 countries in the region to have done so, including Thailand, the Republic of Korea and the Philippines.

63. A key element in ensuring the effective implementation of employment policies is regular labour market monitoring and the collection of labour statistics. The ILO is providing assistance to the National Planning Agency in Indonesia in generating data for employment monitoring and an early warning system. Similarly, the ILO is supporting activities for the improvement of labour statistics and labour market analysis in China and Viet Nam.

Labour market and human resource development

64. Strengthening the capacity of the labour market to cope with the overwhelming number of newly unemployed has been a major thrust in many of the ILO's activities. Setbacks in human capital formation on account of the crisis may endanger long-term needs for replenishment of skilled workers in the labour market. The ILO is therefore also supporting affected countries in the region in paying continuing attention to human resource development during the economic crisis.

65. In Indonesia, assistance is being given by the ILO to a review of vocational training programme priorities and capacities to meet the challenges arising out of recent economic and financial turbulence, which extends to the issues of skills testing and certification. Workers' capacity to effectively participate in training policy

formulation -- an important element in any negotiation concerning retrenched workers -- has also been targeted for action in Indonesia.

66. The ILO provided advisory assistance on the enhancement of the vocational training system in the Republic of Korea within the framework of active labour market policies. Particular assistance was directed to the improvement of employment services and a review of training policies for the unemployed. ILO assistance has also been sought in the design and implementation of a training voucher system and the improvement of employment services in the Republic of Korea. In Viet Nam the implementation of a capacity-building project would strengthen employment service centres under the responsibility of the Ministry of Labour, and provide technical backstopping for a similar project executed by the Viet Nam General Confederation of Labour.

67. In the Philippines, a Memorandum of Agreement between the ILO and the Technical Education and Skills Development Authority (TESDA) identifies vocational training policy reforms, skill standards development, a labour market information system, skills upgrading for the informal sector and other programmes especially focused on workers retrenched as a result of economic adjustments. An ILO-inspired review of TESDA's role and activities was examined at a TESDA/ILO forum in September 1998 and will provide a sharper focus to TESDA's programme and activities.

Promoting viable enterprises

68. A special effort was made to direct numerous ILO activities towards enhancing the job-creating potential of enterprise development, particularly labour-intensive projects and small and medium enterprises. The ILO is currently conducting an action programme on productivity improvement, competitiveness and quality jobs in developing countries, and studies are being carried out in the Philippines and Thailand.

69. Advisory services and national employers' workshops have been provided to devise human resource management strategies for rapid recovery in an economic downturn, to assist employers with issues such as the repositioning of enterprises, productivity, performance management and the upgrading of knowledge and skills, not only with a view to survival in the present crisis but to be prepared for an economic upturn. One such example is the workshop for four Thai employers' confederations and associations, which cooperated with experts from Singapore and private enterprises in Thailand. This is to be followed by sectoral-level assistance to develop and implement productivity improvement programmes at company level while continuing to develop collaborative relationships between the ILO, the employers' confederations, and key sources of expertise, such as the Thailand Productivity Institute. Two national employers' workshops are taking place in November 1998 on productivity improvement for small and medium enterprises in the six industries identified by the Government of Thailand as priorities for restructuring (food, garments, shoe/leather, autoparts, electronics, and plastics). The workshops are embedded in a programme of follow-up and networking activities that will involve some 40 small and medium enterprises, strengthening their links with national employers' organizations and the Productivity Institute. Similar workshops are being held in the Philippines and for APINDO in Indonesia.

70. Support was extended to the labour inspection services in Thailand to enable them to identify enterprises "at risk" and advise employers on alternatives to retrenchment.

71. In Viet Nam the ILO in October 1998 began a new project funded by the Government of Sweden on a *Start and Improve Your Business* (SIYB) project as part of the global ISEP programme. This three-year project was designed prior to the crisis and will help to develop national capacity in promoting employment creation and better management in new and existing small-scale enterprises. The International Training Centre of the ILO, Turin, is also carrying out a range of activities to promote entrepreneurship development by women in Viet Nam, and an ILO/Japan project in Indonesia promotes women's entrepreneurship with the participation of employers' organizations.

Social protection

72. The crisis has exposed the serious inadequacy of the social protection systems in most of the countries affected: a minority of the labour force is covered and the systems cater for a limited range of contingencies. There is generally no social protection in the growing informal sector. The ILO therefore collaborated with ICFTU-APRO and the Japan Institute of Labour in organizing a Regional Workshop on Social Safety Nets in Manila from 28 July to 1 August 1998. The meeting revealed the need to improve knowledge about social security in general and to increase attention to the informal sector among workers' organizations.

73. With large-scale retrenchments taking place around the region, the lack of a basic form of unemployment insurance is being keenly felt by affected workers and their families. This has led to increased demand for ILO assistance in this area. At the Government's request the ILO fielded a high-level mission that provided advice on the expansion of the unemployment benefits system, among other issues. The Government has moved to extend unemployment insurance coverage from enterprises of 50 workers to those with only one, increasing coverage from 8 million to 9 million workers. The minimum benefit has been increased from 50 per cent of the minimum wage to 70 per cent, and its duration extended from one month to two. The Government has also set up an unemployment fund of 8.5 trillion *won*, 50 per cent of which is for unemployment benefits, and 20 per cent for job creation through public works and social infrastructure. For job preservation, the Government is easing financial constraints on small and medium enterprises, the hardest hit by liquidity problems, and is subsidizing the payroll of firms resorting to alternatives to lay-offs, such as reduced working hours. The ILO has been asked to assist with the development of a social safety net for daily workers, as well as for a review of training policies for the unemployed.

74. Social security reform has been seen as an important component of governments' strategies to respond to the crisis. In Indonesia, the Government has requested the ILO to assist in undertaking a comprehensive review of social protection. The ILO has also recently conducted reviews of social security systems in Thailand and Malaysia. As a result, the Thai social security system for private sector workers is now developing mechanisms to expand coverage to retirees and the informal sector. The civil servants' scheme is under revision to narrow the gap between health care fringe benefits, to control expenditure and to encourage mobility from public to private sector employment, as promoted by the reform of the civil service in Thailand. In the Philippines, the ILO is implementing a nationally funded project aimed at strengthening procedures for assessing disability cases, and

rehabilitating invalidity benefit beneficiaries. Recent trends in applying for disability benefits reveal that the system is being tapped as a source of income replacement during unemployment.

75. Finding practical ways to extend social protection in the informal sector has long been a dilemma of countries in the region, and has now become more pressing in view of its expansion. In the Philippines, the ILO has developed a multidisciplinary project, now awaiting final UNDP approval, to introduce community-based social protection (especially health insurance), assist enterprise development and improve working conditions in micro- and small enterprises. Through this project, successful community-based initiatives have been identified, and their adaptation to other populations is included in activities that the ILO is developing under the regional component of STEP (the ILO/Belgium global programme on Strategies and Tools against Social Exclusion and Poverty). The ILO also contributed to the preliminary formulation of a World Bank project on the Indonesian health strategy. This project will cover the feasibility of developing insurance-based health care systems for all population sectors, with emphasis on the informal sector. ILO participation in the next stage of this project is planned for early 1999.

Targeted measures

Women workers

76. Generally women are in lower positions in the labour market and discriminatory practices are still common. Adequate data on the status of working women is still limited because of the lack of available sex-disaggregated data and because the majority of women work in the informal sector. ILO action is therefore focusing on four areas in response to the financial crisis which will be governed by the principles of the Equal Remuneration Convention, 1951 (No. 100) and the Discrimination (Employment and Occupation) Convention, 1958 (No. 111), as well as other specific standards: gender analysis on the impact of the crisis and policy response to it; defending and promoting the rights of working women during economic downturns, the promotion of employment creation including vocational training, and the promotion of women's participation in the decision-making process.

77. The ILO, in conjunction with the Asian Institute of Technology, is conducting a gender analysis study on the effects of the crisis and policy responses in Indonesia, the Republic of Korea, Malaysia, the Philippines and Thailand. A consultation will be held in November in Bangkok to discuss the findings of the research. An in-depth study is being carried out in the Philippines in order to formulate an action programme, and in Indonesia a study focusing on unemployed factory workers is being conducted with the participation of the World Bank.

78. An ILO/Japan project on employment expansion for women was launched in Indonesia and Nepal prior to the crisis and has been substantially redirected to respond to the financial crisis, including a study of the impact of the crisis at the community level.

79. The progress made in the promotion of women workers' rights and the key ILO Conventions has been described earlier in this paper. The above-mentioned ILO/Japan technical cooperation project includes a legal literacy campaign to empower women and to ensure the effective implementation of legal instruments. The ILO is in particular encouraging women's participation in all meetings and workshops organized by the ILO, and this requires further efforts to be made. ICFTU is also intensifying its efforts to increase women's participation.

Migrant workers

80. Issues concerning migrant workers have received close attention as a result of the crisis. This has included trying to assist them as well as the sending and receiving countries with a much needed legal framework that can be provided by the Migration for Employment Convention (Revised), 1949 (No. 97) and the Migrant Workers (Supplementary Provisions) Convention, 1975 (No. 143). These instruments may serve to help find solutions for all three parties involved. Governments in labour-sending countries have been looking for temporary solutions to the growing unemployment problem, while they have also had to deal with issues of reintegrating return migrants and of protecting the new outflow of overseas workers. The ILO's advice has increasingly been sought on these issues.

81. At the Government's request, in August 1998 the ILO conducted a workshop in Indonesia on the scope and limitations of policy options on migration. The ILO's report to the Government following this workshop highlighted the need for an effective protection focus and recommended broader-based and regular consultation with the social partners and NGOs in the formulation and implementation of policies on questions of international labour migration. Several short-term protection measures that would require little if any financial expenditure were identified, as well as medium- and longer-term measures. The Government has requested the ILO to assist in the further development and implementation of priority measures, and a further workshop will be held in November 1998. The ILO is also assisting in the development of information packages geared to the needs of prospective and departing Indonesian migrant workers, especially women.

82. In the Philippines, the ILO developed a conceptual framework and methodology to estimate the reduction of employment opportunities for Filipino migrant workers in countries affected by the crisis. It also conducted a review of past and current schemes for the reintegration of returning migrant workers. A workshop will be held to discuss the results of this review and to determine future policy and programme options.

Child labour

83. The adverse effects of the economic downturn on child labour have become apparent. The normative activity promoting the ratification of the Minimum Age Convention, 1973 (No. 138) is an important integrated part of the ILO's efforts in response to the crisis and is described in more detail in the section on international labour standards above. Practical activities are another pillar of combating child labour, and substantive efforts are being made through the ILO's International Programme on the Elimination of Child Labour (IPEC) to refocus the strategies on the worst forms of child labour in order to cope with drastic changes in the crisis-affected countries and especially Indonesia, the Philippines and Thailand.

84. The ILO has launched a comprehensive assessment of the impact of the crisis on child labour in Indonesia, the Philippines, and Thailand. This study will examine the ways in which adjustment programmes affect child labour relating to education, employment, incomes and family welfare, and will attempt to indicate directions for further policy interventions on how negative impacts could be mitigated. Another important undertaking is the promotion of a subregional programme to combat trafficking in children for labour exploitation, including sexual exploitation. It has entered its second phase, comprising action programmes and capacity building among the social partners.

85. Through IPEC the ILO is offering assistance to the Government of Indonesia's Programme on Poverty Alleviation in Indonesia which conducts activities to increase awareness at the community level of the problems of child labour. IPEC plans to complement ADB and World Bank initiatives such as the scholarship and grant programme in Indonesia by introducing sensitization training for school committees to develop guidelines for the selection of children at high risk of falling into child labour.

86. In the Philippines IPEC is intensifying advocacy and increasing its efforts for community development to prepare affected children and their families for the likely impacts of the crisis. Most importantly, a broad consensus has been reached on the maintenance of the cause of child workers on the national agenda. Greater attention is also being given to educational support and assistance programmes to prevent working children from dropping out of school. Five hundred children have been enrolled this year with this support. Community savings schemes have been initiated with the long-term aim of developing full micro-finance initiatives. As a result of these and other activities, this year the Philippines ratified Convention No. 138.

87. Recognizing that the informal sector, where child labour flourishes, is growing with the close-down of many formal-sector businesses, a trade union in Thailand is working to remove children from hazardous work in small enterprises, with ILO assistance.

Information dissemination

88. The ILO Regional Office for Asia and the Pacific reviewed its public information strategy in order to increase information to its constituents and to the general public. It revived its *Asia and Pacific Newsletter*, the first edition of which was issued in July 1998, mainly dedicated to the impact of the crisis and the ILO's work. A second edition of the *Newsletter* will appear in December 1998. The current *Newsletter* is produced and printed in a low-cost format allowing it to appear at frequent intervals. It is also available on the ILO website. A monthly "Newsflash" is to be distributed by electronic mail to ILO constituents in the region and should start appearing from November onwards, while the basic information booklets prepared by the Regional Office are being translated and printed in Thai and Bahasa Indonesian, in order to make the ILO's role and work known to a broader public. The Regional Office has also set up a substantial mailing list to cover a public interested in receiving information on ILO activities in Asia and the Pacific, and has made a particular effort to generate the interest of the media and opinion-making circles in Asia. The assistance of the Public Information Bureau at ILO headquarters has been invaluable.

Relations with the international and regional financial institutions

89. The Committee on Economic and Social Policy has before it at the present session of the Governing Body a paper on relations with the Bretton Woods Institutions² containing information on developments concerning the ILO's relations with the Bretton Woods institutions. This paper describes the widening scope and broad objectives of the policy dialogue with them, as well as cooperation at the country level. This paper does not therefore intend to provide the information already in that paper, but to complement it by additional information on the ILO's relations with the Asian Development Bank (ADB).

² GB.273/ESP/6.

90. The Asian financial crisis has stimulated a more frequent and broader- ranging dialogue with the international and regional financial institutions. The increasing awareness of interlinked social and economic policies on the one hand, and the importance of social concerns on the other, have provided a strong impetus in this direction.

91. The ILO Regional Office initiated a high-level dialogue with the ADB in early 1998. A number of technical meetings have been held to exchange information and views at the regional and country levels, most notably the High-level Meeting on Social Responses to the Financial Crisis in East and South-East Asian countries (Bangkok, 22-24 April 1998). The ADB and the Bretton Woods institutions sent senior representatives and made significant contributions to the debate at the meeting which provided an opportunity for a substantive dialogue on questions of key concern between ILO constituents and the representatives of the international and regional financial institutions. The main thrust of policy dialogue and consultations with the ADB has been the social protection of working people in the financial crisis and international labour standards. The ADB has intensified its efforts to incorporate social concerns in its policies in recent years. ICFTU/APRO also initiated a high-level dialogue with ADB in July 1998.

92. Similar debates and dialogue have taken place at country level with the ADB and World Bank teams engaged in adjustment programmes. The attention of ADB has been drawn to ILO operational programmes such as the regional technical programme on Advisory Support, Information Services and Training for Labour-based Infrastructure Planning, Construction and Maintenance (ASIST), the ILO's long-standing experience and expertise in social security systems in the crisis-affected countries, and to the key issues of tripartism, international labour standards and the role of the social partners in the formulation of programmes for recovery from the crisis. Such issues should greatly influence the development agenda, and the ILO is taking a proactive stance, seeking to identify a framework for effective cooperation with the ADB, particularly where the ADB's policy dialogue with governments on the structural reform programmes will affect labour markets, employment policies, labour legislation, wages and pensions and social security systems. Effective cooperation is beginning to take place in Thailand on the programmes under the Social Investment Funds Office (SOFO) supported by the World Bank.

93. The Regional Office has had frequent contacts with the IMF Regional Office in Tokyo for exchanges of information on the social impact of the crisis, and this has been followed by consultations with ILO field offices and constituents.

Resource mobilization and relations with donors

94. The ILO's assessment of the resource mobilization environment showed that between 1994 and the onset of the crisis, multilateral ODA had been decreasing to the seriously crisis-affected countries, largely owing to their rapid economic development. China receives the highest level of multilateral ODA (nearly \$3 billion annually) followed by Viet Nam and Indonesia with \$1 billion, and the Philippines and Thailand with \$0.8 billion. Almost no ODA flows to Malaysia, the Republic of Korea or Singapore. For some time Malaysia and the Republic of Korea have been net contributors to ODA, and prior to the crisis many donor countries were phasing out their technical assistance programmes to Thailand.

95. The ILO receives substantial funds from multilateral donors and to a lesser extent from UNDP for technical cooperation programmes designed prior to the

financial crisis in a number of the crisis-affected countries. In some cases there has been a fortunate coincidence of timing, such as the opening at the end of 1998 in Jakarta of two programmes drawn up before the crisis to reinforce the capacity of trade unions. One of the programmes, funded by DANIDA, covers informal sector workers in Indonesia, the Philippines, and Viet Nam; the other is exclusively for workers' education in Indonesia and is funded by the DFID of the United Kingdom.

96. The ILO has had frequent contact and dialogue with donor country representatives in the region, especially the Asian Development Bank, Australia, the European Union, Japan, the United Kingdom and the World Bank, with the aim of understanding their priorities and to explore the possibility of partnerships with the ILO. Access to ADB and World Bank grants for technical assistance lies almost always through a process of competitive bidding, which limits the scope of joint cooperation efforts.

97. Area office directors and officials of the Regional Office have participated consistently in meetings called by the UN Resident Coordinators in China, Indonesia, the Philippines and Thailand, to jointly explore the response to the social impact of the crisis and to share the information and experience of each specialized agency and fund. On several occasions these meetings have involved representatives of key government agencies and the ADB and World Bank teams working on the response programmes. In countries where the ILO has no permanent physical presence, a proactive approach to resource mobilization is more difficult. Nevertheless, the ILO has been able to make some significant advances in mobilizing extrabudgetary resources for its work in response to the crisis.

98. The Ministry of Labour of Japan has redirected its funds for use by the ILO for action programmes to assist the crisis-affected countries. This is particularly appreciated in the light of Japan's decreased ODA. The ILO Regional Office is currently engaged in consultations with the Ministry of Labour.

99. Most UNDP country programme funding is now attached to national execution of programmes, but in some cases UNDP funds have been available for work in response to the financial crisis. This enabled an ILO team to lead a study on employment strategies as part of a UN-system response to the crisis in Indonesia, which is mentioned earlier in this paper. The study has been very well received and widely cited in the national and regional press.

100. The ILO is currently near to an agreement with the ASEM Trust Fund to assist Indonesia with a substantial employment-generating labour-intensive infrastructure programme. The ASEM Trust Fund was established in early 1998 at a meeting of ASEAN countries and the members of the European Union, as an agreement between the World Bank, the United Kingdom Government and other European contributors, to help Asian countries in financial turmoil to cope with rising unemployment and poverty.

III. Conclusions: Future directions

101. At the onset of the financial crisis in mid-1997 the senior managers of the Office and the Regional Department for Asia and the Pacific began a process of in-depth and regular consultation concerning ways to reinforce the capacity of the field structure to respond to the major concerns of constituents. The Regional Department has deployed existing resources and intensified its efforts to mobilize external resources. Close coordination with the headquarters technical departments and

bureaux has allowed the pooling of expertise and resources in the preparation of technical papers and reports, advisory missions and research.

102. Effective dialogue and cooperation has been promoted with other development organizations, in particular the Bretton Woods institutions and ADB. As indicated in the paper submitted to the Committee on Employment and Social Policy at the present session mentioned above,³ the decentralized structure of the World Bank and the broad range of sectors in which it operates require the ILO and its constituents to be active at the national level. Policy dialogue with the Bretton Woods institutions and ADB requires close cooperation between the field and headquarters to reflect ILO social concerns.

103. The crisis has proven the relevance of the ILO's work and its comparative advantage in tackling the growing social and labour issues. The ILO's work is fundamentally based on the principles embodied in ILO Conventions. The crisis provides opportunities to raise many of the rights and principles contained in the core international labour standards and in the *ILO Declaration on Fundamental Principles and Rights at Work*, thereby advancing democracy and social justice. It has also promoted synergy between the ILO's normative work and its operational activities.

104. The major issues that the ILO's constituents have asked the Organization to concentrate on concern the most basic areas of competence of the Organization: tripartism and labour relations, social protection, labour market policy, labour administration, employment, vocational training and workers' rights. The importance of the social dimension has drawn attention to the fragility of the institutional capacity of the majority of countries to cope with social and labour issues. The lack of strong, independent and competent trade unions that can forcefully defend workers' interests and act as authoritative, reliable negotiating partners has been strongly felt. There is also a need to create stronger capacities to monitor and evaluate the employment implications of overall economic policies, to establish an enabling policy, legal and regulatory environment for the creation and development of competitive enterprises, and to strengthen public employment services, especially their capacity to design and implement active labour market policies. The means of action offered to constituents concentrates on the provision of policy advice on practical solutions, and on operational activities that demonstrate how these practical solutions can work. The need to respond effectively to the demands of constituents has in fact reinforced the Active Partnership Policy. The enormity of the tasks poses a major challenge for the ILO to respond adequately and effectively with the means and resources at its disposal.

Geneva, 6 November 1998.

³ GB.273/ESP/6.

Appendix I

Table 1. Growth rate of real GDP (% per annum)

	1991-1995		1996				1997				1998		1998		1999		2000		2001		2002			
			Q1		Q2		Q3		Q4		Q1		Q2		ADB		EIU		ADB		EIU		EIU	
	ADB								IMF						ADB		EIU		ADB		EIU		EIU	
Thailand	8.5	6.4	7.0	7.5	-4.2	-	-	-	-	-3.0	-8.0	1.0	-	4.2	4.6	4.7								
						11.5	16.8	15.8					1.4											
Indonesia	7.8	8.0	8.5	6.8	2.5	1.4	-7.9	-	-3.0	-	1.0	-	-1.2	1.2	2.9									
							16.5	15.0	2.3															
Korea (Rep. of)	7.5	7.1	5.7	6.6	6.1	3.9	-3.9	-6.6	-1.0	-7.9	3.1	-	4.4	4.7	4.8									
											2.3													
Malaysia	8.7	8.6	8.5	8.4	7.4	6.9	-2.8	-6.8	3.5	-6.0	4.5	-	2.1	3.3	4.3									
											2.2													
Philippines	2.2	5.7	5.6	5.5	4.9	5.6	1.7	-1.2	2.4	1.4	4.0	2.3	3.6	4.4	4.7									
Singapore	8.6	7.0	4.0	8.5	10.6	7.7	6.1	1.6	3.0	-0.5	4.5	1.4	3.1	4.2	5.2									
Hong Kong, China	5.4	4.9	5.9	6.8	6.0	2.7	-2.8	-5.0	3.0	-2.0	3.5	-	2.0	3.0	4.0									
											0.5													
China	12.0	9.7			8.8			7.5	7.2	6.1	6.8	7.0	7.4	7.9	8.2									
Japan	1.4	3.9			1.1			0.3		-2.3		0.2												
Viet Nam	8.2	9.3			7.5				5.0	5.2	6.5	5.0												

Sources: Asian Development Bank (ADB): *Asian Development Outlook*, 1998.
 International Monetary Fund (IMF): *World Economic Outlook*, September 1998.
 Economist Intelligence Unit (EIU): *Country Forecast*, 3rd Quarter, 1998.

Table 2. Macro-economic indicators

	1996	1997	1998	1999	2000
Thailand					
GDP growth (%)	5.5	-0.4	-8.0	-1.4	4.2
Inflation (%)	5.6	5.6	9.1	6.5	5.0
Budget balance (% GDP)	2.3	-0.9	-2.5	-1.5	-1.4
Current account balance (% GDP)	-8.1	-1.9	9.4	6.2	1.0
Savings ratio (% GDP)	33.6	33.1	37.4	33.4	29.5
Interest rate (%)	13.4	13.7	15.5	13.0	11.0
Exchange rate against \$	B25.3	B31.4	B42.8	B40.5	B37.8
Labour force (million)	32.0	33.7	33.8	34.0	34.3
Unemployment rate (% labour force)	2.0	3.6	9.0	8.0	6.8
Real wages	2.3	1.4	-8.2	-4.2	2.4
Indonesia					
GDP growth (%)	8.0	4.6	-15.0	-2.3	-1.2
Inflation (%)	6.6	5.5	85.0	45.0	7.6
Budget balance (% GDP)	-3.4	0.7	-8.0	-5.3	-4.9
Current account balance (% GDP)	-3.4	-2.2	1.9	2.1	1.2
Savings ratio (% GDP)	27.4	29.4	39.8	40.4	39.6
Interest rate (%)	19.2	21.8	65.0	45.0	35.0
Exchange rate against \$	R2 342	R2 909	R10 857	R10 500	R10 920
Labour force (million)	89.0	91.6	94.4	97.2	100.1
Unemployment rate (% labour force)	7.5	9.7	15.5	17.5	13.0
Real wages					
Korea, (Rep. of)					
GDP growth (%)	7.3	5.5	-7.9	-2.3	4.4
Inflation (%)	4.9	4.5	8.0	5.7	4.0
Budget balance (% GDP)	0.5	0.3	-4.0	-5.0	-2.0
Current account balance (% GDP)	-4.7	-2.0	10.7	7.6	-2.0
Savings ratio (% GDP)					
Interest rate (%)	8.8	11.9	15.0	13.0	12.0
Exchange rate against \$	W805	W951	W1 390	W1 250	W1 100
Labour force (million)	21.2	21.7	22.1	22.6	23.0

Unemployment rate (% labour force)	2.0	2.9	9.0	11.0	8.7
Real wages	6.8	4.3	-1.9	0.8	1.9

Malaysia

GDP growth (%)	8.6	7.8	-6.0	-2.2	2.1
Inflation (%)	3.6	2.7	6.5	5.0	4.8
Budget balance (% GDP)	0.7	2.4	-3.0	-4.0	-1.8
Current account balance (% GDP)	-4.9	-4.8	-2.6	-2.7	-3.8
Savings ratio (% GDP)	36.7	38.0	35.5	35.1	33.8
Interest rate (%)	8.9	9.5	11.2	10.5	9.5
Exchange rate against \$	M\$2.5	M\$2.8	M\$3.9	M\$4.2	M\$4.8
Labour force (million)	8.6	8.9	9.2	9.5	9.8
Unemployment rate (% labour force)	2.6	2.7	6.4	4.5	4.0
Real wages	5.8	4.2	-2.3	-0.7	0.7

Philippines

GDP growth (%)	5.7	5.1	1.4	2.3	3.6
Inflation (%)	8.4	5.1	10.3	9.5	8.3
Budget balance (% GDP)	0.3	0.1	-2.2	-1.8	-1.1
Current account balance (% GDP)	-4.8	-5.2	-4.0	-4.3	-4.6
Savings ratio (% GDP)					
Interest rate (%) ¹	12.3	12.9	17.0	15.5	13.2
Exchange rate against \$	P26.2	P29.5	P42.0	P45.0	P47.5
Labour force (million)	28.6	29.3	30.1	30.8	31.6
Unemployment rate (% labour force)	8.3	8.7	14.0	13.5	12.8
Real wages	3.3	7.7	-3.0	-2.0	0.2

¹ 91-day Treasury Bill Rate

Source: Economic Intelligence Unit (EIU): *Country Forecasts* 3rd quarter.

Appendix II

Status of ratification of fundamental ILO Conventions by selected countries in the Asian and Pacific region (as at 10 August 1998)

- No. 29 --Forced Labour Convention, 1930
 No. 105--Abolition of Forced Labour Convention, 1957
 No. 87 --Freedom of Association and Protection of the Right to Organise Convention, 1948
 No. 98 --Right to Organise and Collective Bargaining Convention, 1949
 No. 100--Equal Remuneration Convention, 1951
 No. 111--Discrimination (Employment and Occupation) Convention, 1958
 No. 138--Minimum Age Convention, 1973

	Convention No.						
	29	105	87	98	100	111	138
China					X		?
Indonesia	X	?	X	X	X	?	?
Republic of Korea					X		
Malaysia	X	•		X	X		X
Philippines		X	X	X	X	X	X
Singapore	X	•		X			
Thailand	X	X					
Viet Nam					X	X	

X -- Ratifications since the High-level Tripartite Meeting on Social Responses to the Financial Crisis in East and South-East Asia, April 1998.

? -- Ratification expected.

• -- Has denounced this Convention.