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**Active Labour Market Policies in East and South-East Asia:
What has been done and what can be done?**

By

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1. Introduction

While elements of active labour market policies (ALMPs) have been in operation in countries of East and South-East Asia (ESEA) even before the recent economic crisis, they attracted a good deal of attention and discussion following the crisis which had serious adverse effects on the labour markets of the region as a whole. The main purpose of the present paper is to bring out the wider implications of the experience with ALMPs. In doing so, we look at the specific experience of the Philippines as well as that of the other countries that were most affected by the recent crisis (viz., Indonesia, Republic of Korea, Malaysia and Thailand).

Since this paper is concerned with active labour market policies, some remarks about the meaning of the term may be appropriate. The term active labour market policy needs to be distinguished from passive labour market policy. Citing the OECD as the origin of the term, the ILO offers the following definition:

Apurposive, selective interventions by the government in the pursuit of efficiency and/or equity objectives, acting indirectly or directly to provide work to, or increase the employability of people with certain disadvantages in the labour market.

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The OECD includes the following categories of labour market policy expenditure as active policies: 1) Public employment services and administration; 2) labour market training for unemployed and employed adults; 3) youth measures; 4) subsidised employment (e.g. wage subsidies and direct job creation); 5) measures for the disabled² (Mosley et al. 1998). The objective of these measures is primarily economic - to increase the probability that the unemployed will find jobs or that the underemployed will increase their productivity and earnings. However, more recently the case for active labour market policies has also been laid on the potential social benefits in the form of the inclusion and participation that comes from productive employment.

In this paper, using the above definition, we take stock of the active labour market policies that have been put into place by the five economies of ESEA in the wake of the economic crisis focussing on the main tasks of ALMP, the actions that have been taken just after the crisis and the problems with ALMP in these countries. We then try to bring out the broader implications of that experience, keeping in mind the original use of the term ALMP, especially in the European context. In doing so, due consideration is given to the differences in the labour market structures, economic restructuring processes as well as the institutional structures between Europe and the countries of the ESEA region. The present paper, however, starts by providing a brief update on the current labour market situation in the five crisis-affected countries in the ESEA region.

²It should be noted that active labour market policies are not identical with employment policies. Thus the OECD's strict definition of 'active' policies : 1) includes only government financed services and programmes and not the private sector, for example, employment policies at the firm and sectoral levels based on collective agreement, except insofar as they are publicly financed; 2) includes only selective labour market interventions for the benefit of special categories of individuals and not general employment policy measures such as changes in taxation and social security contributions 3) excludes in principle public programmes to promote withdrawal from the labour market (e.g. early retirement for labour market reasons, short-time work), which are classified as 'passive' labour market policy. 4) does not include state aid to specific firms and industries (e.g. German coal industry), which are classified as industrial policy rather than labour market programmes.

2. An Overview of Current Trends in the Labour Markets of the Five Countries Affected by the Recent Economic Crisis³

Background

After a period of unprecedented growth experienced by the East and South-East Asian economies during the 1980s and the first half of the 1990s, the crisis that started in 1997 caused an increase in unemployment and underemployment, rising levels of poverty, decline in living standards and an upsurge in social tensions that endangered the fruits of the rapid economic progress achieved during the past two decades. Indeed, reduction in the demand for labour was the most important channel through which the crisis had an impact on households and as a result on rising poverty levels. Labour markets and labour market policies should thus have a crucial role to play in the recovery process. Although economic recovery has been quick (except in Indonesia), for a large number of workers, social and economic hardships continue. Important challenges remain for governments as they work to alleviate the hardship the crisis has caused and build a sustainable path towards future economic growth. In this section, we review the recent trends in the labour markets of the five countries affected by the crisis.

After the crisis - some labour market characteristics

³Data up to 1998 that have been used in this section and in Tables 1 through 6 are from the introductory chapter of Betcherman and Islam (2000). Data for 1999 and 2000 have been added from other sources as indicated.

It needs to be mentioned at the very outset that while the five emerging market economies are often mentioned in one breath, they are far from a homogeneous group and were indeed at different stages of economic development prior to the crisis. Thus, any comparisons across countries must be made with caution. For example, Indonesia with 200 million people is by far the largest country of the five whereas Malaysia with a population of 22 million is the smallest. The per capita income of Korea - the most developed of the five countries - was almost ten times higher than in Indonesia - the least developed. Furthermore, Korea, Malaysia and Thailand were each characterised by a very tight labour market with very low unemployment rates. On the other hand, both Indonesia and the Philippines had substantial levels of unemployment and underemployment even before the crisis. The employment structure also differs across the five countries: in Korea and Malaysia most workers are employed in the service sector whereas in Indonesia and the Philippines agricultural workers are in the majority.

The countries that suffered most from the crisis were Thailand, Indonesia and Korea. Indonesia was the country worst hit by the crisis. Tables 1 and 2 show the main economic and labour market indicators, such as per capita GDP growth, unemployment rate and underemployment rate, before and after the crisis.

As the figures show, the timing and magnitude of the economic crisis varied across countries. GDP declined in all countries in 1998: 13 % in Indonesia, 6.7% in Korea, 7.4% in Malaysia, 0.6% in the Philippines and 10.2 percent in Thailand. The decline in each country bottomed out sometime between the second and fourth quarters of 1999. However, the strength of the recovery has varied widely throughout the region. All countries had positive GDP growth in 1999 as shown in Table 1 below. For example, GDP growth for 1999, was 10.7% in Korea having increased from -6.7% in 1998 but was 3.3% in the Philippines having increased from -0.6% in 1998 (World Bank,2000).

Table 2 shows how the labour markets in the region adjusted to the economic crisis. Labour market adjustment to shocks took several forms: open unemployment, underemployment, declining wages and earnings, changes in labour force participation and migration and informalisation. We look into each of these dimensions in turn.

It can be observed from the table that unemployment rates increased in all countries between 1996 and 1998. However, along with economic recovery in 1999 and 2000 there was a drop in the unemployment rate in Korea, Thailand and Malaysia where the figure changed from 6.8% in 1998 to 3.7 % in 2000, 5.2% in 1998 to 4.3% in 2000 and 4% in 1998 to 3.6% in 1999 respectively. Despite the improvements, levels of unemployment in these three countries in the year 2000 remained higher than in the pre-crisis year. The other countries show an increase in unemployment though relatively small.

Underemployment as a percentage of the employed population increased during the period in all countries with Korea and Thailand experiencing the greatest changes. The percentage change in unemployment in Korea defined as persons working 35 hours or less per week between 1997 and 1998 was 29.2 % and that in Thailand (defined as persons working less than 40 hours per week) was 33.3% as shown in Table 2.

Probably the most dramatic are the changes in real wage growth: in Indonesia real wage grew by 6.7% in 1996 but two years later real wages declined by 41% (see table 4) . Also in other countries a decline in real wages was observed but less dramatic than in Indonesia. For example, in Thailand the decline in real wages amounted to 7.4 percent whereas in Malaysia the decline was relatively small, namely 1.1%. However a positive increase in real wages was observed in Korea in 1999 of 11.1%. It remains to be seen whether real wages in the other countries have also started rising.

The employment status trends are shown in Table 6. In general, there was an increase in wage workers in all countries. In Indonesia, the number increased from 1.7% in 1997 to 2.8% in 1999 and in Thailand the same figure increased from 2.5% in 1997 to 3.1% in 1999. There was no discernable trend in the number of self-employed workers and therefore little can be said about informalisation of workers due to the crisis.

One final point that needs to be noted in the context of overall economic recovery and improvements that have taken place in the labour market is that simple figures on unemployment

may not reflect the true picture of the labour market. Reported declines in unemployment may actually mask new phenomena, e.g., atypical forms of employment (indicative, in turn, of the precarious nature of the new jobs that are being created), which characterize the labour markets.

Recent developments in the Korean labour market (as described in one of the papers at the present seminar) already point towards such a possibility. In order to examine whether economic recovery is leading to real improvements in the labour markets, it would, therefore, be important to have a good understanding of the extent to which such phenomena characterize the labour markets in the recovering economies.

3. Active Labour Market Policies: Evidence from East and South-East Asia

Governments in countries of ESEA have responded to the recent crisis with two types of interventions: active labour market policies and measures designed to support income. Before the crisis, experience with active labour market interventions was limited, except in Republic of Korea. Since the crisis the Philippines, Indonesia and Thailand have instituted direct employment creation schemes, including labour intensive infrastructure construction programmes and credit schemes to promote self-employment and enterprise development. All five countries have functioning institutions that provide vocational training and employment services, and their responses to the crisis have included interventions in skill training and job search services specifically for displaced workers. In our discussion below, we first describe the Philippine experience with active labour market policies and then discuss the experience of the four other East Asian economies.

3.1 ALMPs in the Philippines

3.1.1 Public Employment Services (PES)

In the Philippines, the economic crisis suddenly led to an acceleration in the establishment of employment services. The main task of the PES is to register unemployed, establish a national manpower registry of skills, provide information for employment placement and mediate in various employment promotion programmes and services. There is an extensive network of public employment service offices - 1,825 in the country which has increased in number by 146 new

offices in 1998.

The government aims to establish a PES office in every province, key city and highly urbanized municipality under the PESO 1998 Act. The local offices try to detect firms where there may be lay offs and try to take preliminary measures to help the workers and/or the firm.

At the same time improvements in the labour market information system have been made. In November 1998, the PHIL-Jobnet was established which is an automated job and applicant matching system that aims to fast track job search for seekers and employers. It is also accessible through the internet. For those who do not have direct access, public workstations have been installed in 43 regional offices in the Philippines.

Not only has the number of PES been growing, there is also an increasing trend in the number of private job agencies. Private agencies offer paid services to job seekers and employers locally and abroad. These agencies are monitored and regulated by the government.

Another specific intervention that is worth mentioning is policies and strategies elaborated in the Medium Term Comprehensive Employment Plan 1999-2004 (CEP) as described below.

The Medium-term Comprehensive Employment Plan (CEP) 1999-2004 was set up to implement/support employment related policies, programmes and projects covering a six-year period. Stakeholders crafted the CEP based on the premise that employment planning becomes even more imperative in times of economic crisis, to actively influence employment preservation and creation and to increase employability of the workforce.

To achieve its goal, the CEP provided the employment focus to the various programmes and projects already in place or about to be implemented by adopting four major strategies, namely: employment preservation, employment generation, employment enhancement and employment facilitation.

3.1.2 Labour market training for unemployed and employed adults

The overall profile of training has been increasing in East Asia as the region has moved along a long-run development path toward higher-skill initiatives as is indeed the case in the Philippines. However, in the Philippines, the skills training programme undertaken in response to the crisis was small compared to the number of displaced workers. The training grant scheme of the DOLE covered 1,545 displaced workers in 1998. A voucher style scholarship programme was introduced through the government sponsored Private Education Student Finance Assistance Programmes. Among other programmes that look into training, the GATT- WTO adjustment measures programme (described below) focuses specially on providing training/retraining of displaced workers.

GATT-WTO Adjustment Measures Programme

Philippines joined the World Trade Organisation in 1994 and one of the conditions required by the Philippine Senate in relation to the country's accession to the GATT-WTO is the provision of social adjustment measures for workers and industries that may be adversely affected by the globalization and trade liberalisation. The DOLE-GATT Adjustment Measures Programme, which gets special funding has two components: training/re-training component and non-training component.

Training/retraining primarily addresses the needs of displaced workers, rural workers for non-farm productivity, workers in export oriented small and medium enterprises and industrial workers for skills upgrading. The non-training component, on the other hand, includes rural public works, systematization of labour market information and counselling networks, employment facilitation services, productivity improvement programmes, institutionalization of regional and industry based tripartite councils and conduct of policy studies.

Attention to training systems in the wake of the crisis has revealed a number of important challenges to be addressed over the longer-run if the country is going to improve job training. This includes the need for better coordination and a stronger demand side orientation in the training offered.

There is limited amount of coordination between different arms of government responsible for various components of vocational education and training. There have also been problems reported with overlapping vocational education and training among the three government agencies.

Private training institutions represent a vehicle for getting the public sector involved in training. In the Philippines, private providers are gaining in importance and has recently become a significant source of skill training. However, even here the sector is facing constraints in terms of access to credit and competition from highly subsidised public institutions.

3.1.3 Labour market intervention targeted at the youth

There is very little that has been done by the East Asian economies that specifically targets young people. In the Philippines, there has been an interest in learning from the German style A dual education systems@ which integrate vocational and technical education with work experience. An apprenticeship programme modelled on the German system is now being tested in the Philippines where during a 30-36 month period, trainees spend 70 per cent of their working in the firm and 30 per cent at a training centre for the duration of the programme. Trainees are paid three-fourths of the minimum wage, but retain only 30 percent of their wages after paying the training centres. While dual systems have strong features, they have been criticised for a lack of flexibility and there have been take up problems on the part of firms in some countries that have introduced them.

3.1.4 Subsidised employment -Direct job creation programmes

Traditionally, job creation has been the major active labour market policy in all of the East Asian economies. This has tended to take the form of public works which typically has been motivated more by social relief than employment and development goals. There are two other activities that fall under the rubric of job-creation programmes. The first is employment subsidies offered to firms to encourage new hiring or the maintenance of existing jobs. The second includes

initiatives to support the self employed and small and medium sized businesses.

a) Public works

Public works programmes in the Philippines have created at least 476,000 jobs. The rural works programme of the Department of Labour and Employment generated 4,837 jobs for displaced workers. There are however a number of problems with these programmes. First, there is no geographical targeting or targeting of vulnerable groups; there are huge administrative delays and mainly as a result of setting wages too high the programme has struggled to reach its target population. The programme faces a number of challenges including the need for improved monitoring and better mapping of expenditures onto areas where poverty needs are most pressing.

b) Wage and employment subsidies

This policy measure been used only to a limited extent in the Philippine case. The Philippines has two small wage subsidy programmes targeted to young people.

c) Programmes in support of self-employment and enterprise development

In the Philippines, SMEs have had access to credit through government programmes for many years. According to a World Bank evaluation, participating firms have had better performance on many dimensions than other small firms. However, the magnitude of this job-creation effect and its effectiveness as a poverty reduction tool was relatively minor. Different government departments support self-employment initiatives. The Self-employment Assistance Livelihood Programme offers various services including credit and social services delivered at the community level and targeted to poverty reduction goals. The Philippines already had over 100 Alivelihood programmes@covering nearly 90,000 beneficiaries when the crisis struck in 1997, but high interest rates and limited funding acted as constraints on these programmes during the crisis.

3.2 The experience of the other ESEA economies

3.2.1 Public Employment Services (PES)

Governments in all countries - Indonesia, Korea, Malaysia and Thailand - have public employment services that gather information on job seekers and vacancies and provide job matching services with varying degrees of success. The services offered differ markedly from those available in industrial countries, largely because of the lack of unemployment insurance, established labour market programmes and labour market information in the region. Table 7 gives an overview of some of the recent developments in public employment services in East Asia. Public employment services across the region have responded to the economic crisis in a variety of ways - we discuss each in turn below.

Rep. of Korea

In Korea, the Public Employment Service (PES) is responsible for job search assistance, vacancy tracking and placement. It is also responsible for the registration and administration of unemployment benefits. Furthermore the PES offers information on careers and it provides counselling.

The Korean Government has worked out comprehensive measures in 1998 to address growing unemployment. Until the crisis, the government had virtually neglected employment services. The measures that were taken are categorized as job keeping, job creation, vocational training and job placement and social protection. The Korean government has also expanded the number of PES agencies managed by the government from 52 in February 1997 to 134 in March 1999 (see Table 8). The number of employment services offices by the local government amounted to 285 in February 1997 and 281 in March 1999. Since the crisis, a nation-wide network for job information has been established. Now there are job centres that provide a job seekers with information and services on vacancies and unemployment benefits.

Another measure that has been taken by the Korean Government is a relaxation of regulation for private placement agencies, which has resulted in an increase of the number of

private agencies. The increasing use of the internet in Korea has also boosted the number of private job agencies in the country. The PES has also made use of the internet following the Canadian WorkInfoNet, which is an electronic labour exchange system. In Korea it is now called Work-Net. Currently the Korean Government is developing a set of databases of the registered unemployed. It has also introduced a worker profiling system that gives profiles of previous unemployed with certain characteristics. This system can be used for early identification of long-term unemployed.

Although the increased number of PES agencies has led to an increase of the number of people that have found a job with the help of the PES, the agencies are still thought to be insufficiently efficient. The counsellors are quite inexperienced and the information that is provided is still limited.

Malaysia

The main tasks of the PES in Malaysia include registration and placement, counselling services, occupational guidance and registration, promotion of occupational mobility and regulation of private employment agencies. Public employment agencies only focus on domestic labour while private agencies also focus on foreign labour. Private employment agencies have to be registered under the Private Employment Agencies Licensing Unit. They need to report regularly to the PES (before the crisis, quarterly, and now once a month) on the number of registrations and placements.

The need for labour market information increased during the economic crisis. The Malaysian government responded to this need by implementing the National Recovery Plan which includes information on the causes and effects of economic crisis, labour policy responses, its objectives and actions to be taken.

During the economic crisis, retrenchment of workers within firms was very common. The PES has reacted to this development by registering these workers and making special efforts to help them find a job again. Many of these workers have been successfully placed in 1998.

Thailand

The Thai PES offers assistance to job seekers and employers through its 85 branches. Its main tasks are to register and place unemployed, provide job counselling and career guidance and organise job fairs where employers and job seekers can meet. At these fairs the PES also provides job orientation and career guidance. Another service offered by the PES is a free skills test that job seekers can take for orientation. This test is also used to match the job seeker to a job vacancy. The public employment office also encourages workers to go and work abroad. Information on foreign jobs for interested job seekers is provided regularly.

Private agencies are under governmental supervision to protect workers against dishonest agencies. They are quite popular, especially among unskilled workers.

The labour market information system in Thailand is not sufficient. The recently installed automated system has inadequate processing capacity and does not provide complete information.

Indonesia

The PES in Indonesia is responsible for providing services to job seekers and employers. This includes registering unemployed people as well as providing sufficient information to job seekers and match them with employers. The PES provides services for domestic placement only, while private agencies provide placements abroad as well. Private agencies are strictly regulated by the government.

The labour market information system in Indonesia has not fully developed yet. There are problems in the coordination of different components and employees of employment agencies often do not have sufficient skills to manage computer programmes. The computer systems are not linked to each other and the data are not fully reliable. Only basic information of both job seekers and job vacancies are registered. In 1999 however, a national tripartite co-ordinating body for empowerment of manpower was established that aims to set up a data base on lay-offs, new

job seekers and vacancies abroad. It will provide on-line job matching in the future and may therefore be a competitor to the PES.

3.2.2 Labour market training for unemployed and employed adults

All five countries discussed here had national systems of vocational training in place when the crisis hit, but the governments made special efforts to respond to crisis related training needs (see table 9). In Indonesia and the Philippines, the skills training programme undertaken in response to the crisis were small compared to the number of displaced workers. Indonesia's programmes also suffered from design and targeting problems. Korea's training programme however, covered nearly a quarter of the unemployed in 1998 and in 1999 the government increased the training budget by 19 percent. Preliminary assessments indicate that the programme in Korea did help increase employability, despite inadequate labour market information and management problems. Malaysia also launched several programmes including a retraining scheme for retrenched workers and a graduate entrepreneur scheme. Thailand initiated several government and donor-funded skill training programmes, which have not yet been assessed.

While the public sector remains the primary provider of training in all the countries mentioned (and indeed which is classified by the OECD as active labour market policies), private training institutions are gradually assuming an important role in this field. It is perhaps worth mentioning that the Philippine and Thailand report that private providers are gaining in importance and in Indonesia the private sector has become a significant source of skill training. A number of innovations have also been introduced, especially in financing. In 1998, Korea introduced a voucher-style scholarship programme and Malaysia has set up a fund for retraining and skill upgrading financed with taxes on employers.

3.2.3 Subsidised employment and direct job creation programmes

All four countries discussed in this paper have introduced or revived public works programmes, in part because introducing such schemes act as an emergency measure and was a natural response to the crisis. In addition to these programmes and as a longer term measure, governments have put in place or stepped up programmes that support self-employment and enterprise development. We look at each in turn.

a) Public works programmes

Governments introduced a variety of public works programmes in Southeast Asia (see table 10). Indonesia reintroduced the labour intensive infrastructure construction programmes that had been phased out in the early 1990s as the labour market tightened. The programmes started in 1997 with four month projects and were followed in 1998 by large scale programmes covering the entire country. The programmes were expected to generate 300 million person days of work per year. In Korea, public work programmes generated 440,000 jobs in 1998 and nearly 1.2 million jobs in 1999, providing work for around 70 percent of the country's 1.7 million unemployed in 1999. The government of Thailand also launched massive programmes using both government and donor funds.

In the absence of unemployment insurance schemes (except in Korea), public works programmes provided unemployed workers with much needed income. These schemes have also proved more cost-effective than other types of income support such as subsidies. The Indonesian public works programmes, for example, spent less than \$4 for each \$1 that was transferred to the poorest 15 percent of the population. The cost of rice subsidies was twice as high \$8.20 for each \$1 transferred (World Bank, 1998).

Despite the positive aspects, all the programmes suffered from a number of problems. First, they were not well targeted. The simplest type of targeting for public works programmes usually is self-targeting, but in South East Asia this method did not work because wages were set too high. Second, many of the programmes were poorly designed, as they were rushed into operation when the crisis hit. And in countries like Indonesia and Thailand where public work programmes had already been phased out, planning and implementation capacity were severely limited. Third, the programmes suffered from poor coordination and a lack of proper monitoring. In Thailand, for example, several programmes were launched at once without proper coordination, and the projects were unable to recruit enough workers. Fourth, female participation was low, largely because women often do not participate in construction projects and no programmes were targeted to women. Finally, in Indonesia the wage bill as a percentage of total project cost was too low, so that fewer jobs than anticipated were created.

Even with their shortcomings, public works programmes in Southeast Asia have demonstrated that carefully designed and implemented schemes can succeed. In Indonesia schemes that involved local communities have performed much better than those planned and implemented without such participation. In Korea, women accounted for nearly half the participants in public works programmes in 1999.

b) Programmes in support of self-employment and enterprise development

Several countries of the ESEA region had programmes supporting self-employment and the development of small enterprises in place before the crisis. These programmes focus mainly on credit, although they also include a variety of technical support services. High interest rates and the credit crunch during the crisis posed problems for some of these initiatives, but several countries implemented new programmes aimed at creating jobs through enterprise development (see table 11).

In 1998, Korea initiated two programmes. The first was designed to provide jobs for unemployed professionals through new ventures and self-employment, the second combined training and start-up loans for small businesses. In 1998, Malaysia launched a fund for small-scale entrepreneurs aimed at creating self-employment opportunities and a second fund for small and medium sized industries. Thailand also launched several programmes to promote self-employment, but they were small in both size and coverage. The government and some commercial banks introduced credit programmes for small and medium-size enterprises (SMEs) in 1999.

The Indonesian government requires commercial banks to set aside a percentage of their loans for small borrowers. Cooperatives offer subsidized credit, and at least 24 government programmes offer credit to micro entrepreneurs and SMEs, particularly farmers, transmigrants and women. Though there are many programmes in operation, most require collateral and thus are not available to borrowers without assets. Only a few offer collateral free credit - many of which have been constrained during the crisis by high interest rates and the credit crunch.

c) Wage and employment subsidies

Incentives for employers, often in the form of wage subsidies, are another active labour market measure that helps maintain existing jobs and create new ones. Such incentives have not been a significant policy tool in the Asian countries affected by the crisis, except for Korea and Malaysia. In Malaysia, job maintenance programmes are designed to encourage the private sector to choose pay cuts, temporary lay-offs, retraining, flexible work hours and part-time employment over retrenchment. Korea has introduced an effective programme to provide subsidies to firms that agree to maintain their current workforce.

4. ALMPs: Wider Implications of the Experience of the East and South-East Asia Region

While ALMPs have been implemented in varying degrees in the region, the extent and manner in which the various elements of ALMPs were used to respond to the economic crisis also vary - both within and between countries. And so does their effectiveness. Effective and efficient active labour market programmes require considerable capacity to design and implement them. The objectives set for the programmes, the target groups that are intended to benefit are also important. The role and nature of ALMPs could also vary at different stages of development. So, what is relevant and has worked effectively in one context may not be so in another.

The above issues need to be borne in mind while bringing out the wider implications of the experience of Philippines and other countries of South-East and East Asia with respect to the role of ALMPs, especially in responding to the adverse social effects of economic crisis. The present discussion on wider implications will start by raising a few broad issues, and then move on to some specific aspects. The broad issues are discussed under the following headings: (i) how ~~active~~ and broad-based could be ALMPs? (ii) issues related to capacity, design and implementation, and (iii) ALMPs relevant for relatively economic situations vs those needed in responding to crisis.

4.1 How ~~active~~ and broad-based could be ALMPs?

While the various elements of ALMPs can be found in operation in the five countries under discussion, the extent to which they were activated in responding to the crisis varies a great deal. Republic of Korea and Malaysia appear to have utilized their public employment service as well as training system in assisting retrenched workers. These countries also put in place programmes of job creation through public works programmes and promotion of micro and small enterprises. On the other hand, Indonesia and Thailand did not appear to have made any significant use of PES in responding to the crisis. Thailand's use of ALMPs has actually been rather limited. Indonesia's response has been focussed mainly on public works programmes and limited use of skill training. Philippines appears to have been somewhere in between these extremes, using a variety of instruments, albeit in varying degrees. The experience thus seems to warrant the conclusion that all the countries did not put in operation the entire range of instruments that they could potentially do. The obvious corollary of this conclusion would be that the countries could be more active in utilizing ALMPs as instruments for responding to the adverse labour market effects of the crisis.

4.2 Design, implementation and capacity

While there has been some positive experience with regard to the implementation of ALMPs, the overall experience does bring out a number of useful lessons in respect of the design, implementation, and the effectiveness of such programmes as well as capacity at various levels to implement them. Notable among the positive experiences are the retraining efforts in Korea which appear to have contributed to increasing the employability of retrenched workers and the PES in Korea and Malaysia which did achieve some success.

Amongst the problems confronted by the ALMPs, the most common seem to be deficiencies in design and problems in targeting. In the case of training/retraining programmes, the problems were compounded by the inadequacy of labour market information. The problems of design and targeting appear to have been quite serious in public works programmes. Part of the problem in that case was due to the fact that most of these countries had, prior to the crisis, terminated such programmes. As a result, there was a shortage of capacity to design and implement job creation programmes of this kind. There were also considerable debates

concerning the ways and means of targeting in such programmes. The result, in many instances, was poor targeting. The absence of labour market information also resulted in wrong location and timing of programmes.

Programmes of job creation through support for micro and small enterprise development also bring out useful lessons. As such programmes use credit as an important instrument, they face difficulty in situations of financial crisis causing sharp increases in interest rates, as exemplified by Indonesia's experience. The experience of Philippines, on the other hand, shows that if interest rates remain at reasonable levels, credit-based programmes of job creation can produce useful results. However, the problems of targeting and effective implementation of the programmes would still need to be addressed.

The existence of PESs may raise expectations: jobless people who otherwise may have left the market remain registered because the availability of information and counselling gives them new hope of finding a job. This limits the number of discouraged workers. But only the existence of PES may not be enough, results have to be achieved and that means a high job placement rate. In Europe, PES clients have to contend with stigmatization. Potential employers consider PES clients as low skilled and low productive who may not have the right attitude towards work. In this respect, involvement of social partners in the PES is crucial. This is discussed later in this section.

Most public employment services in Europe have a long history. They have evolved during periods of economic downturns and economic upswings. The ALMPs as they exist nowadays are the results of a long process of trial and error. And only recently a discussion is going on regarding the role private employment services ought to play in Europe. The main reason for deregulating the placement system was the finding that in many cases private agencies complement public services. Private agencies are more employer-oriented whereas public agencies mainly try to place the jobless. The question is whether further deregulating the placement system in East Asia would be wise on the strength of this argument. Strengthening the Public Employment Service system should be the first priority. In particular setting up an efficient LMIS is crucial for all countries.

The experience with the design and implementation of ALMPs gives rise to the question of capacity. As there are different elements in ALMPs, the question of capacity will also need to be addressed for each of them. Mention has already been made of the lack of capacity to plan, design and implement job creation programmes through public works. Capacity for such programmes needs to be developed at the national level as well as at decentralized levels, because it is mostly at the latter that such programmes should be identified, designed and implemented. Preparedness has to be developed through setting out required administrative procedures and guidelines, making arrangements for procurement of materials, and maintaining a shelf of ready projects to enable rapid response.

Similarly, capacity of labour offices is extremely important for the purpose of providing high quality employment services to their clients. Apart from their traditional tasks, they need to be able to deal with a relatively new problem: how to place job-seekers in a labour market that is characterized by declining demand. These offices not only need to be equipped with modern information and communication technology, the skills needed to make optimum use of such technology will also have to be imported. In sum, there is a good deal of potential for the countries under study to benefit from the best practices available in this area.

Like the PES, it is necessary to address the issue of the capacity of the training system to gear training and retraining programmes to the changing needs of the labour market. The recent economic crisis has changed the overall context of skill training. In several countries, the crisis has brought out the lack of institutional capacity to respond to changing situations. The importance of preparing training systems to respond to structural reforms has become increasingly apparent. Even in non-crisis situations, growing and dynamic economies undergo structural reforms, and training systems must be able to meet the ensuing challenges. This will require better coordination among training providers and incorporating a stronger demand side orientation into the training system themselves.

Involvement of social partners could enhance the effectiveness of the ALMPs. The success of ALMPs is often dependent on developing good relations with firms. Quite often, job

seekers with a relatively low profile in the labour market register with PES and use this organization as their search channel. Thus involvement of employers' organizations in the PES organization could be important. It is difficult to imagine how occupational training of high quality can be provided without fine-tuning the curricula with employers' needs. The precise role of the social partners in the PES will depend on the national context. Likewise, the social partners can also play a valuable role in reorienting and reforming the training system to meet the challenges of a dynamic labour market.

4.3 Relevance of ALMPs: crisis and non-crisis situations

Given the definition of ALMPs and their application - especially in the OECD countries - it is clear that they provide instruments for labour market interventions that are not only meant for crisis or difficult economic situations. Indeed, these are measures intended to facilitate the process of reintegrating the unemployed into the employed labour force. Even in the crisis-affected countries of Asia, elements of ALMPs have been in operation already before the crisis - albeit in varying degrees in different countries. They were typically not viewed as ALMPs but as policies and programmes to improve skills and create jobs and place job-seekers, quite irrespective of fluctuations in output and employment. In view of the adverse labour market impact of the crisis, the countries naturally attempted to ameliorate the situation by using ALMPs as instruments. While the degree of success achieved and the bottlenecks faced varied, it would perhaps be fair to say that countries having a stronger base with ALMPs during the pre-crisis period are also the ones who performed better in using them for responding to the crisis. A corollary of this would be that a strong base and preparedness with ALMPs would not only help achieve the objectives of efficiency and equity during normal situations, but would also be of assistance in responding to the exigencies of crisis situations.

It is of course essential that the organization of ALMPs is flexible and responsive to the changing demands of the market. More specifically, during times of growing labour demand and declining unemployment, it has a different role than during times of high unemployment. Although unemployment increased in all five countries the unemployment rate have not reached two-digit levels. Moreover unemployment is concentrated among vulnerable groups: youth,

women, children and the less educated. This means that targeting - as mentioned before - is very important. In this respect, the push towards an increasingly customer-oriented approach, systematic case management is needed. In addition, continuous monitoring and evaluation of the efforts of ALMPs is crucial to keep an eye on the latest developments and needs of the market. A strong labour market information system (LMIS) is essential in that context.

An important lesson that can be learned from the recent experience of ESEA countries is that the LMIS needs to be improved. Table 12 gives an overview of the labour market information before and after the crisis. It can be seen that prior to the crisis, the LMIS was not well developed. But even after the crisis almost no improvements can be observed. Obviously the impact of ALMPs activities on the labour market can be improved by promoting greater transparency with regard to demand and supply on the labour market. Information technology has to play an important role in the process towards more transparency. In this respect, the current developments in Europe may offer some useful insight. The governments in Europe are in the process of developing fully-fledged self-service system for their information function and the first line counselling and brokerage services. This system makes services accessible at any time and place and makes them cover the European labour market as a whole. The self-service system will be linked to an easily accessible offer of personal employment services.

Improving the LMIS could also take place at the regional level. For example, Indonesia and the Philippines have a substantial number of overseas contract workers whereas Korea and Malaysia have sizeable populations of foreign workers, 0.2 million and an estimated 1.7 million respectively. As for Thailand, about 0.3 million Thais are working abroad in more skilled jobs whereas about 0.8 million foreign workers from lower income countries are employed in Thailand.

In this respect, the developments and experience of the EURES may be of importance for the East Asian countries. Geographical mobility is becoming an increasingly important labour market adjustment tool. The development of job-databases enable employers to advertise their vacancies outside their national borders, greatly increasing their pool of labour to choose from and improve the utilization of available skills and capabilities.

The remark made above with respect to geographical mobility applies to mobility within countries also. The experience of Indonesia during the recent economic crisis provides an example of how mobility within the country can act as a coping mechanism to respond to crisis situations. An active LMIS could further facilitate such geographic mobility.

To sum up, there is potential for a greater and more effective use of ALMPs as the countries of the ESEA region recover and grow again compared to the extent to which this policy tool has been used either before or during the recent economic crisis. The importance of restructuring and reforms of the economies would not diminish even in a growing economy; and effective use of ALMPs can help facilitate these processes. However, the various instruments need to be fine tuned in the context of specific countries, and the capacities for design and implementation of such policies and programmes need strengthening. A strong capacity for ALMPs at the country level would not only help their effective utilisation in a period of growth, but can also create necessary preparedness for responding to any future economic difficulties. A good labour market information system would be an integral part of such capacity and preparedness.

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Table 7: Response through Public Employment Services

Country	Response to the crisis	Observations
Indonesia	-In 1999, a national tripartite co-ordinating body for empowerment of manpower set up to establish a database on la-offs, new job-seekers and vacancies abroad.	Regional employment service offices registered about 8 million laid-off workers, but no special measures undertaken
Rep of Korea	<ul style="list-style-type: none"> - The number of public employment service agencies and counsellors were raised substantially. - Several other projects (e.g.Work-Net launched) - One-stop Employment Security Centres set up. 	<ul style="list-style-type: none"> - The number of job-seekers using the PES has increased - The effectiveness of PES is still a question.
Malaysia	<ul style="list-style-type: none"> -Programme of registration and placement of retrenched workers introduced in 1998 -Job fair /job link programme for retrenched workers 	Both programmes achieved some success
Philippines	<ul style="list-style-type: none"> -In 1998, 146 new Public employment service offices (PESO) established in 1998 - PESO Act of 1999 will establish national facilitation network in every province and key city -CEP plan (1999-2004) set up to implement/support employment related policies. 	
Thailand		No significant new initiatives

Source: Betcherman et. al. (2000) and various country sources

Table 8: Number of public and private employment agencies in Korea

	Private	Public managed by central government	Public managed by local government
February 1997	1432	52	285
March 1999	1756	134	281

Source: Country specific report Korea

Table 9. Interventions in Skills Training

Country	Interventions in skill training in response to the crisis	Observations
Indonesia	- Padat Karya programme to assist the retrenched skilled workers by providing retraining for wage employment as well as self-employment.	- Targeting problem -Design deficiency
Rep of Korea	- In 1998, training programmes for the unemployed covered 362,941 persons (a quarter of the unemployed) representing an eight fold increase over 1997. - A pilot programme of training vouchers - In 1999, the Ministry of Labour planned to provide training to 341,000 unemployed workers (increased training budget by 19%).	- Increased the employability of the workers -Provided mental security to the workers - Inadequacy of labour market information and problems of management
Malaysia	-Retrenched workers retraining scheme launched by the ministry of Human resources in 1998 -Graduate entrepreneur scheme of the Entrepreneur Development	

Country	Interventions in skill training in response to the crisis	Observations
	Ministry - Special apprenticeship programmes for school-leavers and retrenched workers	
Philippines	Training grant scheme of the DOLE covered 1,545 displaced workers in 1998	A small programme compared to the number of displaced workers.
Thailand	Initiated several government and donor funded skill training programmes.	No assessment yet.

Source. Betcherman et al.(2000) and various country reports

Table 10: Job creation through Public Works Programme

Country	Brief description of public works programme	Problems identified	Observations
Indonesia	- A four month, Rp. 42 billion programme targeted retrenched workers from construction and manufacturing in December 1997 - Massive programmes of job creation through infrastructure launched in April 1998 with 16 sub-programmes covering all provinces	- Poor programme design - Poor targeting - Too low a wage bill compared to material costs - Low incidence of female participation - Significant leakages	Projects with community participation in design and implementation better
Rep. of Korea	Public works programmes created 440,000 jobs in 1998 and 1,190,000 jobs in 1999.	- High wage and poor targeting - Poor project design	High female participation
Malaysia	Public works programme		

Country	Brief description of public works programme	Problems identified	Observations
	continues and expected to generate more jobs after the crisis than before		
Philippines	<ul style="list-style-type: none"> -Public works programmes created at least 476,000 jobs in 1997 - The rural works programme of the Department of Labour and Employment generated 4,837 jobs for displaced workers. 	<ul style="list-style-type: none"> - No geographical targeting - No targeting of vulnerable groups - Administrative delays - High wages precluding the possibility of self-targeting 	-DOLE programmes target vulnerable groups
Thailand	<ul style="list-style-type: none"> - Ministry of Interior projects targeted to create 788,799 jobs in 1999 from their own budget - Various donor funded projects (run by various ministries) targeted another 11 million person-month of jobs. 	<ul style="list-style-type: none"> - Lack of information about location of the jobs - Lack of coordination and the simultaneous launching of programmes led to a scarcity of labour - Low quality of projects 	

Source: Betcherman et. al. (2000) and various country reports

Table 11: Job Creation through support for SMEs and Self- Employment

Country	Support for self-employment and SMEs	Observations
Indonesia	<ul style="list-style-type: none"> - The Government requires that a certain percentage of commercial lending goes to small borrowers - Subsidised credit for cooperatives - At least 24 government micro and SME credit programmes targeting various groups such as farmers, transmigrants, women. 	<ul style="list-style-type: none"> - More credit programmes require collateral - Only a few collateral-free micro-credit programmes - Very high interest rates during the crisis affected the programme.
Rep of Korea	<ul style="list-style-type: none"> - Programme of job creation through new ventures, self-employment etc. allocated 700 billion won and targeted 50,000 persons (1998). - Training and start-up loans allocated 300 billion (for 1998) and targeted 10,000 persons. 	<ul style="list-style-type: none"> - The programme targeted unemployed professional and managers
Malaysia	<ul style="list-style-type: none"> - Small-scale Entrepreneur Fund launched in 1998 with an initial allocation of RM 90 million supplemented by RM 3000 million - SMI Fund (RM 882.23 million in 1998 and RM 241.18 in the first quarter of 1998) 	<ul style="list-style-type: none"> - Aimed at creating self-employment opportunities - For small and medium industries in manufacturing
Philippines	<ul style="list-style-type: none"> - Over 100 livelihood programmes administered by the government. In 1997, these programmes covered nearly 30,000 beneficiaries. - Multiple credit and guarantee facilities for SMEs initiated in 1999. 	<ul style="list-style-type: none"> - High interest rates and reduced availability of credit adversely affected small borrowers
Thailand	<ul style="list-style-type: none"> - Government's baht 10,000 loan scheme and a group-based micro grant scheme for income generation. 	<ul style="list-style-type: none"> - Small in scale

Country	Support for self-employment and SMEs	Observations
	-SMEs credit programmes of the government and various commercial banks initiated in 1999.	

Source: Betcherman et.al. (2000) and various country reports

Table 12: Labour market information before and after the crisis

	Prior to crisis	After crisis
Indonesia	System not well developed; offices not computerised and not linked prior to crisis.	No change.
Korea	Prior to Network of centres not heavily utilized.	Government set up A Employment security Centres A : large rise in usage; A Work-net A begins.
Malaysia	Network of centres.	Replacement Task force tracks and monitors replacement.
Philippines	Network of 1,825 public employment services.	146 new public employment services offices established in 1998.
Thailand	7 branches in Bangkok, 76 in provinces, computerised and linked but access is slow (hardware problems).	No change.

Source: Horton and Majumdar, 1999.