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**Learning from the 1997-1998 Asian
Financial Crises: The ILO Experience
in Thailand and Indonesia**

Jayasankar Krishnamurty

ILO
International
Programme on
Crisis
Response and
Reconstruction

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Preface

The primary goal of the ILO is to contribute, with its member States, to achieve full and productive employment and decent work for all, including women and young people, a goal embedded in the ILO Declaration 2008 on *Social Justice for a Fair Globalization*,¹ and which has now been widely adopted by the international community.

In order to support member States and the social partners to reach the goal, the ILO pursues a Decent Work Agenda which comprises four interrelated areas: Respect for fundamental worker's rights and international labour standards, employment promotion, social protection and social dialogue. Explanations of this integrated approach and related challenges are contained in a number of key documents: in those explaining and elaborating the concept of decent work,² in the Employment Policy Convention, 1964 (No. 122) and in the Global Employment Agenda.

The Global Employment Agenda was developed by the ILO through tripartite consensus of its Governing Body's Employment and Social Policy Committee. Since its adoption in 2003 it has been further articulated and made more operational and today it constitutes the basic framework through which the ILO pursues the objective of placing employment at the centre of economic and social policies.³

The Employment Sector is fully engaged in the implementation of the Global Employment Agenda, and is doing so through a large range of technical support and capacity building activities, advisory services and policy research. As part of its research and publications programme, the Employment Sector promotes knowledge-generation around key policy issues and topics conforming to the core elements of the Global Employment Agenda and the Decent Work Agenda. The Sector's publications consist of books, monographs, working papers, employment reports and policy briefs.⁴

While the main findings of the research initiatives are disseminated through the Employment Working Papers, the *Employment Report* series is designed to consolidate the major evaluations of employment programmes, conclusions and resolutions of workshops and seminars, and other information details that are particularly, though not exclusively useful to the work of the ILO and its constituent partners.

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Executive Director
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¹ See http://www.ilo.org/public/english/bureau/dgo/download/dg_announce_en.pdf.

² See the successive Reports of the Director-General to the International Labour Conference: *Decent work* (1999); *Reducing the decent work deficit: A global challenge* (2001); *Working out of poverty* (2003).

³ See <http://www.ilo.org/gea>. And in particular: *Implementing the Global Employment Agenda: Employment strategies in support of decent work*. "Vision" document, ILO, 2006.

⁴ See <http://www.ilo.org/employment>.

Foreword

The current global economic and financial crisis represents a top priority concern for the ILO, as it brings with it dramatic consequences in terms of employment and poverty. In turn, the gravity of the job situation could trigger serious social and political issues and potential security risks in the worst hit countries and in the most fragile and tense areas.

The Employment Sector is particularly concerned by the current trends and the possible future scenarios. Immediate efforts have therefore been deployed by the Organization in order to make available the relevant expertise and knowledge in support to tripartite constituents worldwide. The ILO strongly recommends that the job crisis is addressed in a comprehensive and globally concerted manner, by strengthening labour markets and social protection systems, and by putting emphasis on interlinked policy responses.

While remaining a major challenge, this global crisis is to be addressed as an opportunity to promote and apply the fundamental principles of the Global Employment Agenda. Over the years, the ILO has developed a solid capacity to address employment issues and related socio-economic aspects of crises and recovery interventions. This capacity has been utilized to address several types of crisis and complex scenarios worldwide, which has allowed for a continuing learning and enhancing of the approaches.

The response capacity of the ILO in crisis-affected contexts has been strengthened throughout the years by its International Programme on Crisis Response and Reconstruction (ILO/CRISIS). Its role has mainly been the one of supporting and building the capacities of field-based structures to set in motion timely and effective crisis responses. The practice on the ground has produced a wealth of significant lessons, thus increasing ILO's know-how in this domain.

We believe that when facing the current challenges of the job crisis, the ILO and its tripartite constituents can benefit from the lessons learnt in the past, and feed them into recovery strategies and plans. Particular reference is made here to those lessons drawn from the response to the Asian and the Argentinean financial crises that occurred in 1997-1998 and 2001-2002. Such a belief inspired the production of a series of reports that, through a description of the lessons learnt, would guide future ILO's action.

The present report concerns the ILO's response to the Asian financial crisis of 1997-1998, focusing on the role played by the ILO in the recovery in Indonesia and Thailand. The report highlights several important lessons, such as the need for an immediate response; the importance of building on existing programmes, even if new ones are being developed based on wide consultation; and the crucial role of preparedness of countries to deal with inevitable periodic socio-economic ups- and downturns.

Alfredo Lazarte-Hoyle
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1. Introduction

The response to the Asian financial crisis of 1997-1998 provides a good example of the ILO responding rapidly and effectively to a crisis, in collaboration with national and international partners, setting its priorities through consultation with its tripartite partners at the regional and national level, and making full use of its mandate and relative strengths. In the current context of a global economic crisis, the Asian financial crisis has lessons for the ILO, but these need to be carefully assessed bearing in mind the many differences between the situation in 1998-99 and the situation today.

The Asian financial crisis, which started in Thailand around June 1997, spread within months to several other countries of the South-East region. While the immediate impact was on financial markets, very soon it impacted on levels of real output and employment. Several proximate factors contributed to this result: exchange rate instability, capital outflows, a liquidity crunch, and sagging or declining productivity. This in turn led to closure of production units due to lack of funds or loss of profitability and the displacement of large numbers of workers. In the case of Indonesia, this came upon the back of earlier crop failures and agricultural distress. The crisis increased in severity and geographical extent, with the whole East and South-East Asian region succumbing over the course of 1998.

The ILO identified the main factors responsible in the following way:

A number of factors hence contributed to the Asian crisis. Macroeconomic mismanagement leading to incompatibility between pegged exchange rates and open capital accounts probably triggered the crisis. Elements of financial panic due to a lack of lender of last resort may have exacerbated the crisis. The abandonment of sound government regulation, and over-hasty financial liberalization left the way open for some collusion between the government, banks and the corporate sector, leading to moral hazard and the consequent financial weaknesses of bubbles, a highly leveraged corporate sector, unhedged international borrowing, and an infected portfolio of bad loans. These imperfections in the currency and financial markets were paralleled by declining productivity of capital and labour. Consequently, as the financial crisis plays itself out -- and there are some indications of this recovery in terms of exchange rates, equities and inflation rates -- weaknesses in terms of the competitiveness of capital and labour use may constrain the recovery of output and employment in the economy⁵.

There were several features of the ILO response in Thailand and Indonesia (the country cases examined in this paper) that continue to be relevant today. This response established that the ILO had the capability to respond quickly, and that it could spearhead a response to any major social and economic downturn, focusing on the creation of productive and sustainable employment, well functioning labour markets, improved social protection, expanded social dialogue and the promotion of ILO Conventions. Further, the ILO showed that it could not only assist countries to come out of crisis but also contribute

⁵ ILO, *Evolution of the Asian financial crisis and determination of policy needs and responses*, GB.274/4/2, 274th Session, Geneva, March 1999, Para 24.

to enabling them to return to a path of economic growth alongside an equitable and just society over the longer term.

We begin (Section 2) by summarising the main lessons learnt from the Asian crisis many of which we believe remain valid today. Section 3 discusses the background to the Asian financial crisis, presenting some information to enable the reader to form an idea of some of the major events that mark the onset and course of the crisis. Section 4 examines similarities and differences between the Asian financial crisis and the present global economic crisis. In Section 5 the key economic and social impacts of the Asian financial crisis are examined with reference to Indonesia and Thailand. Section 6 looks back at what the ILO actually did in its response to the Asian financial crisis. Finally, in Section 7, the lessons from the ILO response to the Asian crisis are enumerated, keeping in mind the challenges faced by the ILO in tackling the current global economic crisis.

2. Summary of Lessons Learnt

While no two crises are identical, there are nevertheless lessons that can be learnt from a review of the ILO approach and strategy in dealing with a past economic crisis. Before discussing the lessons for the ILO, it is important to stress the similarities and differences between the Asian financial crisis and the current global crisis. These are discussed in greater detail in the next section. The most important points of similarity/difference are:

- The Asian crisis was a regional phenomenon, while the present crisis is global. In the former case, commodity prices were not falling and demand in the rest of the world economy was growing; in the latter this is not so.
- In both cases, policy-makers need to be alerted to the dangers of following pro-cyclical measures at the time when a downturn is beginning.
- Paradoxically, the Asian crisis provided an opportunity for the ILO to stress social concerns and this must remain a valid element in a strategy to address the global crisis.

At the risk of anticipating some of the analysis and conclusions of this paper, we briefly identify the major lessons learnt from the ILO response to the Asian crisis.

(a) Response must be quick

The ILO must respond quickly before the crisis gets worse.

(b) Measures must impact quickly

The measures promoted should quickly arrest, if not reverse, social and economic deterioration. For example take up infrastructure development programmes which have quick impact.

(c) Start by using existing programmes

The speediest response often is to use ongoing programmes or projects and focus them on addressing the needs of crisis affected groups.

(d) Consult widely

Consult on a continuing basis with governments, employers' and workers' bodies, and NGOs. Since macroeconomic policy issues are involved, maintain close relations with the other UN organizations and the IMF, the World Bank and regional banks

(e) Develop new projects and programmes

Develop new interventions, involve other actors, and conduct activities even after output growth resumes, for the experience shows that employment growth takes longer to resume than output growth. Also one must think beyond the current crisis to weather periodic economic and social crises.

(f) Prepare for periodic ups and downs

With globalisation and the opening of markets and increased labour market flexibility, more countries will be affected by periodic economic fluctuations. Strengthen preparedness to deal better with downturns as and when they occur: build in scalability into ongoing activities; plan mechanisms for funding contra-cyclical response; initiate measures for social support and protection; improve the flow of information, and reinforce legislative frameworks, adoption and implementation of ILO Conventions and consultative mechanisms.

Table 1. Main Lessons Learnt

LESSONS	ACTIONS	PRINCIPAL RESPONSIBILITY	KEY LINKS (see refer.)
1. Speed is essential	Assess immediate needs Arrange for specialist missions	Country Office (with HQ and Regional Office inputs)	3, 17, 21, 36, 38, 46,
2. Use existing programmes	Desk review existing programmes. Identify those that should be modified. Renegotiate existing/ongoing programmes/projects and redirect to address crisis needs. (Country Office)	Country Office	11,17, 21,
3. Consult widely	Start consultations with national tripartite partners/ NGOs/UN agencies/World Bank/IMF/regional development banks. Promote joint and/or new initiatives/ projects/ project components	Regional Office, Country Office	35, 36,
4. Develop new responses	Prepare joint and/or new initiatives/ projects/ project components	Regional Office, Country Office	8, 60, 62.
5. Prepare for periodic ups and downs	When crisis recedes: Develop/strengthen new institutions and policies to mitigate future crises (e.g. in such areas as budgetary systems, social security programmes, social	Country Office, Regional Office, HQ	6, 8, 9, 10, 12, 13, 15, 22, 23, 35, 39, 40, 45, 48, 54, 55, 56,

	<p>safety nets, adoption/implementation of ILO standards, labour market information and monitoring systems.</p> <p>After the crisis: conduct an evaluation of ILO response.</p>		
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3. Comparison of the Asian Financial Crisis and the Current Economic Crisis

3.1 Pace of spread

The Asian crisis was unlike the global crisis in terms of spread. It was restricted to a few countries in one region. It rapidly spread from Thailand, where it started in mid-1997, to a number of East and South-East Asian countries, but by the end of 1999, by and large the worst was over. By 2000 the countries of the region were again on the growth path. The global economic crisis is beginning to affect most countries around the globe, but we still do not know how many countries will be affected, how deeply, and for how long.

Availability of external resources

In both Indonesia and Thailand, major programmes like public works and the Social Investment Fund, depended upon the availability of external assistance. Such measures may be more difficult to fund for developed economies are deep in recession.⁶ Also there may be crisis-induced outflows of funds from developing countries leading to a credit crunch which would seriously limit the use of credit-based employment generation programmes.

Trade regimes

The present crisis, unlike the Asian crisis, is not limited to one region. Primary commodity prices are falling sharply. The response to the Asian crisis occurred in an environment where there was not a world-wide decline in prices and demand. This is not the case today: between July and October 2008, oil prices fell 69 per cent and non-oil commodity prices fell 38 per cent. Also, demand is shrinking: advanced country imports over 2009 are expected to contract by 3.1 per cent and exports of emerging and developing countries may decline by 1 per cent.⁷

Given falling prices and demand, neither currency depreciation nor export promotion strategies are likely to work for individual countries. The sharp devaluations of the Thai baht and the Indonesian rupiah provided a major stimulus to the expansion of exports, since the rest of the world was not in crisis or adopting protective measures. This is not the case

⁶ See World Bank, *Swimming against the Tide: How Developing Countries are Coping with the Global Crisis*, Background Paper prepared by the World Bank Staff for the G20 Finance Ministers and Central Bank Governors Meeting, Horsham, UK, March 13-14, 2009, p.8

⁷ See World Bank, *Swimming against the Tide*, pp. 3-4.

today. Also tariff and non-tariff barriers in developed countries may rise. Even if explicit tariff protection does not increase, the scale of bailouts (and financial support) that developed countries are providing to domestic enterprises would make it more difficult for the exports of developing countries in crisis to compete.

3.2 Protecting and improving labour's position

The ILO had successfully counselled countries to protect workers hit by the Asian financial crisis, arguing that this was affordable and would bring long-term benefits. It had also played a role in maintaining minimum wages and improving wage fixation mechanisms. The global nature of the present crisis and the deteriorating trade environment may make it more difficult for the ILO to persuade developing countries to promote and/or extend such measures and for developed countries to continue to protect workers' rights and conditions of work. This represents a major challenge to the ILO.

3.3 Combating capacity constraints of the ILO

In fast deteriorating situations, rapid response is essential. The Asian crisis showed that the ILO had the capacity to respond quickly and effectively. The strategy of response was also well developed in the short time available. There is the risk that the global crisis will last longer, spread farther, lead to a drying up of external resources and occur in an environment less favourable to free trade.

One consequence would be that the ILO's financial, human and institutional capacity would be severely stretched. It would be difficult to carry out the highly intensive investigations and analyses that preceded the development of programmes in Indonesia and Thailand, given the number of countries that would have to be covered and the short time available. As in the case of the Asian crisis, collaborative activities with other agencies, particularly the World Bank and regional development banks could be developed. The ILO would have to develop its own priorities: it may decide to focus its work more on certain countries or sectors, rather than others; it may start joint projects with other agencies; it may develop regional or multi-country –wide projects and programmes, or devise other ways to economise on resources, without sacrificing their positive impact.

4. Evolution of the Asian crisis and its impact

4.1 Changes in GDP

Thailand had a record of rapid GDP growth of about 8 per cent per annum in the period 1990-1996 compared to 6.8 per cent annually over the period from 1980 to 1990. There was a sharp decline in 1997, with GDP growth becoming negative, -1.4 per cent and in 1998, -10.8 per cent. In 1999 and 2000, rates recovered to 4.4 and 4.6 per cent respectively.

In Indonesia, again the period 1990-1996 recorded annual GDP growth of 7.3 per cent. Unlike Thailand, in Indonesia even in 1997 the growth rate was positive, 4.5 per cent. However, 1998 witnessed a massive decline in GDP of 13.2 per cent. The situation did not improve in 1999, which recorded a low positive growth of 0.9 per cent. In 2000, GDP grew at a much healthier rate of 4.8 per cent.

While recovery did occur, it is sobering to note that in neither Indonesia nor Thailand had per capita GDP returned to its pre-1996 levels, until around 2003 or 2004. In contrast, 1996 levels were crossed by Korea in 1999 and by Malaysia in 2000. We may therefore conclude that the impact was relatively short-lived in Korea and Malaysia and more prolonged in Thailand and Indonesia.

4.2 Employment and unemployment

The dramatic reversal from economic growth to contraction had a major impact on employment in these economies. Even in 2000, unemployment rates were higher than in 1997 in Indonesia, Malaysia, the Philippines and Thailand, although not in the case of Korea. In Indonesia unemployment rates which were already rising before the crisis, as employment growth was not able to keep pace with labour force growth, increased sharply in 1998 to 5.5 per cent of the labour force and further increased to 6.4 per cent in 1999. The increase in unemployment is probably not a good indicator of the impact of the crisis as unemployed workers tend to shift to low productivity occupations and the informal sector. Thailand, which had near full employment in 1997, with an unemployment rate of 0.9 per cent, saw a rise of the rate to 3.4 per cent in 1998 and a slight fall thereafter to 3.0 per cent in 1999.⁸

4.3 Poverty

With the emergence of high levels of unemployment due to retrenchment and loss of job opportunities, an increase in poverty was to be expected. This was exacerbated by the absence of unemployment insurance, increased underemployment and recourse to lower paid self-employment, and real wage and income cuts. In Indonesia, the percentage below the nationally determined poverty line increased from 17.7 per cent in 1996 to 24.2 per cent in 1998 and declined slightly to 23.5 per cent in 1999. In Thailand, the percentages of the population below the nationally determined poverty line increased from 11.4 per cent in 1996 to 12.9 per cent in 1999.⁹

4.4 Wages

A look at the index of real manufacturing wages shows quite clearly the declines in wage rates that resulted from the Asian financial crisis. Real manufacturing wages in Indonesia (1990=100) fell from 127.5 in 1997 to 95.1 and 97.5 in 1998 and 1999 respectively. In Thailand the corresponding index fell from 120.5 in 1997 to 110.8 in 1999.¹⁰ Similar or even steeper declines must have occurred in other sectors, particularly the informal sector, where workers were not organized and their impacts would have been more severe as their access to social protection would have been less.

⁸ Rizwanul Islam, *Labour Market Policies, Economic Growth and Poverty Reduction: Lessons and Non-lessons from the Comparative Experience of East South-east and South Asia*. Discussion Paper 8, Issues in Employment and Poverty, Recovery and Reconstruction Department, ILO, Geneva, April 2003, Table 5a.

⁹ Islam, 2003, Table 6.

¹⁰ Islam, 2003, Table 7.

4.5 Women workers

In Indonesia the largest reductions for women occurred in non-oil manufacturing, followed by construction. Job losses were also significant in government, financial services, and tourism. Women were over-represented in the hard-hit manufacturing sector, with a 45 per cent share, compared to their 38 per cent share in the total labour force. In retrenchment women bore a more than proportional share of the burden: 48 per cent of those retrenched were female.¹¹

In Thailand, manufacturing and construction were hardest hit. The concentration of women in export sectors made them very vulnerable and women accounted for about 53 per cent of layoffs. Thailand had the highest female labour force participation rate among the main crisis-hit countries. The most vulnerable among women who were laid off were the elderly and relatively unskilled.

In both Indonesia and Thailand self-employed and unpaid family workers suffered in terms of employment and earnings. Regular workers tended to be replaced by the self-temporary casual workers and with greater recourse to overtime. There was a shift of jobs from the formal to the informal sector. Women were particularly affected by the decline in export industries where they were used as non-regular workers providing a flexible and mobile work force to buffer fluctuating labour demand characteristic of export industries.¹²

4.6 Child labour

With the significant decline in incomes and relapse into poverty conditions were created where child labour would increase. Child welfare declined as family income declined with adults moving from formal to informal employment. The decline in real wages had an impact on food availability and health care. The inability of governments to maintain social expenditures also had an adverse impact.

In actual fact, the impact in Indonesia and Thailand on school enrolments was limited. In Indonesia this was due to government measures to reduce fees and provide incentives for schooling, given the importance parents attached to schooling. However, while the number of child labourers may not have significantly increased, they faced lower wages and may have been led to take up hazardous employment. In Thailand, the deceleration in population growth and the increased demand for more educated and skilled workers moderated the impact of the crisis. However rural school enrolments fell and youth unemployment rose, especially among the poor.¹³

4.6 International migration

The Asian financial turmoil revealed the fragility of the status of international migrant workers in many countries in the region. With the exception of a small minority of highly

¹¹ See Amelita King-Dejardin and Jessica Owens, "Asia in the Global Crisis: Impacts and Responses from a Gender Perspective," Technical Note for the Regional Forum "Responding to the Economic Crisis: Coherent Policies for Growth, Employment and Decent Work in Asia and the Pacific," Manila, 18-20 February 2009. See p. 7 and also the references cited therein.

¹² Ibid, p. 4.

¹³ ILO, Report of the Director General: *A Future without Child Labour: Global Report under the Follow-Up to the ILO Declaration on Fundamental Principles and Rights at Work*, International Labour Conference, 90th Session, 2002, Report I(B), pp.38-39.

skilled workers, the vast majority were unskilled and worked in jobs that were too poorly paid, dirty or dangerous to interest the local population. Typically, they worked in construction, agriculture and domestic service. Most were illegal entrants, making reliable data extremely difficult to gather. Estimates put the total number of migrants in mid-1997 in Hong Kong, Japan, the Republic of Korea, Thailand, Malaysia, Singapore and Taiwan at 6.5 million.¹⁴

According to ILO estimates the total number of migrant workers decreased by approximately 1 million one year into the crisis. In Thailand the number of migrant workers declined by some 460,000 by mid-1998, in Malaysia by 400,000, and in the Republic of Korea by about 117,000. In Indonesia, the return of migrants from Malaysia and other countries exacerbated the domestic problems caused by the crisis.

The ILO estimated the pre-crisis number of migrant women workers from the region to be approximately 1.7 million. They were primarily engaged in the service sector, domestic work, and the entertainment industry, but some are also in the manufacturing sector. The crisis must have had an adverse impact on many working in other countries within the region.

4.7 Internal migration

In Indonesia, due to the crisis there was only a limited permanent shift of population in Java, away from urban areas towards rural areas, perhaps reflecting a weakening of traditional social safety mechanisms in the countryside. In Thailand, there was a move in rural areas from non-agriculture to agriculture. During the first quarter of 1998 the numbers returning from Bangkok to their former place of residence increased by 37 per cent over the previous level. The pressure for jobs in rural areas increased and the ability and willingness of rural households to absorb returnees and provide them with work may have declined.¹⁵

5. Role played by the ILO

How did the ILO support Indonesia and Thailand to respond to the crisis? In particular what was its role in identifying needs, and implementing and monitoring programme responses?

5.1 The ILO's first steps

There was some evidence of the deteriorating situation in several South-Eastern Asian countries from the middle of 1997. The ILO was quick to respond to this problem. The Twelfth Asian Regional Meeting, held in Bangkok in December 1997, helped to shape the ILO response. This was followed by a series of regional meetings on the main social and labour aspects of the crisis, held during 1998 and 1999.

¹⁴ ILO, Governing Body, 274th Session, *The ILO's response to the Financial Crisis in East and South-East Asia: ILO action in response to the crisis*, Geneva, March 1999, para 24.

¹⁵ See ILO, *Indonesia: Strategies for Employment-Led Recovery and Reconstruction, Main Report*, ILO, Jakarta, October 1999, Chapter 14 and World Bank, *Thailand Social Monitor: Thai Workers and the Crisis*, Bangkok, July 2000.

As the financial crisis began to impact upon the real economy and labour markets, the ILO stressed the links between international financial markets and domestic jobs and earnings. The ILO response therefore included considerations of macroeconomic policy and it worked with the Bretton Woods institutions to concretely address the employment and social consequences of economic policies. There are several good examples of ILO-World Bank collaboration. These include the attendance of Bretton Woods agencies in major ILO tripartite meetings, joint work on the impact of the crisis on Thai workers, the joint holding of two seminars in Tokyo and Manila on the employment –related aspects of the crisis, and the involvement of the ILO in the SSNAL mission to Indonesia and its follow up activities.¹⁶ There is, however, scope for expanding such activities and for ensuring that joint activities are given due credit by all parties.

A particularly important event was the High-Level Tripartite Meeting on Social Responses to the Financial Crisis in East and South East Asian Countries held in Bangkok in April 1998. This meeting was attended by representatives of the IMF, the World Bank and the Asian Development Bank. A technical report, *The Social Impact of the Asian Crisis*, prepared for this meeting anticipated a worsening of the crisis.

Within the mandate for ILO action, constituents at the regional level worked with the ILO to fine-tune it to their assessment of needs, identifying priority areas for ILO response. Again, national level constituents made more specific requests for assistance. The ILO's predominant concern was naturally with the immediate as well as more long-lasting social and economic consequences of the crisis. The sharp declines in output levels in the different sectors of the affected economies resulted in loss of employment, including increases in total unemployment, retrenchment, underemployment and the informal sector, and reversals in occupational trends, wage cuts and increasing poverty.

The ILO response, within the human and financial resources available, was based on a three-pronged strategy driven by the need for rapidity and relevance of the response and broad-based support for the activities undertaken.

- Redirection of existing activities
- Continuation of ongoing and previously planned activities whose relevance had been reinforced by the crisis
- Creation of new activities arising out of discussions with the constituents.

The four major means of action available to the ILO, in terms of its mandate and expertise were to:

1. Collect, analyze and disseminate information to constituents or provide them with technical and financial assistance to do so.

¹⁶ See the volume based on a World Bank-ILO collaborative seminar in Tokyo in 2001: Gordon Betcherman and Rizwanul Islam, *East Asian labor markets and the economic crisis impacts, responses & lessons*, World Bank/ILO, Washington DC/ Geneva, 2001. The other seminar was the World Bank-ILO-JMOL-PDOLE, "Seminar on Labour Market Policies: their implications for East and South-East Asia", held in Manila on 1-2 March 2001. The ILO participated in the World Bank's Social Safety Net Adjustment Loan (SSNAL) Mission to Indonesia in November-December 1998. The ILO contributed to the excellent report on Thai workers and the crisis. See World Bank, *Thailand Social Monitor, July 2000, Thai Workers and the Crisis*.

2. Promote the dissemination and exchange of information and views through dialogue, leading where possible to consensual and cooperative decision-making.
3. Provide technical assistance to constituents and to governments in particular, in the form of upstream policy advice.
4. Conduct a range of downstream projects and programmes with a strong focus on building institutional capacity

The importance accorded to the Asian Financial Crisis by the ILO may be gauged by the unprecedented attention given to it by the ILO Governing Body which organized a special two-day symposium on it in March 1999. The ILO had already presented a paper to the Governing Body in November 1998, providing an initial review of its response to the crisis. The ILO further outlined its ongoing approach and strategy in its Governing Body paper 274/4/3 to the 274th Session held in Geneva in March 1999, entitled The ILO's response to the financial crisis in East and South-East Asia. This provides an extremely valuable guide to ILO actions during 1997-1999.

5.2 Special features of the ILO response

Some special features of the ILO response may be highlighted:

- The ILO's initial response to the crisis came very quickly.
- It worked very closely with governments and social partners at the regional and national levels to jointly identify and prioritize needs.
- It built up collaborative relationships with other UN organizations and the World Bank which facilitated its efforts to mainstream employment-related concerns into macroeconomic policy dialogues and responses of other agencies.
- The prior existence of excellent working relationships and ILO knowledge and expertise relating to the two countries was a positive element. This made for mutual respect and confidence.

ILO actions followed the four priority areas identified by the High Level Tripartite Meeting in Bangkok in April 1998. These were:

- Social protection,
- Employment, enterprise development and labour market policies;
- Promotion of social dialogue, and
- Promotion of ILO Conventions.

5.3 Social Protection

In *The Asian Financial Crisis: the Challenge for Social Policy*, published by the ILO in 1998, Eddy Lee drew pointed attention to the inadequacy of traditional or existing social safety nets in Asia in relation to the problems created by the crisis. He demonstrated that unemployment insurance was feasible even in developing countries and that it could be gradually introduced.

Indonesia and Thailand were market-based economies which had not developed significant social protection systems. The ILO initially collaborated with the ICFTU-APRO and the Japan Institute of Labour to hold a regional workshop in Manila in July-August 1998 on social safety nets. The Meeting revealed the need to improve knowledge about social security in general and to the attention to the informal sector among worker's organizations.

A review of social protection in Thailand had already been done by the ILO and based on its recommendations the existing system was being expanded to cover retirees and informal sector workers. The Government of Indonesia also requested ILO assistance in reviewing its system of social protection. In October 2004, Law No. 40/2004 was enacted which calls for the establishment of a comprehensive national social security system. It mandates the creation of a number of social security schemes including: old age pension, old age savings, national health insurance, work injury insurance, and death benefits for survivors of deceased workers.

Unemployment insurance

Among the crisis-affected countries, only Korea had an unemployment insurance scheme. In Thailand the ILO undertook a feasibility study in mid-1998 of unemployment benefit schemes. The scheme considered required a contribution of about 2.5 per cent of the payroll in 2001, declining by 2007 to less than 1 per cent. After much discussion an unemployment insurance scheme was adopted and implemented from January 2004. This required a contribution of one per cent each of wages by employers and employees and a 0.5 per cent contribution from the government. Laid off workers would be entitled to 50 per cent of their wages for 180 days.¹⁷

Minimum wages

At the request of the Government of Indonesia the ILO contributed to a major study on the reform of the minimum wage system and has been involved in a broader review of wage policy. A major contribution to the debate was a research study commissioned by the ILO which concluded that there was no evidence that the level of the minimum wage was negatively correlated with the level of employment.¹⁸

In Thailand, again, the ILO undertook a study of wage policy. The findings after extensive tripartite discussion were endorsed by the Ministry of Labour and Social Welfare.

Child Labour

An obvious area of concern for the ILO was the impact of the crisis on child labour. A comprehensive assessment on this subject was launched in 1999 in Indonesia, Thailand and the Philippines. An analysis of the impact of the Asian Financial Crisis on child labour is provided in the Report of the Director General to the International Labour Conference in 2002.¹⁹ The Report generally concluded that child welfare had declined due to decline in

¹⁷ John Benson and Ying Zhu.(eds) *Unemployment in Asia*, London : Routledge, 2005. pp. 168-169.

¹⁸ See Iyanatul Islam and Suahisil Nazara, *Minimum Wage and the Welfare of Indonesian Workers*, ILO Jakarta June 2000.

¹⁹ Report of the Director General: *A Future without Child Labour: Global Report under the Follow-up to the ILO Declaration on Fundamental Principles and Rights at Work*, International Labour Conference, 90th Session, Geneva., 2002, Report I (B), pp.38-39.

family income and government social expenditure. However, the impact on children was muted as families tended to keep children in school and provided for them, resorting to survival mechanisms, where needed.

Based on a detailed study done for the ILO, Chris Manning observed that the impact of crisis in Indonesia was in some ways less than expected:

*“There is little evidence of large numbers of children being taken out of school or of many more being absorbed into the work force than was the case pre-crisis... Rather, changes have often been more subtle. Households have adopted a range of coping strategies to deal with the sharp decline in employment and real wages in the first half of 1998, and with the medium to longer term prospect of lower household incomes to follow. The quality of schooling has undoubtedly suffered as have the working conditions of many children...”*²⁰

The ILO's International Programme for the Elimination of Child Labour (IPEC) arranged expert group meetings in Thailand and Indonesia in March 1998. Proposals that emanated from these meetings included better targeting of poverty alleviation and employment generation programmes and guaranteeing access to education for all children. Studies on working children in a number of countries including Indonesia and Thailand were taken up. The ILO noted²¹ that even as the crisis, in terms of macroeconomic indicators, was receding, children faced more exploitation, and some of the worst forms of child labour. Through its IPEC programme, the ILO introduced sensitization training for school communities in Indonesia to develop guidelines for children at high risk of becoming child labourers.

Gender Impacts

Research was initiated by the ILO on obtaining current and relevant knowledge on the gender impacts of the crisis. Several important reports were produced, highlighting the gender dimensions of the economic crisis and recommending policy measures.²² A national workshop on promoting employment with gender equality in the context of globalization was held in Jakarta on 19-20 August 1999. It resulted in a package of recommendations for follow up action.²³

In Indonesia two projects were undertaken. The first project, an ongoing project under the ILO/Japan programme, was modified to focus on creating employment for disadvantaged women affected by the crisis. The other project for strengthening the

²⁰ Chris Manning, *The Economic Crisis and Child Labour in Indonesia*, International Labour Office

International Programme on the Elimination of Child Labour, Geneva, 1999, p.20. For an earlier discussion see ILO, ROAP, *The Asian economic crisis and child labour with a particular focus on Thailand and Indonesia*, Bangkok, March 1998.

²¹ ILO, *Report of the Director General: Activities of the ILO, 1998-99*, Asia and the Pacific. (Report to the 88th International Labour Conference.)

²² See for example Sri Moertiningsih Adioetomo and others, *Gender Dimensions of the Economic Crisis and Employment in Urban Informal and Rural Sectors in Indonesia*, SEAPAT Working Paper No. 6, ILO Manila 2000.,

²³ See ILO and Ministry of Manpower, *Indonesia, Economic Crisis, Gender and Employment in Indonesia*, Jakarta, 2000.

position of home workers is also likely to have contributed to meeting some of the needs of crisis affected people.

Similar programmes were launched in Thailand as well, under the ILO/Japan and ILO/Denmark multi-bilateral programmes. These were started in 1999 to assist women affected by the crisis.

Migrant workers

The crisis highlighted the vulnerable position of migrant workers. This included migrants from urban to rural areas looking for work as well as international return migrants from within the region. The latter had migrated to other countries like which faced severe labour shortages prior to the Asian crisis. As the crisis deepened and jobs were getting scarce, more and more migrant workers were retrenched and sent back, often without taking into account their rights and needs.

Indonesia was doubly affected as in addition to the domestic economic slowdown reducing labour demand, there was an inflow of return migrants adding to labour supply. In September 1998 the ILO organized an overseas employment policy workshop in Jakarta. Its recommendations to the Government were on the need to protect migrant workers and to facilitate the formulation and discussion of policy options in this field. A second workshop was held in November 1998 on private agents' responsibilities and obligations. The ILO also assisted in the development of information packages geared to the needs of prospective and departing Indonesian migrant workers, especially women.

In both Indonesia and Thailand, the problem of workers returning to the countryside in search of work was sought to be addressed through employment generation programmes, which have been discussed earlier.

5.4 Employment, enterprise development and labour market policies

Policy needs

The crisis made clear the need to look at macroeconomic policy options while examining the labour market implication of the crisis and the road to recovery. As Eddy Lee argued in his influential ILO study²⁴ the promotion and protection of durable jobs had to be more explicitly included in the scope of macroeconomic policy. This required, inter alia, more thorough labour market analysis, the improvement of labour market information systems, and greater and more effective participation of the ILO and its constituents in macroeconomic policy –making with the objective of “full and decent employment for all” alongside macroeconomic stability.²⁵

With some of these ideas in mind, the ILO conducted employment policy reviews in Indonesia and Thailand. The Indonesian study *Employment Challenges of the Indonesian Crisis* was an across-agency UN initiative led by the ILO and was completed rapidly in 1998 itself. It analyzed the employment and unemployment situation and prospects and recommended short-term strategies for employment and income support and medium term

²⁴ Eddy Lee, *The Asian Financial Crisis: the challenge of social policy*, ILO, Geneva, 1998.

²⁵ While some of the terms used in this statement came into use after the crisis, they are relevant for discussing the ILO stance in 1997-1999.

strategies for employment promotion. It is significant that the next Report, published in October 1999 was called *Indonesia: Strategies for Employment -led Recovery and Reconstruction*. This reflected the ILO position that employment expansion had to lead the way; the declines had to be rapidly reversed for recovery to take place on a wide front.²⁶ The recommendations were very well received by the Government and the ILO was asked to assist in their implementation.

The Thailand Country Employment Policy Review (CEPR), conducted in 1999, provided detailed guidelines to the Government in the formulation of labour and employment policies in several areas such as labour market information, job creation and small enterprise development, social protection, skill development and gender equity. As a follow-up to the CEPR, the ILO provided technical assistance covering a wide range of activities in different disciplines within its competence to the Government. The Ministry of Labour and Social Welfare (MOLSW) requested technical assistance on the implementation of unemployment insurance scheme, following a feasibility study conducted by the ILO in 1998.²⁷

An important ILO initiative in Thailand was a meeting convened of users and producers of labour statistics in March 1998. It sought to identify problem areas and national priorities in data collection, especially given the need to gauge the impact of the crisis on the labour market. An important outcome of this activity was a UNDP funded ILO project to improve policy formulation through improved labour force surveys.

Employment services and labour market information systems

The crisis exposed weaknesses in national employment service systems which were unable to cope with the demands generated by the loss of jobs and the lack of employment opportunities.

A workshop on the Asian Crisis and Public Employment Services was organized in December 1998 with the involvement of the World Association of Public Employment Services, and the Thailand Ministry of Labour and Social Welfare. Participants were drawn from six Asian countries including Indonesia and Thailand. A particular focus was on the role of public employment services in the redeployment of persons losing their jobs due to the crisis.

In both Indonesia and Thailand, the existing labour market information systems and public employment services needed to be improved to meet the needs of the crisis situation. For Indonesia, based on a detailed study, an ILO consultant suggested important changes.²⁸ The ILO supported work on monitoring labour market information at the sub-national or regional level. Workshops were organized to train officials of the Ministry of Manpower and the Ministry of Planning to use labour market information in policy planning, especially on skills development.

²⁶ ILO, *Indonesia: Strategies for Employment -led Recovery and Reconstruction*: Report of the Employment Strategy Mission, 26 April-7 May 1999, ILO, October 1999.

²⁷ See <http://www.ilo.org/public/english/region/asro/bangkok/arm/tha.htm>

²⁸ See Shafiq Dhanani, "Strengthening the labour market information system," in ILO, *Labour Market Policies and Poverty Reduction Strategies in Recovery from the Asian Crisis*, Bangkok 2002, pp.209-263.

Labour-intensive employment promotion

The ILO proposed that there should be a two-pronged approach of emergency employment creation in Indonesia. The first element envisaged an employment generation fund for speedily creating wage and self-employment. Labour intensive methods in public infrastructure construction would create wage employment while targeted credit schemes would boost self-employment. The second element was a short-term food distribution scheme targeting the poor. In Indonesia, ILO technical assistance linked government initiatives with donor assistance and this was supported by the donors and welcomed by the government.

The ILO participated in the World Bank's Social Safety Net Adjustment Loan (SSNAL) Mission to Indonesia in November-December 1998. The ILO was able to participate in subsequent activities to create jobs and strengthen the design of the social safety net. The ILO also ensured that trade unions would be represented on the body to monitor these activities. Apart from this the ILO was also requested by the Government to assist in assessing existing labour-intensive projects.

In Thailand, the ILO assisted in the assessment of job creation possibilities and with training on labour-based technologies for infrastructure development. In particular, the Ministry of Interior and the Government Savings Bank, which implemented important parts of the World Bank Social Investment Programme, benefited from training activities conducted by the ILO.

Enterprise development

ILO action focused on helping in the creation and growth of enterprises, helping, more specifically, to restructure and withstand the economic downturn, and by promoting self-employment. Given the importance of small and micro-enterprises and self-employment in job creation, the ILO carried out several activities involving training of officials, promotion of materials and advisory services. In Thailand officials of the Ministry of Labour and Social welfare were trained in managing micro- and small-enterprise support programmes.

In Thailand, the ILO was asked to look at the Ministry of Labour and Social Welfare's five small enterprise schemes which focused on groups particularly hard-hit by the crisis, viz. retrenched workers, the disabled and women. ILO provided training which helped the government officials to implement these programmes. An UNDP/ILO project on medium and small enterprise development in urban areas was also implemented.

Training

The economic downturn and financial crisis brought training needs to the fore. The ILO focused on retraining of laid-off workers and development of skills for self-employment. This involved, in many instances, redirecting the existing training infrastructure to meet the needs of displaced workers who needed new skills likely to be demanded once recovery got under way, as well as training for self-employment, where appropriate.

In Indonesia the ILO provided assistance to develop a strategy for the more efficient functioning of the National Training Council and for improving the effectiveness of skills testing and certification.

In Thailand, a national employers' workshop on human resource strategies for economic recovery was organized in July 1998. This focused on identifying strategies for enterprise-based training, especially on literacy and numeracy. It also promoted the key idea that the slack labour demand situation of the crisis period should be used to step up

training in skills that were likely to be in demand when the economy picked up. The ILO has since been involved in developing proposals for reform of the training system. It also developed a project for skills training for self-employment.

5.5. Social dialogue and promotion of ILO Conventions

Prior to the crisis, dialogue and participation were large absent among the Asian countries hit by the Asian crisis, particularly in the case of Indonesia and Thailand. The ILO believed that strengthening social dialogue was a “necessary cornerstone to the solution of the crisis” and succeeded over time in getting wider acceptance of this view. In both the countries, the crisis was accompanied or preceded by important developments in the political system which created a more favourable climate for the promotion of social dialogue. In Indonesia the economic crisis resulted in a political process whereby greater democratic accountability was fostered and the country’s ratification of the Freedom of Association and Protection of the Right to Organize Convention (Convention No. 87 of 1948) opened up opportunities for social dialogue. In Thailand, again, the crisis was accompanied by constitutional reforms and recognition of the importance of promoting tripartism and freedom of association.

The ILO followed a two-pronged approach:

1. It improved institutional capacity, through promoting the freedom of association, providing policy advice on national legislative frameworks and by strengthening the capacity of employers’ and workers’ organizations and bipartite and tripartite mechanisms.
2. It contributed to improving the content of social dialogue by providing opportunities to exchange information and develop policies to address the impacts of the crisis.

In Indonesia the ILO provided technical assistance on labour legislation regarding regulation of labour disputes, trade union freedom, and ILO core conventions. The ILO advised on the drafting of the Trade Union Bill and the Labour Dispute Settlement Bill, as well as on the Manpower Act and measures relating to migrant labour. Two workers’ education projects were taken up, as well as other activities to improve the capacity of trade unions to defend the interests of workers in both the formal and the informal sectors.

Following a national seminar on fundamental human rights conventions, the President of Indonesia signed a memorandum of understanding with the ILO on the ratification of these major conventions (Conventions No.105, 111 and 138.).An ILO/national tripartite task force was established to oversee implementation. A series of regional seminars on the ILO Declaration were also organized in 1999. It is significant that in the aftermath of the crisis and the changes at the political level, Indonesia ratified four major conventions (Nos. 98, 105, 111 and 138).

In Thailand, social dialogue mechanisms were not well developed at the time of the crisis. Collective bargaining and employee committees were two channels for dialogue at the enterprise level. A National Wage Committee (to deal with minimum wages) and a

National Labour Development Council (to deal with employment policy) were set up. Both were tripartite in character.²⁹

The government sought ILO technical advice on the reform of the State Enterprises Act, with the objective of improving freedom of association and trade union rights for public sector workers. The ILO also contributed to the reform of the Labour Relations Act, which again improved conditions for freedom of association. The ILO trained labour inspectors in new and better techniques to detect problems in labour-management relations and improve labour-management cooperation. Training in minimum wage determination and tripartite negotiation was also provided to provincial wage committees tasked with determining minimum wages.

The ILO organized a national tripartite forum in November 1997 in which all eight major labour centres and the major employers' organization participated. This forum helped to develop a consensus on the nature of the crisis and the policies needed to address it, including the need for reform of labour legislation. It also acted a catalyst, leading the government to come up with its own response to the crisis situation including what it expected from the ILO. A blueprint for ILO work emerged and became the ILO programme for Thailand, reflecting priorities highlighted by the Ministry of Labour and Social Welfare.

Activities were also undertaken to strengthen employers' organizations to enable them to respond better to the needs of enterprises affected by the crisis. The ILO jointly organized a workshop with the Employers' Confederation of Thailand and Employers' Confederation of Thai Industries (ECONTHAI) in June 1998 on human resource development strategies to help reposition enterprises affected by the crisis.

6. Lessons from the Asian crisis

The ILO focussed on advocating employment-generating economic policies, strengthening tripartism and stepping up its activities in the field, notably on behalf of vulnerable groups and in support of public works programmes and enhanced social security protection.

Specifically, these activities included:

- Supporting the initiation or expansion of public works programmes and credit schemes targeting the poor.
- Building institutional capacity in social fields where it is lacking, notably by strengthening trade unions and employer organizations,
- Promoting the adoption and implementation of relevant ILO Conventions;
- Seeking to influence the macroeconomic debate, notably the policy debate on international financial markets and domestic jobs and earnings;

²⁹ See Duncan Campbell, "Social dialogue and labour market adjustment in East Asia after the crisis," in Gordon Betcherman and Rizwanul Islam (eds) *East Asian labor markets and the economic crisis : impacts, responses & lessons*, World Bank/ILO, Washington DC/ Geneva, 2001.

- Studying the implementation or expansion of unemployment benefit schemes and seeking to extend the coverage of social security schemes;
- Addressing the problems of child labour and vulnerable groups, notably women, migrants and informal-sector workers.

The lessons learnt may be broadly categorised as general or specific.

6.1 General lessons

Speed is essential

A general lesson in the response to crises is that one must respond quickly before it gets worse. Again the measures selected should have quick impact.

Start by using existing programmes

The speediest response often is to use an ongoing programme or projects and redirect it towards addressing the needs of crisis affected groups. Numerous examples exist: it could be a public works or loan programme rapidly expanded to meet new demands; a training project, extended to cover retraining; it could be a successful child labour project modified to address the re-emergence of the phenomenon due to the crisis; or a project on migrants up-scaled and redirected to deal with massive return migration.

Consult widely and develop new responses

Meanwhile, in consultation with governments, employers' and workers' bodies, UN, IMF, the World Bank, regional banks and others, develop new programme and measures to tackle the crisis. The joint activities of the ILO and the World Bank discussed earlier provide some good examples, but these can be improved greatly and ILO contributions could be recognized better.

Prepare for periodic ups and downs

Experience suggests that with globalisation and the opening of markets and increased labour market flexibility, there will have to be measures in place to deal with the downturns as and when they occur. Also international evidence suggests that employment recovery is slower than output recovery. This has major implications for national, regional and international budgetary policy, programme management and vulnerability mitigation strategies.

The response to the present global crisis must include elements which help to ensure that future crises will be less severe, especially in their impact on employment and poverty especially among poorer economies. The ILO would need to look again at its budgetary procedures; it may have to strengthen its work on reducing vulnerability and promoting employment, skills and social protection systems that can weather periodic economic and social crises. The recent proposal for a global job fund addresses this issue.³⁰

³⁰ See ILO "The financial and economic crisis: A Decent Work response," GB.304/ESP/2, Geneva, March 2009, especially p.7.

6.2 Specific lessons

Employment promotion

(a) Make employment policy part of coherent economic policy

The Asian crisis made very clear the need to ensure that employment issues and concerns were an integral part of the economic agenda of policy-makers. The work of the ILO from that point until the present has been to seek to utilize all possible entry points to bring its tripartite approach into national, regional and international economic policy dialogues. These opportunities have been used to argue that considerations of maintaining macroeconomic stability have to be weighted against the need to ensure the expansion of productive employment

(b) Set up “scalable” employment generation programmes

During the Asian crisis the need to quickly generate large volumes of employment was realized. Unfortunately the earlier institutional structure in Indonesia and Thailand for running public works programmes was either no longer in place or was in disarray. Given the wide fluctuations in national economic activity in the context of globalization and the openness of economies today, it is essential that these structures are kept ready to tackle downturns without loss of time. Infrastructure works have great potential to create employment, both directly and indirectly. One of the salient features of employment-intensive programmes is that they “self-select” the working poor who participate in the programmes, avoiding the costly and cumbersome administrative arrangements that characterize the targeting mechanisms for social assistance benefits. Since they pay relatively low wages only low-skilled workers from low-income families are attracted to work for the schemes. An important lesson from this programme is that the absence of a ready institutional structure for this programme delays the response. Also the involvement of local government structures is an important recipe for success.

Programmes for promoting credit-based self-employment are needed for those who may have lost their jobs and are not candidates for public works employment. Again, loan-based programmes are difficult to set up at short notice. It is better that they are kept going through economic ups and downs, adjusting their operations to meet emerging needs. By expanding it during downturns and contracting it during upturns, it could work as counter-cyclical force. Also, the financial needs of small and medium enterprises need to be met, for these enterprises may have difficulties in securing credit during a crisis. Experience suggests that such enterprises can create considerably more employment than large enterprises.

(c) Promote frameworks conducive to the adoption of active labour market policies

ILO research indicated that there was scope for greater reliance on active labour market policies (ALMPs) in the countries affected by the Asian crisis.³¹ This is relevant for

³¹ For a discussion see Rizwanul Islam, J Krishnamurty and Shivani Puri, *Active Labour Market Policies in East and South-East Asia: What has been done and what can be done*,. Paper prepared for the World Bank-ILO-JMOL-PDOLE Seminar on Labour Market Policies: their implications for East and South-East Asia, 1-2 March 2001. <http://www.ilo.org/public/english/region/asro/bangkok/download/labmark/actlab5.pdf>). Also see Piyasiri Wickramasekara, “The Asian Economic Crisis: Implications for Employment, Labour

tackling the global crisis as well. The required ALMP measures include: improved labour market information and monitoring systems incorporating public employment services, training and retraining schemes and measures; wage subsidies; youth measures and direct job creation programmes. In many developing countries, ALMPs, especially labour market information and monitoring systems, are still at a very early stage of development. Taken as a whole, ALMPs help to alert policy makers to impending crises in the labour market and provide instruments to tackle them and monitor recovery. This is particularly important for recovery of employment may take much longer than that of output.

Table 2. Employment Related Lessons Learnt

LESSON	ACTIONS	PRINCIPAL RESPONSIBILITY	KEY LINKS
1. Make employment policy part of coherent economic policy	<p>Identify/use all entry points to bring tripartite approach and employment issues into national, regional and international policy dialogues on crisis.</p> <p>Invite other agencies to participate in tripartite ILO meetings on crisis and participate in their meetings on crisis-related issues. Hold joint meetings, produce joint reports.</p> <p>Produce joint policy documents</p>	Country Office, Sub-Regional/Regional office, HQ	8, 17, 21, 22, 24, 35,
2. Set up “scalable” employment generation programmes	<p>Assess ongoing or past employment generation programmes.</p> <p>Revive old programmes; set up new programmes if necessary.</p> <p>Introduce “scalability” in to their design.</p>	Country Office	40,
3. Promote frameworks conducive to active labour market policies	<p>Hold workshop to introduce ALMP concept/ examine existing ALMP policies.</p> <p>Strengthen existing ALMP policies, fill gaps.</p>	Country Office Sub-Regional Office	40,

Markets and Poverty,” in Jere R Behrman et al (eds.) *Restructuring Asian Economics for the New Millennium*, Elsevier Science BV, Amsterdam 2001, pp.847-884.

Social protection

(a) Link with labour market policies and flexibility

With the trend towards opening up of markets and increased labour market flexibility, exposure to economic fluctuations has also increased. During downturns, a flexible labour market could result in greater job losses and during upturns, in the absence of appropriate measures, it could lead to jobless growth. During upturns, it is therefore essential that provisions for social protection are expanded at the same pace as flexibility of the labour market is promoted. A flexible labour market when accompanied by social protection can ensure efficiency for employers with minimal hardship to workers.

(b) Begin developing unemployment insurance schemes now

Unemployment insurance programmes, if they do not already exist, are difficult to set up during a crisis. But planning should immediately start, as the example of Thailand shows. The recent Asian financial crisis made it clear that had unemployment insurance coverage been extensive in the countries affected by the crisis, then a majority of job losers would have been eligible for unemployment benefits. Again, compared to other countries, the Asian countries that adopted unemployment insurance are today better equipped to handle the impacts of the global crisis.

Apart from income security, unemployment benefits help match supply and demand in the labour market. They may help smooth consumption, both at the micro and at the macroeconomic level; facilitate labour market adjustment by reducing resistance to structural change, and encourage adjustment to occur. Unemployment insurance is superior to severance pay arrangements since its benefits are targeted at the unemployed and are dependent on collective contributions and not on the capacity or willingness to pay of individual employers whose businesses may be in financial difficulties.

(c) Extend coverage of health care

During crises, many people become poor again, and are unable to afford private health care. In many countries, a contributory system of health care either does not exist or is inadequate in terms of coverage and benefits. Again, expansion may be constrained by the current adverse situation and may have to wait for better times. It would however be useful to make a start and begin to plan for the future.

(d) Social support schemes and mechanisms

There is a need for social support or assistance mechanisms for those who do not have protected employment contracts. Capability poverty induced by crises, as opposed to increased consumption poverty, has to be addressed. Support may include conditional income transfers to provide for basic food and health needs and support for scholarships to keep children in school and out of child labour. This appears to have been useful in Indonesia, although the targeting could have been better.³² For the elderly and some other groups particularly at risk, unconditional transfers may be needed for it is well known that traditional forms of protection, like old age care, decline with the onset of economic crises.

³² See Robert Sparrow, "Protecting education for the poor in times of crisis: an evaluation of a scholarship programme in Indonesia", *Oxford Bulletin of Economics and Statistics*, Vol. 69, Issue 1, 2007 and Shafiq Dhanani and Iyanatul Islam, "Poverty, vulnerability and social protection in a period of crisis: the case of Indonesia," *World Development*, Vol. 30, No. 7, 2002.

Table 3. Social Protection Lessons Learnt

LESSON	ACTIONS	PRINCIPAL RESPONSIBILITY	KEY LINKS
1. Link with labour market policies	Expand social protection to keep pace with measures to increase labour market flexibility	Country Office Sub-Regional Office	40, 49,
2. Begin developing unemployment insurance schemes now	<p>Develop with government models for affordable unemployment insurance under different assumptions.</p> <p>Hold workshops to examine alternatives.</p> <p>Develop and finalize an acceptable scheme.</p> <p>Support phased implementation by the government</p>	Country Office Sub-Regional Office	15, 46,60,
3. Extend health care coverage	<p>Assess current position.</p> <p>Work with government, employers and workers organizations and other partners to develop an affordable scheme.</p> <p>Commence implementation by the government on a phased basis, if necessary.</p>	Country Office Sub-Regional Office	4, 6, 7, 8, 11, 46, 49, 52, 59
4. Promote social support mechanisms/schemes	<p>Identify groups at risk.</p> <p>Develop schemes for conditional or unconditional transfers.</p> <p>Work with national</p>	Country Office Sub-Regional Office	46, 47, 48, 54, 55, 62,

	and international agencies to implement such schemes.		
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Promotion of new and relevant skills

(a) Enable ongoing training to continue

Crisis situations often interrupt skills development, especially among youth, preparing for employment opportunities. Given the seriousness of youth unemployment and its links to political and social instability, the ILO could promote loan schemes to enable young persons to complete their training and it could expand places on government training institutions. This would arrest the growth of child labour and youth unemployment resulting from the crisis.

(b) Mount crash training programmes

Quick training programmes would enable workers to get back to the labour market soon with enhanced employability. Training programmes keep down open unemployment and may transfer some resources to the unemployed and underemployed. It is however important to evaluate carefully the cost-effectiveness of such mechanisms.

(c) Promote retraining

The skills required in the post-crisis labour market are likely to be very different. Retraining must become an important activity. The design of retraining programmes needs special attention, given the background and age of the trainees. In Thailand retraining was promoted by sensitizing employers to the advantages of such programmes.

Table 4. Skills & Employability Lessons Learnt

LESSONS	ACTIONS	PRINCIPAL RESPONSIBILITY	KEY LINKS
1.. Enable on-going training to continue	Develop loan schemes to assist students/trainees who may drop out	Country Office Sub-Regional Office	21, 22, 33, 34, 35, 36,
2. Mount crash training schemes	Identify local trainers and local needs Provide short training for trainers. Conduct training of beneficiaries.	Country Office Sub-Regional Office	21, 22, 33, 34, 35, 36,,
3. Promote retraining	Develop retraining plan based on future labour market needs Actively involve government, employers and workers in the design and implementation.	Country Office Sub-Regional Office	21, 22, 33, 34, 35, 36,

Labour rights, dialogue and standards

(a) Promote an appreciation of the value of labour standards

The Asian financial crisis highlighted the relative neglect of labour rights and social protection in the pre-crisis period of high growth. A crisis may not seem the best time to promote labour standards and more benefits for workers, but often –as the Indonesian crisis experience shows – the environment may favour a more positive approach to workers' rights and benefits over the longer period. Again the new constitution adopted in Thailand in 1997 favoured freedom of association and therefore made some tripartite initiatives possible..

(b) Ensure effective tripartite and bipartite dialogue on crisis response measures

A regional tripartite meeting helped to secure a wide participation in planning the ILO response. Further the response itself afforded opportunities, for example in Indonesia, to strengthen trade union recognition and rights. This in turn made it possible for unions to join in monitoring the social safety nets (SSNL) programme of the World Bank. Again, it was discussion with the Thai employers' organization that led to proposals for retraining existing staff to prepare them for the post-crisis needs.

Gender

(a) A window of opportunity

Post-crisis recovery offers a window of opportunity for social transformation and breaking down gender opportunities. It could involve innovations in the collection and analysis of data, development of institutional capacity, adoption of a regulatory framework embodying or guided by ILO Conventions, public works programmes that either target women or ensure that they are not excluded, training and retraining focused on women's special circumstances and needs, micro-credit, safety nets, social security and protection and the reduction of household vulnerability.³³

³³ See Tamara Tutnjevic, *Gender and Financial/Economic Downturn*, Working Paper No. 9, ILO, IFP/CRISIS, Recovery and Reconstruction Department, Geneva, October 2002, p. 19-24.

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