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## *Part III*

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### **Background Papers**

# **Human Security Dimensions of the Asian Financial Crisis: A Compendium of Research Materials**

CHIA SIOW YUE

*Director, Institute of Southeast Asian Studies*

SHAMIRA BHANU

*Institute of Southeast Asian Studies*

The Asian economic crisis is affecting the lives of millions in East Asia and aggravating social vulnerabilities. It has had several negative impacts, among them falling incomes, rising poverty and malnutrition, declining public services, reduced access to education, deteriorating health-care status, heightened pressure on women, and increased crime and violence. The effects of the crisis are acute in Indonesia and severe in Thailand, South Korea, and Malaysia. The Philippines, while somewhat less affected, also shows signs of worsening social conditions. In Indonesia, there has also been a radical breakdown in social order as an increasingly fragile social equilibrium is brought under acute stress by the economic and financial collapse. The economic crisis has affected almost all households and segments of society. However, some segments and groups are particularly vulnerable, namely, migrant workers, the urban poor, the elderly, women, and children.

This paper is an attempt to summarize the materials pertaining to the human security aspects of the Asian economic crisis. It was compiled based on materials gathered between October and December 1998.\* The paper

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looks at both the nature and magnitude of the social impacts and at the policy responses and actions of governments, major international development and aid organizations, civil society organizations, nongovernmental organizations (NGOs), and research institutes. In compiling the paper, two difficulties were confronted. First, the time constraint precluded a comprehensive literature survey. Second was the tremendous disparity in available data and the rapid changes taking place on the ground. The lack of reliable and up-to-date information and analysis concerning the Asian crisis to adequately serve policymakers highlights the need for urgent action.

### SOCIAL EFFECTS OF THE CRISIS

The most useful information on the social effects of the crisis is found in Oxfam International, World Bank, and International Labor Organization (ILO) sources.

The list of social problems exacerbated by or newly arising from the crisis is long and varies according to country as well as region within a particular country. Indonesia, Thailand, and South Korea, followed by Malaysia and the Philippines, attracted the most attention in available documentation.

The World Bank's *East Asia: The Road to Recovery* outlines some of the main social problems arising from the crisis: falling labor demand; increased underemployment; migrant workers; women disproportionately targeted for layoffs; sharp price increases, especially in medications; public spending squeeze; erosion of social fabric; and drought (with parts of Indonesia, the Philippines, and Thailand badly hit). This report states that the Asian crisis has exacerbated preexisting social vulnerabilities, resulting in "falling incomes, rising absolute poverty and malnutrition, declining public services, threats to educational and health status, increased pressure on women, and increased crime and violence," and that "the effects of the crisis are acute in Indonesia, and severe in Thailand, [South] Korea, and Malaysia. The Philippines has been less affected, but shows signs of worsening" (World Bank 1998b, 80).

In the Oxfam study *East Asian "Recovery" Leaves the Poor Sinking* of October 1998, the growth prospect for Indonesia is particularly grim, with gross domestic product expected to contract by 20 percent, with lesser contractions of 6–8 percent in Thailand and South Korea. Rising unemployment has been felt most by low-income households, reduction of ser-

vices has affected particularly the rural communities, and drought has worsened already dire situations in some countries. The severity of the crisis is evident in the following:

- In Indonesia, the collapse of the rupiah has pushed inflation up towards 80 per cent, with unemployment expected to reach 15 million people by the end of the year [1998].
- In Thailand, unemployment has risen from 5 per cent to 9 per cent. Poverty is expected to rise by one-third this year [1998].
- In [South] Korea, unemployment has almost doubled to 7 per cent, with a projected increase to 10 per cent in prospect as government employment contracts and some of the largest chaebols downsize. (Oxfam 1998a, n.p.)

Oxfam warns that, with a reduction of household incomes and reduced access to health care and schools, there is a strong danger of poverty becoming entrenched and being transmitted to the next generation. The crisis is threatening to set back the worst-affected countries by a decade.

The World Bank's *Social Consequences of the East Asian Financial Crisis* (1998e, 38) documents that local NGOs have reported erosion in social capital in most East Asian countries, as evidenced in the increase of conflict in households, communities, and societies at large and a loss of trust and an increased sense of vulnerability and isolation in communities.

## Falling Real Incomes and Rising Incidence of Poverty

### *Indonesia*

The sharp devaluation of the rupiah and economic collapse have inflicted deep pain across most social sectors of Indonesia. The crisis has led to a severe drop in the real incomes and standard of living of millions of Indonesians, as the currency devaluation has led to inflation rates of 80–100 percent, with sharp increases in prices of food staples and imported goods. Azis (1998, 140) reported that by May 1998 the annual rate of inflation had reached over 50 percent and the food component in the Consumer Price Index had risen more than 70 percent. The increase for rice was 40 percent, for palm oil 74 percent, wheat flour 95 percent, and condensed milk 128 percent.

Reports point to rising poverty in both urban and rural areas. The World Bank noted that “in Indonesia, a 12 percent decline in aggregate GDP in



1998 is estimated to increase poverty from 11 percent in 1996 to 14 percent in 1999, affecting both rural and urban residents. Even if second-round effects are ignored, most poverty in Indonesia would remain rural. Yet the immediate effect of the crisis is expected to be more acute in urban areas, resulting in a significant scale of urban poverty—8 percent in 1999—for the first time in many years” (1998b, 84).

Oxfam in April 1998 warned that

the number of people [in Indonesia] living below the poverty line could quadruple over the next 6 months to affect 40 per cent of the population—the same incidence as in 1977. . . . Recent field visits from Oxfam staff already point to a distressing expansion of poverty in Indonesia, as a result of the economic crisis and a prolonged drought. Human suffering is on the increase, with huge numbers of people out of work, a sharp rise in the price of essential food and non-food items, the breakdown of distribution of basic goods and services and the increasing violations of human rights. . . . In West Timor, 75 per cent of families are eating one meal a day and that often includes Aputak, the bark of a tree normally used as cattle feed. (1998b, n.p.)

A June 1998 ILO study (ILO/United Nations Development Programme [UNDP] 1998) estimated that in mid-1998 around 75 million people, or 37 percent of the population, were expected to be below the poverty line (defined as US\$1 per person per day, in 1985 prices). These numbers were expected to rise rapidly to around 100 million, or 48 percent of the population, by year-end 1998. The ILO forecasts that, in the absence of improvements in household income, further price rises in 1999 will push some 140 million people, or 65 percent of the population, below the poverty line, resulting in poverty levels not seen since the 1960s. In contrast, the World Bank (1998b) projected that with a 10 percent contraction in aggregate GDP between 1998 and 2000, the number of people living under the US\$1-per-day poverty line will rise from 13 million in 1997 to 34 million in 1999 and 2000.

The ILO noted that because the crisis will hurt almost everyone in Indonesia, income inequality may remain largely unchanged. If the devaluation stimulates strong export growth in the agricultural sector in the Outer Islands, there may even be a favorable impact on income distribution.

This observation is borne out in a *Far Eastern Economic Review* article (McBeth 1998b), which reports the existence of large pockets of prosperity in the midst of a national economic contraction of more than 15 percent

in 1998. It notes that rural entrepreneurs from the Spice Islands in the Banda Sea to the fertile agricultural lands of South Sulawesi and Sumatra have for some time now been benefiting from the combined effects of Indonesia's economic meltdown and a bumper harvest. For a long while after May 1998, when the rupiah hit record lows against the U.S. dollar, farmers selling crops for export were enjoying a boom: From nutmeg and cloves to palm oil, cacao, and shrimps, their goods earned local-currency profits previously unheard of. For instance, in rural Sulawesi and Sumatra, shrimps rose from Rp17,000 to Rp150,000 a kilogram in May, patchouli oil from Rp50,000 to Rp1.2 million a kilogram, *pinang* (betel nut) from Rp800 to Rp16,000, and cacao from Rp1,200 to Rp17,000. Central Aceh farmers, who produce 95 percent of Indonesia's arabica coffee, saw prices nearly triple from Rp10,000 to Rp28,000 a kilogram. However, there are signs that these windfall profits are now fading with the rupiah's recent strengthening and prevailing high inflation rates.

### *Malaysia*

A study by the Malaysian Institute of Economic Research (Ariff et al. 1998) projects the economy to record negative growth of 1.8 percent, an inflation rate of 7–8 percent, and a rise in the unemployment rate to 2–3 percent by year-end 1998, leading to a substantial decline in real household income. It is expected that the unemployment and income effect will be mitigated by the departure of an estimated two million migrant workers, as well as by sustained levels of government spending in the social sector. Nevertheless, a noticeable and, in some instances, drastic erosion of household income and welfare will be unavoidable. In addition to the existing poor group, it is expected that a new poor group will emerge for whom there is no social safety net available to cushion the effects of sudden destitution.

Fiscal policy restraints are likely to have limited repercussions on existing levels of social income for the time being, although the cancellation of and delays in various infrastructure projects could have larger local effects. An across-the-board cut of 20 percent to the 1998 government budget has been offset by an additional allocation of M\$3.7 billion (about 18 percent of the total social sector budget), to be made available to help vulnerable groups hit by the crisis, including funds for small farmers, microcredit for small businesses, extension of community and rural health facilities, and development of skills training and higher education. The

World Bank has approved a US\$300 million loan for this purpose. Another loan of US\$700 million is under consideration for funding social programs such as low-cost housing.

Household welfare is more affected by reductions in private incomes. Retrenchments (a doubling of the unemployment rate from 2.7 percent to 5 percent), lower wages and earnings (by a third), business failures (especially of small retailers), and reduced asset and transfer income (of retired households) are expected.

Incomes of those employed in the public sector of Malaysia have been affected by the 10 percent pay cut for ministers and 5 percent pay cut for senior civil servants, as well as by the freeze on salary increments for higher categories of civil servants. It is likely that deeper wage cuts will be experienced by a substantial proportion of the labor force in the nongovernment sector, whether through a reduction in basic salary, in overtime pay, or in other benefits. Furthermore, a large number of retrenched workers will find reemployment only at substantially lower wages. The Malaysian Trades Union Congress expects 20–40 percent of workers earning above M\$1,500 to take pay cuts of up to a third of their salaries. Lower income earners will also face salary reductions and a loss of overtime income.

Not captured in the official statistics are the small and medium enterprises (SMEs), which will be severely hit through a reduction in demand as well as the high cost of working capital requirements. Many of the self-employed in these enterprises and their employees are likely to lose their livelihoods. More than 2,000 businesses have gone bankrupt since July 1997.

The economic crisis has seen a dramatic asset deflation in the stock and property markets. By year-end 1997, stock market capitalization had declined by more than half, while property prices are expected to fall by up to 40 percent by year-end 1998. Households that derive a substantial amount of income from such assets, which include retirees, will experience a sharp decline in income. Retirees and rural households dependent on transfer payments from urban wage earners will also be adversely affected.

A large number of nonworking households are dependent on transfer income from family members or asset income. These households are also highly vulnerable to increases in the cost of health care. In the absence of a social safety net for such households, a decline in their welfare appears inevitable.

Official statistics show 3.7 percent of urban households are poor, based on the poverty line of M\$425. However, academics have argued that a

standard poverty line for both urban and rural areas is unrealistic, and that the urban poverty line should be set at M\$750. As such, despite high economic growth and low inflation, the incidence of poverty during 1985–1995 rose from 14.3 percent to 23 percent of urban households. With reduced income due to retrenchments and pay cuts, and rising prices of necessities such as food and utilities, poor urban households will suffer a noticeable decline in welfare. While there have been programs to alleviate rural poverty, there are no specific programs or policies targeted at urban poverty.

Highly leveraged households are being disproportionately hit. This group includes middle-income professionals with mortgage payments on their house and car, as well as the self-employed with business loans. Although the majority of professionals and the self-employed will have savings to tide them over, a not insignificant number will lose their assets and slide into poverty. In the 1985 recession, many resorted to emigration and the labor markets of Singapore, Taiwan, and Japan. This option may not be so easily available today, as recession is regionwide.

Almost half of the retrenched workers have been women, especially skilled and semiskilled factory operators. Of particular concern is the fact that there are 630,500 households in the country with female heads.

According to the July 1998 *National Economic Recovery Plan*, “the incidence of poverty is expected to increase from 6.8 per cent in 1997 to 8.0 per cent in 1998. The number of poor households is estimated to increase from 346,000 to 414,700 during the same period. With regard to hardcore poverty, the incidence is expected to increase from 1.4 per cent in 1997 to 1.7 per cent in 1998, with the number of hardcore poor households increasing from 70,300 to 88,100” (National Economic Action Council [NEAC] 1998).

The Malaysian ringgit depreciated 31.4 percent in 1997 against the composite basket of currencies of Malaysia’s trading partners. Inflation is estimated to rise to 7–8 percent in 1998, up from 2.7 percent in 1997. In March, the Consumer Price Index rose 5.1 percent, but the food index showed a sharper rise of 6.6 percent, while medical care and health expenses rose 5 percent. It should be noted that households had already absorbed rate increases in toll charges; city bus, taxi, and airline fares; and electricity and water rates from privatized service providers in 1997. These increases in the prices of basic necessities will have an impact on lower-income households, particularly the urban poor.

### *Thailand*

Data from the National Statistical Office shows a dramatic decline in poverty incidence, from almost 30 percent of the total population in 1986 to less than 10 percent in 1994. This decline was not confined to Bangkok or its immediate environment; the largest decline in poverty incidence occurred in the poorest region of the country, that is, the northeast.

Given the prolonged nature of the currency crisis, the ILO (1998c) estimates that the increase in poverty incidence between 1997 and 1998 brought 14 percent of the population below the poverty line. This means that about 8.5 million people will have dropped below the poverty line in just two years. According to World Bank (1998b) estimates, the poverty incidence could rise to 23 percent by year-end 1998, as compared to about 8 percent of the population in 1996, thus eliminating almost all of the dramatic reductions in poverty incidence achieved since 1981. The poverty incidence will rise further if economic growth remains below 6 percent beyond 1998.

The ILO (1998c) notes that downward flexibility in real and nominal wages appears to have become relatively widespread in Thailand. Annual bonuses are an important component of total wages; a 1996 Labour Ministry survey found that almost 45 percent of employees across all industries receive an annual bonus, with the actual amount varying from industry to industry. Available evidence shows a substantial reduction in the annual bonus component of total earnings in 1997, and it is anticipated that bonuses will shrink further in 1998. A member of Thailand's National Wage Committee anticipates a 50 percent reduction in the bonus in 1998. In addition, many enterprises have cut nominal wages. In the financial sector, senior management has seen reductions in monthly earnings of 10–30 percent, while lower-level employees have seen their wages frozen. Estimates from various sources show nominal wages rising in 1998 at levels of 0–8 percent. Wage increases are expected to be well below the forecast inflation rate of 15 percent, indicating a sizeable drop in real incomes.

### *South Korea*

Pak (1998) notes that the crisis will have a negative impact on South Korea's socioeconomic structure. Informal surveys project that the South Korean middle class will shrink from the precrisis 70 percent level to 40–50 percent

over the next few years, which, even if roughly valid, carries serious implications for not only social stability but also economic stability, the latter through the weakening of the consumption base.

The ILO notes that "although [South] Korea's record of rapid economic growth had significantly reduced the number of people living under the absolute poverty line, there is now widespread concern that the current economic crisis will very likely reverse the trend" (1998c, 24).

## Rising Unemployment

### *Indonesia*

The sharp drop in construction and manufacturing activities that was first registered across Java as a result of the prolonged economic crisis has led to rising unemployment, especially among unskilled workers. While precise figures are not available, McCawley (1998, 5) mentions indications that hundreds of thousands of young males in the construction industry in urban areas (many of them casual workers from the rural areas without any form of family network in the cities), as well as perhaps millions of other workers, lost their jobs in the first few months of 1998. In a similar vein, the ILO (1998a) reports that this year alone 20 percent of workers in Indonesia's formal sector have lost their jobs. Unemployment in precrisis Indonesia was estimated at around 4.5 million, or 5 percent of the labor force, in 1996. Official estimates suggest that an additional 10 million may lose their jobs in early 1999 (World Bank 1998b), although it is likely that many of them will move into low-paying urban and rural informal sector jobs rather than into open unemployment. Unemployment is likely to increase sharply as the more than two million new entrants into the labor force each year will have difficulty finding jobs. In addition, another 35–40 million Indonesians are regarded as underemployed, that is, working less than 35 hours per week (Soesastro 1998, 24).

The ILO (1998c) attempted to gauge the impact of the crisis on unemployment by applying employment elasticities to projected GDP in 1998 and 1999. Assuming zero growth of GDP in 1998, the projected level of unemployment is nearly 7.9 million, or 8.3 percent of the labor force, while assuming a 5 percent contraction of GDP yields unemployment of nearly 9.2 million, or 9.7 percent of the labor force, which is more than double the level of 5 percent prevailing in 1996. The World Bank (1998b)

cautions, however, that given the doubtful quality of the data and the continuing economic uncertainty, such forecasts can only indicate broad magnitudes. Another factor that will be an important influence on how rates of open unemployment evolve is the proportion of the potentially unemployed that will be absorbed into the rural and informal sectors. Where a sizeable segment of the population is still poor and there are no unemployment benefits, people cannot afford to remain openly unemployed for long.

The ILO (1998c) estimates that around 5.4 million workers will be displaced during 1998. The newly unemployed wage workers have been displaced mainly from the service (36 percent), manufacturing (25 percent), and construction sectors (19 percent). Because many of these people cannot afford to remain unemployed for long, around half are likely to find work of some kind in the informal sector. However, the informal sector is also suffering from "drastic contraction in the demand for its products and services," so that the main outcome will be even less work and lower earnings for all workers employed in the already overcrowded informal sector. Many displaced workers in the large cities will also return to their hometowns and villages, thus reversing the rural-urban drift. Urban employment will fall from a peak of 34 percent in 1997 to 30 percent in 1998. Female workers have been disproportionately affected by the layoffs, as society regresses to the traditional norm of men as primary breadwinners. Many home workers and those involved in putting-out work will stop working and stop receiving their usual piece-rate incomes.

### *Malaysia*

Prior to the crisis, the Malaysian economy was facing an increasingly severe labor shortage. The labor shortfall was ameliorated by the presence of 1.14 million registered migrant workers and another half to one million illegal or unrecorded migrant workers in 1997.

The Ministry of Human Resources reported that from the start of the crisis in July 1997 to mid-May 1998, 43,838 jobs had been lost. Of these, 30,152 jobs were lost in the first five months of 1998. A further breakdown of the job losses by geographical location in these first five months shows the largest job losses recorded in Selangor (7,567), Kuala Lumpur (4,593), Pulau Pinang (4,391), and Kedah/Perlis (3,114). By sector, manufacturing led at 15,476, followed by construction (3,773) and retail trade, restaurants, and hotels (3,637). The retrenched were mostly skilled and

semiskilled workers, general workers, professionals, and clerical workers. By citizenship, Malaysians made up 89 percent of the retrenched. Women accounted for 44 percent of the retrenched.

The Malaysian Institute of Economic Research (Ariff et al. 1998) estimates that with the economic slowdown the Malaysian unemployment rate is expected to rise to 4.5–5.5 percent by year-end 1998, a projection not far off the mark from an ILO (1998a) announcement in December 1998 that the unemployment rate in Malaysia had hit 5.2 percent. However, official government estimates released in June 1998 projected a rise in unemployment rates to a milder 2–3 percent by the end of 1998. The government study estimates that job losses by year-end 1998 will stand at 80,000. Assuming a growth rate of 2.4 percent in the labor force in 1998, some 206,000 new entrants will join the existing pool of 200,000 unemployed in the job market. The newly unemployed will be added to this stock. The study concludes that, given the previous labor shortage and the presence of an estimated two million migrant workers in the country, many of the newly unemployed should be able to find reemployment, especially those belonging to the production operators, semiskilled, and general worker categories. Retrenched professional, administrative, and clerical workers and new graduates entering the labor market will have greater difficulty finding employment.

### *Thailand*

Up-to-date employment statistics are generally not available in Thailand and estimates of unemployment vary greatly among sources. In early 1998, when the problem of unemployment was of serious concern, the Ministry of Labour and Social Welfare, together with other government agencies, came up with an official estimate putting the number of unemployed at around two million, including the seasonally unemployed in the agricultural sector. The figure of unemployed from small enterprises is surprisingly small, as it includes only those that register with the ministry. The actual level of unemployment could be much higher, with the media quoting figures of 2.8–3 million (Tambunlertchai 1998, 124). The ILO (1998a) in December 1998 stated that the official unemployment rate is set to triple from around 2 percent to 6 percent. The financial, construction, and manufacturing sectors are among those hardest hit by the recession. Such industries as automobiles, steel, cement, chemicals, and consumer products all reported large drops in production.



The increase in unemployment will be felt most in rural Thailand with the large-scale reversal of the traditional rural-urban migration. In January 1998, a government survey of workers returning to rural (non-municipal) areas placed the figure at 188,000 persons (ILO 1998c). In terms of each region's rural population, the highest proportion returned to the northeast. This pattern of reverse migration puts pressure on the weakest parts of the Thai agricultural sector; the north and northeast were hit particularly hard by drought in 1997. The returnees are not always employable or productive. Furthermore, those who have very little land, or who sold their land to speculators during boom years or lost it as a result of rural industrialization and large-scale infrastructure construction projects, will be pushed into extreme poverty. This is further exacerbated by the loss of income from migrant workers who remitted much of their income back to their families in the village, relieving the economic pressure on their families. These regions had evolved an economy in which remittances from urban areas played a major role in sustaining living standards. At the community level, this could lead to ecological disaster, as the sheer need for survival might put increasing pressure on natural resources and an already fragile environment.

### *South Korea*

*The Social Impact of the Asian Financial Crisis* relates primarily to the problem of sudden unemployment and reduced demand for labor due to closure of large companies, the results of which are increasing the overall level of poverty. "There are no recent data on income distribution and changes in poverty levels. However, the Korea Institute for Health and Social Affairs, which is the research arm of the Ministry of Health and Social Affairs, estimates that an additional 103,000 unemployed persons are likely to become recipients of the 'livelihood protection scheme' of the Ministry" (ILO 1998c, 24). Sudden unemployment for workers in South Korea means not only termination of wage income but also deprivation from the workplace-based medical system and disqualification from the national pension system (Korean Confederation of Trade Unions 1997).

An article in the *Korea Herald* ("Government to Overhaul" 1998) reports that the number of jobless is expected to reach two million by end-1998; the government is therefore shifting its policy stance toward job creation and vocational training programs. The current policy stressing

increased investment in infrastructure and credit extension to SMEs will not be effective in offering direct relief to the unemployed. One measure featured in the report of the Planning and Budget Commission is public work programs that hire more young people than elderly. So far, the government has mobilized mostly the elderly poor for public works. The number of recipients of unemployment benefits will grow from 6.3 million to 8.6 million because the government has extended the coverage of unemployment insurance to all work sites regardless of the number of employees beginning in September.

The Korean Labor and Society Institute (1998) draws attention to the fact that Korean official unemployment statistics count as employed those who work only an hour a week for pay. If the temporary workers, who earn very little during the recession, are counted, the actual number of unemployed is over three million. New college graduates are also having a hard time finding jobs. According to a survey of 24 major South Korean universities as of early May 1998, only 41 percent of their new graduates had found jobs.

While unemployment is soaring, the institute points out, the social security network of South Korea is utterly insufficient. South Korean welfare expenditure totals about 5–7 percent of the government budget and less than 1 percent of GDP, while that of most of the European Union countries totals around 30–40 percent of the government budget and 15–20 percent of GDP.

According to the institute, 76 percent of the unemployed are not eligible for unemployment benefits. The duration and amount of unemployment benefits are less than those in industrialized countries. The impact of other employment programs such as financial support to companies trying to maintain their existing employment, vocational training, and job-placement services and the early execution of public infrastructure projects is not being felt yet.

Prior to the crisis, unemployment had remained below 3 percent for several years. In 1995–1996, there was near full employment and emerging labor shortages. Since the onset of the financial crisis, unemployment has been rising rapidly, peaking at 7.6 percent in July 1998 and easing to 7.3 percent in September, or 1.58 million. The ILO (1998a), however, assesses the unemployment rate to be more than 8 percent.

Most of the rise in unemployment occurred in the four-month period immediately after the crisis. This is attributable mostly to the bankruptcy of SMEs, which suffered from the credit crunch when banks tightened

the control of loans. The number of bankruptcies rose from 1,469 in November 1997 to 3,197 in December 1997, and remained above 3,000 until March 1998. The slowdown in bankruptcies helped employment increase again in ensuing months; the government's massive spending to create jobs and absorb those laid off, and seasonal factors in the agricultural and construction sectors, also contributed to growing employment. Labor officials have forecast that 1998 joblessness will hold at around 7 percent.

Declining employment has not been evenly spread across sectors and types of workers. The manufacturing and construction sectors have experienced the largest retrenchments; as of May 1998, employment in the manufacturing sector had shrunk by 14.5 percent and in construction by 22.4 percent as compared to a year ago. Workers in the 20–29 age bracket have been the most affected, accounting for more than half of the total employment decline; this concentration reflects in part the sharp decline in new hirings in manufacturing and other sectors in view of greater uncertainty regarding future business conditions. Among the 30–49 prime age group, the decline in employment was relatively small, but it picked up again noticeably among workers 50 years old and over.

Unlike the crisis countries in Southeast Asia, South Korea has an unemployment benefit scheme, with social security requirements stipulating compulsory coverage as long as an enterprise employs five or more workers. However, this still leaves well over 40 percent of South Korean employees unprotected. Moreover, even for the portion of the work force covered, the benefits are often far from adequate. The health insurance system in practice covers less than 50 percent of hospital costs on average. The lump-sum benefits provided by provident funds are also not adequate to finance old age or cover invalidity or death of the breadwinner, as members often have only small balances.

Strikes and demonstrations against layoffs have been rampant following the country's forced economic restructuring drive under the International Monetary Fund (IMF).

## Migrant Labor

### *Indonesia*

It is reported that there are some one million undocumented Indonesian migrant workers in Malaysia. Recession in Malaysia has led to a

considerable return flow of workers to Indonesia. Many of the construction workers, who make up about 25 percent of the 755,000 legal or documented Indonesian migrants, plus many more from among the one million illegals, may have already lost their jobs owing to large cutbacks in infrastructure projects and the downturn in real estate investments. For 1999, it is expected that there will be a significant net return of Indonesian workers because of expulsions from overcrowded detention centers, the unwillingness of many to be redeployed to work in plantations, and the much stricter policing of Malaysian borders. This will add to the already large pool of unemployed in Indonesia.

### *Malaysia*

Official statistics show that 3,246 migrant workers were retrenched in the first five months of 1998 (Ariff et al. 1998). Migrant workers formed an estimated 80 percent of the 768,400 employed in the construction sector. With the dramatic decline in construction activity, the reported figure would seem to be a gross underrecording of migrant worker retrenchments. In addition to those retrenched and repatriated, many in the construction industry have been "abandoned" by their erstwhile employers, or retained without pay until their labor is required again. Some have been redeployed. These undocumented workers have been subjected to unemployment, wage cuts, and nonpayment of wages for months.

Even those not facing retrenchments will lose their jobs when their existing work permits expire. Some 200,000 migrant workers in the construction and service sectors were slated for repatriation when their work permits expired in August 1998. The government expects one million migrant workers to lose their jobs and be sent home during 1998. Another 90,000 will be redeployed in the plantation and manufacturing sectors. Some will remain in the country and seek income in the informal sector, competing with the urban poor, with a possible rise in social tensions as domestic and foreign workers compete for a finite number of jobs.

Most migrant workers have incurred debts to labor brokers, which generally take two years of labor to repay. The abrupt retrenchment, repatriation, and loss of income mean inability to repay and eventual entrapment in a vicious debt-and-poverty cycle.

With declining employment opportunities at home, and differential currency depreciations increasing intercountry wage differentials, there could be a buildup of emigration pressures in one or more of the worst-

affected countries. It is anticipated that trafficking in clandestine labor migrants will rise. A rise in clandestine migration will entail heavy private and social costs, both in the countries of origin and those of destination, without really providing avenues for gainful absorption of aspiring migrants. This emerging problem calls for joint and cooperative action on the part of the governments of the countries of origin and destination.

## Food Insecurity and Malnutrition

### *Indonesia*

The economic crisis in Indonesia will have far-reaching implications on food security, in ensuring both sufficient rice stocks and their proper distribution.

Rice is the food staple in Indonesia, with some poor Indonesian households spending up to 50 percent or more of their income on rice alone. The country's annual rice crop, traditionally harvested around February–March, was already showing signs of a shortfall in late 1997 as a result of the 1997–1998 El Niño drought in Indonesia, the worst in half a century; extra food imports were necessary to offset the shortfall in domestic production. However, following the sharp devaluation of the rupiah and the fivefold escalation in the price of rice from Rp1,000 per kg to Rp5,000, the food security issue became more acute (McCawley 1998, 7). The government has introduced large subsidies to stabilize prices. The total cost of emergency subsidies in the current 1998–1999 fiscal year is expected to lead to a national budget deficit of around 8.5 percent of GDP.

Food security also means ensuring the supply of rice across the nation, particularly to poorer groups. The rice distribution channels, handled mostly by Chinese Indonesian traders, have been disrupted by ethnic violence, especially the May 1998 political disturbances. There have been worrying reports that poverty-stricken families have not had enough money to buy even basic food supplies. The Ministry for Food and Horticulture has estimated that over 17 million families nationwide, or about 80 million individuals, are now facing food shortages (McCawley 1998, 8). Reports in Central and East Java indicate that perhaps 60 percent of the 7.3 million poor families, or over 30 million individuals, can only afford one meal per day. Eastern Indonesia has been hardest hit and has reported widespread famine and deaths in the thousands due to the El Niño drought and related crop delays or failures.

Another social fallout from the economic crisis is spreading malnutrition among the poorer segments of society. A UNICEF source predicted that the crisis may produce a "lost generation" as malnutrition drives the country's IQ down by some 7 percentage points below the average IQ of 100 (as reported in *Straits Times*, 16 October 1998), with 65 percent of children under three years of age being anaemic and 50 percent under two suffering from a lack of micronutrients. A lack of micronutrients such as Vitamin A, iodine, and iron could cause a 10–15 percent drop in individual IQ levels. The UNICEF source noted that such a "lost generation" would be a "very long-term negative impact" of the crisis over the space of ten years, which would hurt Indonesia's competitiveness.

### *Malaysia*

The rise in the cost of food, including items basic to the budget of poor families, such as sugar (14.1 percent increase in March), fruits and vegetables (13 percent), fish (7.6 percent), meat (5.7 percent), coffee and tea (5.5 percent), and oils and fats (5.1 percent), is difficult to contain because of the high import content in the country's food supply. The 1997 food import bill amounted to M\$9 billion.

To alleviate the shortage in essential food items, the Malaysian government has recently instituted measures stipulating that only cooking oil designated for export can be purchased by foreigners for consumption outside Malaysia; the price of cooking oil is subsidized within Malaysia.

### Health Care

#### *Indonesia*

During the first half of 1998, there were numerous reports of the unavailability or high cost of a whole range of medical and health products (McCawley 1998; Gardiner 1998). Basic medicines, such as those used for the prevention of infection, are in very short supply; for other medicines, prices have risen dramatically. The price of contraceptives has more than tripled; it was reported that in the Indramayu area in West Java thousands of women dropped out of the family planning program as a result. These price rises and supply shortages will deny many low-income families access to medical help, with immediate as well as long-term consequences.

Growing poverty and the decline in the number of people covered by health insurance will lead to increased demand for subsidized public health-care services. The ILO (1998c) projected that the number of Indonesians using these services will double in 1998, to 68 percent of the population. It will be difficult to ensure that adequate resources can be made available to satisfy this growing demand, as the government itself is under pressure to adopt a restrictive budget. Thus, it seems inevitable that queues will lengthen and the quality of service suffer.

Although Indonesia has a social health insurance scheme, the benefits tend to exclude certain types of treatment and to leave a significant percentage of costs to be borne by the patient. Another cause for concern is the small balances that members often have in their accounts. For instance, the average amount of balances in JAMSOSTEK, the national provident fund for employees in Indonesia, is Rp200,000, or about US\$22. It is also limited in reach, covering only about 12 percent of the labor force.

A UNICEF source noted that the crisis has seen an increase in the maternal mortality rate, especially in Java where it has risen 60 percent, from 22,000 per million of the population to 35,000 per million in the space of one year (as reported in *Straits Times*, 16 October 1998). This was in part attributed to the lack of money to pay for gasoline to transport difficult cases to the nearest health facilities, as well as a rise of 5–6 percent in anaemia levels in pregnant women. Infant mortality is also said to have risen, although there is no statistical data to substantiate this.

Oxfam (1998b) found a decline in the number of visits to health-care centers in Flores as families cannot afford services, and the closure of hospitals and health-care centers in West Timor.

### *Malaysia*

For a country of Malaysia's size and stage of development, the World Health Organization recommends a health-care budget of 7 percent of GDP. However, the 1997 government health-care budget was only 3.4 percent of GDP. Private health care has thus played an important role in assuring adequate health care for the population. With the decline in household income and the rise in the cost of medical fees—a result of the 30 percent rise in the cost of imported drugs, which account for over 60 percent of drugs used in the country—private hospitals and clinics have recorded a drop of 15–50 percent in the number of patients seeking treatment. Together with the cut in the health-care budget announced earlier, the shift

from the private to the public health-care system will mean a definite decline in the level of health care available to the poorer sections of the population.

### *Philippines*

Oxfam (1998a) reports that the reduction of preventive health-care services due to the IMF policies dictating "stringent fiscal discipline" will result in an increase in deaths from malaria, an increase in the number of untreated cases of tuberculosis, almost half a million children aged from 12 to 59 months not receiving Vitamin A supplements, and 750,000 women aged from 15 to 40 not receiving iodine supplements.

### *Thailand*

The health impact of the baht's sharp depreciation because of the crisis is the rising cost of drugs and other medical supplies. Imported drugs have higher baht prices, while locally produced drugs have higher costs due to their reliance on imported raw materials. The crisis has also resulted in lower nutritional status, reduced health care, delayed care due to the reduced ability of the household to pay for it, and increased exposure to ill health. In addition, it has resulted in a lower quality of health care and fewer or limited health services due to higher cost and a resource crunch.

NGO networks have expressed concern that important public health programs may be affected, such as the treatment of HIV/AIDS patients with imported drugs, and that the economic crisis may further marginalize vulnerable HIV/AIDS patients. They state that HIV infection rates will inevitably increase owing to rises in prostitution and poor-quality care. Women and children, many of whom would be forced into prostitution, are likely to be the most affected.

## Education

### *Indonesia*

There are reports that poorer families have withdrawn their children from school owing to an inability to pay school fees and the need to put them to work to supplement family income. Local Indonesian newspapers have



estimated that in many areas as many as one-third of the children are being withdrawn from schools (Van Diermen 1998, 23). The Indonesian government estimates that in 1998–1999, if no special measures are taken the number of dropouts from primary school might double to as many as 1.65 million, while dropouts from junior secondary schools could increase to 1.11 million (World Bank 1998c). A report in the *Australian* (17 September 1998) suggests that in the 13–15 age group, the proportion going to school has dropped from a precrisis level of 78 percent to 54 percent at present. The World Bank (1998b) notes that a similar phenomenon of falling enrollment figures occurred during the recession of the mid-1980s and that it took a decade to recover.

Oxfam (1998a) reports that children in Indonesia are dropping out of school in large numbers. According to Indonesian government sources, as many as 1.6 million primary and junior secondary school students may be forced to withdraw from school. School attendance has declined 60 percent in Maluku.

According to the World Bank (1998a, 93), in April 1998 focus group discussions and school visits already indicated that poor schools and children were feeling the impact of the crisis. Reduced public funding for education, higher prices of schooling, and lower family incomes are expected to lead to declines in primary and junior secondary school enrollments among the poor. Estimating the impact of the economic crisis on enrollment is difficult, as the crisis is unprecedented in terms of magnitude and depth. Whatever the precise figures, there is general agreement that the impact of the crisis on poor children will be severe.

### *Malaysia*

In tertiary education, demand has outpaced public supply. In 1995, 27,118 applications were received by the Unit Pusat Universiti for admission to the 15,964 places available at the ten public universities in Malaysia. Excess demand for tertiary education has been met by the private sector, both locally and abroad. There are an estimated 50,000–80,000 Malaysian students studying abroad, of whom 12,794 were sponsored by the government.

With the drop in household income and government revenue, and the steep rise in the cost of tertiary education abroad, demand for tertiary education provided by the domestic public sector will rise. In 1998, there were 112,000 applications for the 40,222 places available. This means that

64 percent of students seeking admission into local institutions of higher learning will be denied access.

### *Thailand*

A Ministry of Education report showed that in 1997, 46,218 students had been adversely affected by the crisis as a consequence of their parents and caretakers being laid off. These students included 28,695 preschool, 15,907 primary school, and 1,616 secondary school students. In July 1998, the government estimated that 150,000 out of a total of one million students in the first year of primary school to the second year of secondary school "[had] already dropped out" (Vatikiotis 1998, 18).

Oxfam (1998a) found that the number of primary school children not completing their education tripled from October 1997 to October 1998.

### *Vulnerable Groups, Women, and Children*

The economic upheaval has had a different impact on women and men. Women have been disproportionately hurt by the financial downturn, although evidence is mainly anecdotal. Because of their unequal position in the labor market as secondary income earners and their ascribed roles in society, women were among the first to lose their jobs, and families generally pull daughters out of school before sons. Furthermore, women's gross underrepresentation at decision-making levels makes it more likely that gender-biased dismissal policies will be tolerated. With lower incomes than men, many women are feeling the pain of reduced earnings as a result of the crisis, particularly for female heads of households, sole income earners, and household financial managers. This applies to both women in wage employment as well as self-employed women in the informal sector.

### *Indonesia*

Discrimination against women has magnified in the midst of the crisis. The World Bank (1998b) notes that "women are highly represented among rural and urban poor workers. They are at greater risk and are more affected. Wage disparities between women and men, and proportionately lower wages for women, are likely to result in greater numbers of women than men falling below the poverty levels. . . . Women workers predominate

in the informal sector in irregular forms of employment (homeworkers, temporary, contract-based labour). They are concentrated in the small enterprises with fewer than 5 workers. These are all outside the coverage of social security systems. Therefore, women are more likely to be affected much more severely than men by the crisis and any subsequent austerity measures." Further, women are also disadvantaged in terms of relief measures. Their inferior status often means that they are less likely to be provided with unemployment benefits, severance pay and other forms of social protection. Similarly, women may find themselves at a serious disadvantage in gaining access to credit and other employment promotion programmes. According to ILO statistics, 240,000 women in Indonesia will lose their jobs during 1998 in the textile and garment industries alone. A survey from Asosiasi Perempuan Indonesia (APIK; Women's Association for Justice), an independent Indonesian NGO, indicates that women are prime targets for redundancy.

Oxfam (1998a) found that the crisis in the poorest regions of Indonesia is reflected in an increase in child prostitution in Yogyakarta, Central Java. The particularly hard-pressed families may sell their daughters to brothels. Girls as young as ten are now turning to prostitution to feed themselves and their families. Even before the crisis, according to the World Bank (1998e), girls in Indonesia were six times more likely than boys to drop out of school before the fourth grade. Once girls are removed from school they rarely go back. When income shortfalls require reductions in food intakes, women and girls sometimes face disproportionate cuts. Social organizations also point to a rise in domestic violence and prostitution, with women all too often the victims.

Robb (1998) found that as family incomes fall, growing numbers of children have been forced to work, beg, or enter prostitution. School dropout rates have risen and some families can no longer afford education or transport. Immediate strategies for coping with falling incomes include sending more women, children, and elderly into the labor force. In slum areas, people reported cutting down from three meals per day to two or even one. In Maluku and South Sulawesi, school principals complained that parents were having difficulty paying parent association fees on time, if at all. Teachers reported that children were eating less before coming to school in the morning and buying less from vendors, which was affecting some students' ability to concentrate.

In terms of the effect on the health of communities, many important public health programs may be affected, such as the treatment of HIV/AIDS

patients with imported drugs. The AIDS NGO network expressed great concern that the economic crisis may further marginalize vulnerable HIV/AIDS patients. They stated that HIV infection rates would inevitably increase owing to rises in prostitution and poor-quality care. The vulnerable groups of women and children, many of whom would be forced into prostitution, are likely to be the most affected (Robb 1998).

### *Thailand*

Children discarded by families hard hit by the financial crisis are another social problem that is manifesting itself. Aged between 3 and 15, these are the street children of Thailand. A study by Somphong Chitradub, director of the Education Institute for Underprivileged Students at Chulalongkorn University (as reported in *Straits Times*, 31 October 1998), estimated that there were some 20,000 street children nationwide, with 4,000 of these in Bangkok. The study found that the rate of increase in the number of street children more than tripled between 1996 and 1997. Before the economic crisis hit, the rate was about 5 percent per year. More street children are expected by the end of 1998, as even middle-class children are now at risk of being thrown onto the streets as the crisis deepens. There is concern about the future impact on society, as many street children grow up into adults with deep emotional scars, with many now heading gangster rings and being involved in the child-sex business. The Thai government has also warned that child labor will increase if the economy does not improve satisfactorily.

Robb notes that NGOs report an increase in child labor, child prostitution, and child beggars. In the slum settlement of Terapak, Khon Kaen, in northeast Thailand, women were "justifiably angry because they had to send their children to the garbage site every day to support the family" (1998, 5).

### *South Korea*

There has been very little information published regarding the impact of the crisis on women and women's issues. Effects that have become apparent so far include a 50 percent default on the 1997 government allocation plan of 10 billion won for the Women's Development Fund and the cancellation of the 1998 allocation plan of another 10 billion won for the same, in addition to a 10 percent cut in the government budget for women;

and approximately 605,000 female layoffs in 1998, making up 53 percent of total job losses. The employment decline has been larger among women than men in terms of both share and absolute numbers, if one considers that women have gained employment share during the past decades. Of those suffering from job losses, women in the 30 to 49 age group have been particularly hard hit, with employment declining three times more among women than men, according to figures from the National Statistical Office.

Various service provisions for working women, including subsidized day care, maternity leave, and access to medical care and pension benefits under the national pension and medical insurance schemes, are likely to be curtailed to a considerable degree. In another consequence, an ever-increasing number of women will enter the informal sector as day laborers, vendors, and self-employed. The hoped-for institutional and infrastructural support to the informal sector, such as technical backstopping, microcredit for women entrepreneurs, information service, and skills training and networking, is likely to move down the country's priority list.

The incidences of domestic violence, with women and children as victims, and drug abuse, including among schoolchildren and youths, are also likely to rise sharply in the high-stress context of South Korea today. Households with women heads and elderly women living alone at home or under institutional care will also face a particularly difficult time.

### Social Unrest, Crime, Violence, and Suicides

#### *Indonesia*

Widening fissures in the ethnic and religious fabric of Indonesian society are becoming increasingly evident. Ethnic Chinese insecurity has become more acute as a result of the May 1998 riots, which targeted ethnic Chinese businesses. Many ethnic Chinese small businessmen, who have had their entire livelihoods destroyed and their families threatened, have fled to neighboring countries. This loss of capital and entrepreneurial expertise makes it more difficult to rebuild the economy. Without improvement in ethnic relations, it is possible that these will not return to Indonesia.

Ethnic and social tensions have been aggravated by food shortages. In recent months there have been reports of attacks on rice mills, of riots in

regional towns which appear to have been sparked by food shortages, and of emotional crowds gathering to loot food from shops owned by ethnic Chinese traders.

Another worrying manifestation of the breakdown of the social fabric is the increasing "ninja" attacks in East Java. First targeted at traditional "black magicians," the violence has since widened to include victims who are members of the mass Muslim-based Nahdatul Ulama. There have been allegations of culpability on the part of the military in directing the violence, as well as of other political forces that are cynically manipulating the people's emotions. There has also been a propensity for vigilante-style attacks, as people at the bottom layer of society take the law into their own hands.

For the first time in 30 years, there have been increasing reports of young people in desperate circumstances, especially in urban areas, and noticeable indications of rising social disorder in the form of increasingly bold robberies, petty violence, and such. The number of homeless people and conspicuous vagrants has begun to rise markedly, as well.

### *Thailand*

The suicide rate has more than doubled in the past year, as compared to a year ago, according to government estimates. Nearly 5,000 Thais—eight out of every 100,000 people—killed themselves in the past year. Informed observers attribute part of the cause to hardships arising from the prolonged economic turmoil.

## POLICY MEASURES AND ACTIONS

### In Individual Countries

#### *Indonesia*

The World Bank (1998b, 93) reports that one area where Indonesian government policy is visible is the back-to-school campaign. On July 20, 1998, the Indonesian government launched a five-year national program providing scholarships for poor children in basic education and block grants to schools serving poor communities. A coalition of ministers was formed to support the program. The World Bank is leading a multidonor effort,

which includes the Asian Development Bank (ADB), UNICEF, and bilateral agencies (AusAID and the Asia-Europe Meeting), to support the program. The total cost of the program is about US\$382 million, with an ADB contribution of US\$86 million and the remainder from the World Bank. Forty percent of poor primary and junior secondary schools will receive grants of Rp2 million (US\$250) and Rp4 million (US\$500), respectively. Scholarships and grants will be allocated according to poverty incidence in each district. Given the limitations of the quantitative data, it will be coupled with local knowledge and the participation of NGOs and other members of civil societies to determine recipients at the local level.

The ILO (1998b) reports that in an unprecedented move, the government through the Department of Manpower (DEPNAKER), the employers through the Indonesian Chamber of Commerce and Industry (Kadin) and the Indonesian Employers' Association (APINDO), and the workers through the Federation of All-Indonesia Trade Unions (FSPSI, the official trade union federation) came together in January 1998 to discuss and agree on the current manpower situation in Indonesia resulting from the crisis. Among the recommendations was a definition of the priority tasks of the tripartite institutions and bodies, to include maximizing harmonious employment conditions, minimizing layoffs, and negotiations between employers and employees in cases where layoffs are unavoidable. However, the meeting did not elaborate on how the recommendations would be pursued and implemented.

The World Bank (1998e, 40) reports that it has allocated funds toward a follow-up to the Indonesia Family Life Survey (IFLS). This will allow monitoring of the living standards of a subsample of households already surveyed in 1993 and 1997, and help assess household-level coping strategies in response to the crisis. Other initiatives by the World Bank include funding a US\$275 million poverty project for rural areas, and a similar project for the urban poor is being planned. An agricultural Sector Adjustment Loan (SAL) to support the reforms is also being considered.

The World Bank has restructured some of the existing portfolio for Indonesia to redirect savings to support income generation and meet basic needs (about US\$320 million). An SAL of US\$1 billion includes a component to protect the poor through expanded labor-intensive public works programs, actions to ensure the continued availability of key goods with modest price increases, and initiatives to maintain access to basic education and health.

The government has responded to the problem of food security with an expanded subsidized rice program targeting poor families. To cushion the impact of food shortages on these families, the government has introduced measures to provide 10 kg of rice per each of up to 17 million families at a subsidized rate of Rp1,000 per kg. This response, however, can only meet part of the need, as a report by the Food and Agriculture Organization and the World Food Programme of the United Nations (as reported in McCawley 1998) estimates that the provision of 10 kg of rice for a family of five provides less than 20 percent of basic calorie requirements.

The extent to which alternatives to layoffs of workers have been implemented is unknown; whether such alternatives have been the subject of prior dialogue or consultation with the work force and its representatives is equally uncertain. What is known, however, is that with the rise in layoffs the FSPSI has set up a team to consult with and assist companies contemplating mass dismissals as well as to provide legal assistance to workers who are facing dismissal. The main objective is to promote the search for alternatives to layoffs, such as eliminating overtime, reducing working time, alternating work shifts, cutting production costs, and alternating home rest periods. The Indonesian Employers' Association is also providing a range of similar advisory services to its members, as well as trying to monitor the incidence of layoffs through its network of 27 provincial offices. A factor impeding dialogue at the enterprise level is that unions themselves have been weakened by the loss of membership resulting from layoffs. For example, the Indonesian Prosperity Trade Union (SBSI) has seen a reduction in its already limited resources and is unable to monitor the rate of layoffs of its own members. It is unlikely that the search for alternatives to layoffs is a widespread practice at present, particularly as many enterprises have no choice but to reduce workers owing to the severity of the crisis. Also, means of building labor-management trust and strong workplace cooperation have not been firmly institutionalized.

The government has announced (as reported in *Kompas*, 19 September 1998) that a national social safety net system (*Jaringan Pengaman Sosial*, or JPS) will be developed. The JPS is expected to contain the following four elements: (1) a food security program to guarantee the availability and affordability of food across society, with an emphasis on promoting local production of food as well as on the need for reliable distribution channels; (2) a labor-intensive public works program to reduce unemployment and at the same time encourage productive activities; (3) a social



protection program to protect access to health and education facilities, including the provision of medical supplies directly to community health clinics as well as the provision of other services; and (4) the promotion of the people's economy, especially through support for SMEs and promotion of cottage industries in villages through such measures as training, extension and demonstration work, and promotion and partnership activities.

The government has also initiated a Rp33 billion crash program to create and upgrade the urban infrastructure in urban and semiurban areas for the first three months of 1998, employing labor-intensive methods to maximize the employment potential of such investment. This program is intended to create approximately four million workdays of employment, equivalent to 80 days of employment for 54,000 persons. For 1998–1999, allocations of Rp600 billion and Rp500 billion have been made for labor-intensive infrastructure projects in rural and urban areas and for labor-intensive forestry, respectively. These allocations are anticipated to generate about 103 million workdays of employment, or an average of 80 days of employment for approximately 1.3 million workers.

### *Malaysia*

The Malaysian government has taken various proactive steps to adjust its fiscal policy in light of the crisis. These include

- The announcement of a sharp reduction of 20 percent in government expenditure as well as the postponement of several infrastructure megaprojects such as the Bakun Dam project, the Thailand bridge project, and the Express Rail Link project. The reduction in government expenditure was in line with the policy recommendations of the IMF in Indonesia, Thailand, and South Korea.
- The announcement of a Keynesian countercyclical policy when the real GDP growth rate declined to -1.8 percent in the first quarter, in an attempt to head off an impending recession. By definition, an economy that registers negative GDP growth for two consecutive quarters is in recession. The government is injecting M\$7 billion into the economy via the creation of a number of projects in productive sectors such as agriculture, low- and medium-cost housing, schools, skills training centers and institutions of higher learning, clinics, bridges and rural roads, and water supply systems and infrastructure. In doing so, the government hopes to improve the situation on both economic and social levels. The economic benefits are

obvious, with employment generation being the foremost consideration. The social benefits follow on the economic benefits, as increased employment leads to higher incomes and the mitigation of some of the negative consequences of the crisis. By investing in skills expansion and tertiary education, in addition to improving infrastructure, the government is making an investment in the future competitiveness of the economy by ensuring the sustainability of human development and by improving efficiency and productivity.

The *National Economic Recovery Plan* (National Economic Action Council 1998) deals largely with the economic implications of the crisis, and also covers the social aspects and addresses several actions, including ameliorating the hardship from poverty, addressing *bumiputra* equity ownership, expanding employment opportunities, meeting the challenge of expanding tertiary education, addressing university graduate unemployment, controlling the influx of foreign workers, and protecting the environment. The plan urges decisive action and states that "an assessment of the progress in implementing the decisions taken under the plan should be made in September 1998 before the finalisation of the Budget 1999. In 1999 the assessment should be done on a quarterly basis."

In the measure to alleviate poverty, the plan lists assistance of M\$200 million from the World Bank loan to provide microcredit assistance to small-scale traders and hawkers in urban areas. The government also intends to make smaller cuts to the 1998 budgets of ministries involved in providing the social safety net, such as the Ministry of Health, whose budget has been cut by only 12 percent. This measure also applies to ministries involved in the development of rural areas and agriculture, where most of the poor are found.

The plan recommends measures to increase opportunities for employment by encouraging organized and systematic small-scale trading, farming, and the establishment of small businesses. It also recommends a training scheme for newcomers in small-scale trading and agricultural activities, and the revitalization of construction and infrastructure projects with multiplier employment effects. Additional measures to expand employment opportunities include encouraging Malaysian companies to proactively win investment and increase export opportunities, and encouraging industries to institute part-time employment, pay cuts, and a reduction of working hours/shifts.

To buffer the poor against price increases and depleted real incomes, the plan recommends a number of strategies, including encouraging

people to grow their own vegetables, importing cheaper food items from foreign sources, and increasing the number of supermarkets and retail outlets in the country, particularly market outlets for perishable goods and fruit. It also recommends improved handling of foodstuffs to reduce postharvest loss and better access for small and medium-scale food producers to display their wares.

On the strategy of protecting the tertiary education system, the plan makes some 29 recommendations in regards to maintaining levels of tertiary study. This is about three times the number of recommendations listed for the other areas of action. Recommendations include the following: not to recall government-sponsored students currently studying overseas, although the government will no longer sponsor students to study overseas and will encourage them to study locally; ensuring that there are enough students taking scientific and technological subjects and that *bumiputra* students are not in any way disadvantaged at higher educational levels; and addressing the issue of university graduate unemployment by encouraging new graduates to work in the agricultural and small-business sector or to work overseas.

The control of migrant labor is a priority for the government. The plan includes stringent measures to continue the freeze on foreign workers generally and to repatriate illegal workers and excess foreign workers. The plan states that "currently there are about 1.14 million legal foreign workers who constitute 13 percent of the labor force. The continued economic crisis in Indonesia is expected to increase the influx of foreign illegal immigrants and swell the pool of 800,000 illegal workers in the country" (National Economic Action Council 1998). To deal with this, the plan recommends that foreign laborers be charged medical fees and ward charges at market rates when they seek treatment in public hospitals and clinics, and that school fees charged to foreign students be equivalent to those charged by private schools. At the same time, the relevant authorities and mass media should not give undue publicity to the repatriation of foreign workers.

The response of the informed public, i.e., media, civil society groups, academia, etc., to the economic crisis has prompted calls for policy reassessments that go beyond immediate short-term adjustment measures. Several are outlined here.

The first concerns agriculture. The sharp rise in food prices has highlighted the country's dependence on food imports as a consequence of its neglect of agricultural production. Agricultural output is expected to grow

by only 0.9 percent in 1998, and an estimated 633,753 hectares of agricultural land lie idle while the country spends M\$9 billion on food imports. The indifference to the agricultural sector, including the plantation sector, was symbolized by the renaming of Universiti Pertanian Malaysia to Universiti Putra Malaysia in mid-1997, just on the eve of the crisis.

Second, the reliance on cheap foreign labor, which constitutes a quarter of the labor force, had already been criticized as hindering the development of a higher-value-added and technologically sophisticated industrial base. With the emergence of mass layoffs of migrant workers and the difficulty in ensuring their repatriation, a security dimension has arisen in the public consciousness, adding fresh urgency to the call for a clear policy on foreign labor.

The third concerns human development issues. The inadequacy of national investment in health care, education, skills training and retraining, and housing, as well as the absence of an adequate social safety net for the poor, the elderly, and the unemployed, has been highlighted as a direct consequence of the economic crisis. This has acquired particular significance in light of the aging of the population structure, the urgent need for a better-educated work force, and the increasing closure of emigration and employment opportunities elsewhere in the region.

The World Bank (1998b, 96) reports that its initiatives in Malaysia include undertaking surveys that will include an overview of poverty and the social safety net, as well as an analysis of how the poor may be affected by the downturn. The report will also recommend action to cushion the impact of the crisis on the poor. A US\$300 million economic and social sector loan approved in June 1998 will support a reduction in the fiscal surplus from 2.5 to 0.5 percent of GDP by increasing public expenditures on the social sectors. The loan seeks to protect budgetary spending on education, health, and rural infrastructure and to increase expenditures on social safety net programs aimed at providing direct support to the poor (free housing and food supplements) and income generation through small grants. Longer-term issues about the adequacy of formal safety nets and the governance structure of the Employee Provident Fund will be addressed through a Technical Assistance Loan and economic and sector work.

### *Philippines*

The World Bank (1998b, 96) reports that it carried out a rapid social assessment to gauge the effects of the crisis and understand household coping

strategies. Poverty work scheduled for fiscal year 1999 will have access to the results of the 1998 Income and Expenditure Survey (FIES is carried out every three years) and contribute to the early implementation of the Annual Poverty Incidence Survey. This will provide a useful analysis of the impact of the crisis, evaluate the effectiveness of government policies to alleviate poverty, and provide policy directions for the future.

### *Thailand*

The *Nation* (19 October 1998) reports that the government is gearing up to increase the safety net loans as the queue of applicants is getting longer. Under a government scheme to provide interest-free loans as venture capital, laid-off workers, financially troubled farmers, and aspiring vendors are eligible to apply for up to B15,000, to be paid back over a five-year period, to start up small independent businesses. As the economic crisis set in last year, workers flocked to avail themselves of the venture capital and within months the fund was depleted, leaving a long waiting list. For 1998, the government has allocated an additional B300 million as emergency funds. Although this is enough to assist 32,000 loan applicants, 72,319 people have already applied.

The World Bank (1998b) reports on the "Thai social fund," a US\$300 million loan package for job-creation schemes in rural areas using existing labor-intensive government programs. This is in conjunction with loans from the Overseas Economic Cooperation Fund, the UNDP, and the Australian government. The loan is expected to create roughly one million months of jobs and an equivalent amount of training. The study also reported that a national poverty map will be drawn based on available statistical data and a nationwide systematic participatory assessment, which will be an important input for the policy debate on safety-net mechanisms. In addition, World Bank funding includes a budget to set up a monitoring system to evaluate the impact of the crisis and public action on the poor.

The ADB has extended to Thailand a US\$500 million loan under the Social Sector Program Loan, of which an initial tranche of US\$300 million has already been released, with the remainder to come in ten to 12 months. The ADB loan focuses on three areas: the labor market, social welfare, and health and education. In the labor market, the policy priorities are the establishment of Centres for Assistance to Laid-Off Workers, the extension of social security coverage to the unemployed, the limitation

of minimum wage increases, and the provision of tax incentives to private enterprises for investment in employee training.

The ILO (1998b) reports that Thailand's Ministry of Labor and Social Welfare (MOLSW) has taken a proactive stance in urging firms to delay layoffs by finding alternatives; by requesting that firms first notify the ministry prior to laying off workers so that alternatives can be considered first or, failing that, adequate outplacement services (e.g., retraining and job search) can be arranged under MOLSW's auspices; and by seeking to intervene prior to a firm's recourse to layoffs. Thailand's leading employer confederations also state that the search for alternatives to layoffs is common practice among their member firms. In August 1997, MOLSW launched a Centre for Assistance to Laid-Off Workers, a one-stop service center to help laid-off workers in the areas of severance pay, social security, placement and counseling services, training, and low-interest loans. In addition, MOLSW has created 15 teams of ministry officials that have attempted to assist enterprises in Bangkok and in the neighboring industrialized provinces in finding alternatives to layoffs. Also, the ministry has prepared a booklet outlining ways in which labor and production costs can be adjusted to avoid layoffs, and has hosted a number of tripartite seminars in an effort to diffuse knowledge on ways to preserve employment. The MOLSW initiatives will continue as part of the government's seven-measure program to address the crisis. While the MOLSW initiatives are clearly positive, there is no information available on their impact.

The *Bangkok Post* (19 October 1998) reports that the first-ever master plan on human resource development for production and service industries has taken shape. The Thailand Development Research Institute was commissioned by the Labor and Social Welfare Ministry to draw up the plan, which emphasizes enhancement of the quality of the work force. The draft plan has been finalized and will be submitted to the ministry for consideration before it is implemented by related agencies such as the Education and Industry ministries. The plan states that the overriding priority is preventing further contraction of employment while offering skills-improvement training to workers so as to increase their career opportunities and better their job-seeking prospects should they be made redundant. The government is urged to support human resource-oriented research to enable industries to become more reliant on local production technology.

Tambunlertchai (1998) reports that the Ministry of University Affairs has also enacted several measures to create jobs for recent university

graduates. One project involves hiring students to work in village administration organization offices across the country to conduct surveys on the quality of life for the underprivileged, with regional universities acting as coordinators. Other measures include disseminating employment information, encouraging unemployed university graduates to further their studies at higher levels, and providing short-term training for graduates to acquire the necessary skills for employment or to set up their own businesses. For university education, the government sponsors a program of interest-free student loans, to be paid back in installments after graduation. The program has been in operation for several years but was not widely publicized or subscribed to during the boom years. Its high popularity during the past two years, however, has quickly depleted the educational fund.

The *Bangkok Post* (19 October 1998) also describes the voucher system introduced by the Bangkok Metropolitan Administration to support families unable to pay school fees and thus forced to take their children out of school. The city launched a pilot program to issue education vouchers designed to relieve and prevent overcrowding of city schools as well as to help private schools, some of which have seen enrollment drop sharply since the economic crisis. In some cases, the system gives students in overcrowded city schools a chance to study in private schools; in others it helps hardup parents keep their children in private schools rather than transferring them to city schools. However, the pilot program seems to be limited to five schools in the city area, and one of the schools involved is accepting only five vouchers. Many schools have declined to join the program because the voucher value is considered too low; however, the city administration has indicated that it intends to expand the program.

The crisis has forced the government to squeeze public spending on health, among other sectors. The Ministry of Public Health's budget for 1998 was less in real terms than the 1996 budget, and the planned budget for 1999 is going to be even less in real terms. Despite this overall drop, the budget for welfare health services has increased 9 percent, achieved by reducing the budget for other schemes, such as the civil service medical benefits scheme, and significantly cutting capital investments. The ministry also runs a health-card program that provides free medical care to those whose incomes fall below a certain level, as well as a service providing free medical care to the elderly. To monitor the health and health systems implications of the economic crisis, the ministry in April 1998 established an ad hoc Health Intelligence Unit to monitor short- and long-



term implications, especially for the marginalized population; develop strategies to alleviate the negative consequences; review allocation of the government budget to essential health services; analyze morbidity and mortality, particularly of vulnerable groups; and monitor prices and availability of health commodities.

### *South Korea*

According to an article in *Business in Korea* ("Q & A" 1998) that gives a technical appraisal of financial and corporate sector reforms, South Korea will suffer from high and rising unemployment at least in the short run, which in turn may undermine macroeconomic and social stability. Deteriorating social stability will feed back into the reform process as a detriment risk factor, causing a vicious spiral of economic setback and degradation. South Korea is addressing the issue by expanding the social safety net and including a second Tripartite Accord for fair burden sharing simultaneous to the actions on economic reform.

Stemming the sudden expansion of unemployment and restoring the earning power of the unemployed are among the government's top priorities. Pak (1998) reports on some of the steps already taken or to be taken:

- Establishing a tripartite Labor-Employer-Government Commission on a permanent basis to carry out consultations on labor-management issues. In its first-round consultation, an agreement was reached to amend the law to allow employers a degree of flexibility in employee layoffs for structural and management efficiency purposes; expand the unemployment insurance fund; and carry out job training for redeployment of the unemployed. An Unemployment Insurance Fund of US\$1 billion has been set up as well. With regard to job training, approximately US\$400 million is to be allocated to train 260,000 jobless this year for reemployment. All the available technical and/or functional colleges are to be mobilized in this effort to provide training in 56 different job categories.
- Establishing an unemployment amelioration fund through the mobilization of private (citizen) resources under the joint efforts of the Korean Federation of Trade Unions and the Korea Employers' Federation, among others.
- Expansion of the national pension scheme to the informal sector, including self-employed workers.
- An early implementation of as many public works projects as possible



to absorb the jobless, with the focus on forestation, environmental restoration (including river and ocean clearance), crime prevention activities, and certain categories of social service. Public works programs have received more attention in recent months, particularly with the expected gloomy unemployment situation toward the end of 1998 and the beginning of 1999, when the agricultural sector seasonally shrinks.

- Support to small capital business initiatives by the unemployed, especially in "chimney-less industries," such as tourism, the environment, and human service industries.
- Job-sharing through the reduction of per head work hours. Workers at an increasing number of factories and places of work are demanding this solution in lieu of outright payoffs. They are willing to accept salary/wage cuts in favor of job-sharing.
- Allocation of at least half of the unemployment amelioration fund to small- and medium-sized industries to fill their funding needs, such as in connection with the export deposit, since this will help prevent bankruptcies leading to unemployment.
- Tripartite contribution to the unemployment insurance fund to improve the benefit level and duration.

A *Korea Herald* ("Religious Groups" 1998) article reports that sudden unemployment is not only financially but also psychologically disastrous, and that religious groups are taking practical steps to assist the unemployed search for work. Because its current employment policy focuses too much on financial help, the government needs to balance its approach with more psychological help for the jobless, as well. Public libraries such as Seoul City Chongdok Library have opened employment information rooms to provide the jobless with job-searching facilities ("Libraries Providing Job Information" 1998). The jobless visit the libraries on a regular basis, sometimes daily, to seek information and kill time. But as few public libraries are well prepared to help the jobless on a full-scale basis, more substantial steps need to be taken.

Policies and programs have been introduced by the government to assist unemployed workers. These measures vary according to whether the unemployed are job losers or first-time job seekers, and whether the job losers are covered by the Employment Insurance System (EIS).

South Korea has a well-developed network of employment services, which consisted of 1,875 agencies in 1996 (52 national, 285 public, and 1,538 private). Burgeoning unemployment since November 1997 has

posed major challenges to the employment services: existing staff are increasingly unable to handle the ever-growing number of clients, and the public employment service, which deals with both placement services and the administration of unemployment benefits, is under increasing pressure to extend its services, especially for guidance and counseling.

The 1998 labor market policy package includes measures to strengthen public employment services; develop a nationwide computerized employment information system; support trade unions to set up their own placement services; and develop manpower banks. The government will set up about 20 additional public employment offices and increase the staff, especially vocational guidance counselors. By the end of 1998, the number of manpower banks is expected to have increased from four to 20.

In the context of growing unemployment and expected large-scale layoffs, the employment services appear to be the weakest component of the current labor market policy program. Although they receive a relatively small portion of the labor market budget allocation, the role of employment services is critical in facilitating and accelerating employment and labor market adjustments. Another major program that has been adopted is job creation for the unemployed. This includes four new schemes. First is a program offering start-up loans to unemployed professionals and managers to set up their own ventures or small firms in an effort to create new jobs. In terms of allocated resources, this is the largest program. Second is a program targeting job creation in existing small and medium-sized enterprises. This program provides loans for job creation and for improving working conditions, with the aim of attracting nationals to replace the foreign workers who currently hold many of the "dirty, difficult, and dangerous" jobs in these enterprises. Third is a program to offer start-up loans to the unemployed covered by the EIS so that they can become self-employed. Fourth is a program to create temporary job opportunities in public works for those long-term unemployed who are outside the scope of the unemployment benefits system. This program is expected to create 50,000 temporary jobs in the public sector.

Training and redeployment policies have also been introduced. South Korea has a well-developed vocational training system, consisting of about 500 public, private (nonprofit), and company-based vocational training institutions. The system trained over 300,000 persons in 1997. The challenge for the country, then, is not to create a greater number of appropriate training facilities but rather to redirect training programs to the new circumstances and to ensure that the training is effective in helping job losers

move away from declining sectors to those with emerging opportunities.

To facilitate access of the unemployed to temporary job opportunities, Parliament passed the Act on Dispatched Workers in February 1998. Under the Act, employment agencies may recruit workers and dispatch them to enterprises that require temporary workers with special knowledge or experience, workers to fill temporary vacancies due to illness or maternity leave of the regular work force, or workers to meet irregular production needs. The Act guarantees protection to such workers who are dispatched by employment agencies for temporary jobs. At the same time, the Act provides for the right of company unions or other workers' representatives to be consulted on the use of such temporary dispatched workers in their enterprises.

The World Bank (1998e) reports a US\$2 billion SAL it approved in March 1998 that includes a program on labor markets and social safety nets. The program incorporates measures to increase flexibility in the labor market, while extending coverage of unemployment insurance to employees in small-scale enterprises; to improve poverty monitoring and protect poverty-related public expenditures; and to reform the pension system. A second SAL of US\$2 billion will help deepen these reforms and start addressing issues in health financing and health care.

The ILO (1998b) reports that the South Korean government originally allocated about 5 trillion won to the labor market budget for 1998. At the end of March 1998, Parliament increased the allocation to 8 trillion won. It was questionable, however, whether the additional resource allocation would actually be available in 1998. Almost 50 percent of the original budget is geared toward unemployment benefits and other income support programs for the unemployed. Job-creation measures account for about 20 percent of the budget, while the remaining 30 percent is divided among training programs, subsidies for enterprises to maintain levels of employment, and support for the development of employment services, the latter being the smallest program and representing only about 3.5 percent of the total budget.

The Korean Confederation of Trade Unions (1997) argues that it is possible to maintain the existing work force if big business cuts expenses other than wages and increases capital through the offering of owners' personal wealth. The problem is that the exposed wealth of the owners is only a fraction of what they actually own. The report adds that *chaebols* are also prone to pass on the pressure to SMEs that are subcontracted parts makers, and that an enormous disparity exists between workers

employed by *chaebols* and those employed by SMEs. Despite the Employment Stability Act, which dictates that four necessary conditions be met before dismissal can be justified, extralegal redundancy is widespread and considerable numbers of employees are being replaced by irregular employees. The Korean Confederation of Trade Unions argues that in government policy and implementation there is a conspicuous absence of efforts to reform the *chaebol*-dominated economic structure, or to enhance the educational, medical insurance, and social insurance systems.

The Korean Labor and Society Institute (1998) notes that illegal layoffs, wage arrears, and lack of cooperation from *chaebols* have all been strongly denounced by the Korean Confederation of Trade Unions but are ongoing problems. The unions also argue that the restructuring plan for big businesses was produced under government pressure and that it is questionable whether the *chaebols* actually intend to implement it.

### Differing Views among Organizations

All interested parties agree on the urgency of the problems, but opinions about what needs to be done and how differ considerably.

The World Bank (1998e) emphasizes the need to undertake more substantial research in the following areas:

- Gender issues. To better understand the gender dynamics in the different countries, and between different sectors within these countries, action-oriented research needs to be undertaken on issues such as trends in formal employment, changes in educational opportunities, and access to health services. Research is especially important at a time of shifting economic relations, as women may find themselves facing unemployment or multiple employment.
- More effective monitoring of the impact of the crisis on the lives of children. Widely disparate numbers are cited in terms of the age or number of children who have fallen back into poverty. In order to understand what is happening in the lives of children, new research programs are needed that will provide clearer and more up-to-date information.
- Central role of public information. Regular surveys and assessments to collect raw data are required, in addition to vigilant monitoring and evaluation of public action. A crucial need is to deepen the understanding of how different actions ameliorate the social costs.

Informed public debate about the choices being made should be guided by up-to-date information.

- Disaggregation of social impacts. This is vital for determining the types of responses to be funded and how programs should adapt as local conditions change. This requires donors to expand their relationships with civil society organizations for policy dialogue and for research on social impacts.
- Four areas where a combination of immediate action and an exploration of alternatives is central. First, the distributional effects of both the shocks and the economywide responses. Second, the potential for direct public action, especially using public resources, to reduce income losses due to employment declines and price increases, and to reduce the risk of irreversible damage to human capability through lost education, malnutrition, and forgone action in health care. Third, the consequences for the social fabric of economic decline and cutbacks in social services. Fourth, monitoring and evaluation of the effects of both economywide and local developments.

Oxfam (1998a) criticizes IMF and World Bank policy prescriptions and implementation as being flawed and says international response has been inadequate. It points to an artificial separation between social and economic policy, citing the gulf between the macroeconomic policy of the IMF and the social policy framework of the World Bank as the central reason for policy failure. Safety net measures implemented under the World Bank, ADB, and others have only marginal impact and do not offer any prospect of a solution to the crisis. The World Bank is in the hapless position of erecting social safety nets that are collapsing under the weight of rising poverty and mass unemployment resulting from IMF programs.

Oxfam advocates greater attention to human development considerations, with the involvement of civil society and policy discussions as a basis for solutions. It maintains that the protection of social sector budgets, the minimization of unemployment, the maintenance of rural infrastructure, and the monitoring of access to basic services should figure prominently at the outset in the design of macroeconomic targets. It calls for action at several levels in the development of recovery-oriented responses to the crisis.

The ILO (1998a) has stressed that as unemployment figures increase and the crisis overwhelms underdeveloped systems of social protection, it has become urgent for governments in the affected countries to set up

systems of unemployment insurance as quickly as possible. The ILO makes the following points:

- Stepping up social spending under IMF-supported programs alone is not enough, because in the worst-hit countries, such as Indonesia and Thailand, less than 10 percent of the unemployed can expect relief from job-creation schemes.
- Relying on the rural sector to absorb the unemployed is not practical, either, as rural joblessness is also rising. Nor can workers fall back on the family support system, especially when it is the main breadwinners who have lost their jobs.

The ILO proposes that this system of unemployment insurance be self-financed by workers and companies, with both sharing the costs, thereby making the scheme cheap and effective without being a drain on public finances.

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Short article on globalization in general, mentioning the current crisis but also looking at future trends.

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Mainly speaks of economic and financial reform, but with some reference to governance. Useful background material.

Tambunlertchai, Somsak. 1998. "The Social Impact of the Financial Crisis in Thailand and Policy Responses." In *Social Implications of the Asian Financial Crisis*. EDAP Joint Policy Studies No. 9, UNDP Regional Project. Seoul: Korea Development Institute.

A study of the impact of the financial crisis in Thailand, and the policy responses of the government to tackle the crisis and alleviate the social impact.

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Not directly responding to the Asian crisis, but a comprehensive look at the security problem.

United Nations ESCAP. 1998. *Asia and the Pacific into the 21st Century: Prospects for Social Development*. Theme Study of the 54th Session of ESCAP, 20-28 April.

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A substantive paper, good for background reading, but does not directly address the immediate impact of the financial crisis. Examines development trends and emerging issues with impacts on social developments, including demographic, economic, social, environmental, scientific, and technological trends, and makes suggestions for future prospects without mentioning the crisis overtly.

United Nations FAO. 1998. *Latest Report on Foodcrop Shortages Shows 30 Countries in Need of Emergency Assistance*. September.

<<http://www.fao.org/NEWS/GLOBAL/GW9832-e.htm>> (15 October 1998).

Short country profiles and estimated 1998-1999 cereal import requirements of low-income food-deficit countries.

Van Diermen, Peter. 1998. "The Social Impact of Indonesia's Financial Crisis." *Development Bulletin*, no. 46 (Winter): 21-23.

Focuses on the impact of the crisis on the Indonesian family. The compounded problems caused by the crisis, such as unemployment, inflation, and political instability, have brought about severe impacts on the Indonesian family. To overcome the problem and improve families' welfare, Indonesia needs to sort out its financial system, attract capital, and provide a stable government and regulatory system.

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Vatikiotis, Michael. 1998. "Power to the People." *Far Eastern Economic Review* (9 July).

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Demonstrates the correlation between economic growth and poverty reduction. The rate of aggregate growth is an important determinant of the rate at which absolute poverty declines, even in the short run. Faster growth has been associated with faster reductions in absolute poverty.

World Bank. 1998a. *Addressing the Social Impact of the Crisis in Indonesia: A Background Note for the 1998 CGI*.

After reviewing the facts of the interrelated crises, addresses three broad areas of actions: maintaining the viability and affordability of key commodities important to the poor, generating employment and maintaining incomes, and preserving key social services. Discusses the magnitude of the problem, the responses, and issues of implementation.

———. 1998b. *East Asia: The Road to Recovery*. World Bank Group, September. <<http://www.worldbank.org/html/extpb/rdorec/rtor.pdf>> (13 October 1998).

Analyzes the event that led to the crisis, the effects, and the prospects for growth in the region. Centers chiefly on the economics of the problem, but contains a section on social problems caused by the crisis.

———. 1998c. *Indonesia in Crisis: Macro Economic Update*. Mimeo. Washington, D.C.

Describes the Indonesian economic crisis from the macroeconomic point of view and suggests ways toward a recovery. Suggests a five-point agenda of action for the near term, requiring a concentrated focus of government policy. These include protecting the poor, obtaining foreign financial assistance, dealing with the debt overhang, resuscitating the banking system, and improving good governance.

———. 1998d. *Responding to the Crisis: Backing East Asia's Social and Financial Reforms*. World Bank Group, June.

A short article, primarily on how the World Bank is responding to the crisis. Outlines the main social consequences and points out key indicators to watch. However, main point is restoring confidence to the financial markets as a precursor to solving the social problems.

———. 1998e. *Social Consequences of the East Asian Financial Crisis*, September. <<http://www.worldbank.org/poverty/eacrisis/partners/library/socconq/>> (13 October 1998).

A comprehensive paper that includes chapters on the effects of the social problems on households and the future impacts of the crisis on poverty. At least half the paper is devoted to what can be done about the problems, covering the themes of food, employment, and income security, in addition to social services for the poor. Recommends regular surveys and assessments to collect raw data, as well as vigilant monitoring and evaluation of public action.



## *Human Security Dimensions of the Asian Financial Crisis*

World Health Organization. 1998. *Health Implications of the Economic Crisis in the South-East Asia Region: Report of a Regional Consultation*. Bangkok, 23–25 March.

Contains a useful section on the health effects of the economic crisis in Thailand and Indonesia, as well as the managerial measures that have been taken or are being planned by the respective countries to address the crisis.