Asian crisis: ILO report details worsening social conditions

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The worsening social consequences of the Asian financial crisis are detailed in a report by the International Labour Organization presented to a conference on social development which opened in Bangkok on Wednesday.

The report said the financial crisis had reversed several decades of progress towards full employment in the region and warned the situation would worsen as companies cut back their workforces to try to regain profitability.

The report gave a country-by-country breakdown of what it termed "the disastrous effects of the Asian crisis". The worst affected has been Indonesia where the growth rate has fallen from 8 percent in 1996 and 4.7 percent in 1997 to minus 15 percent in 1998. Based on an Indonesian Ministry of Manpower estimate that 400,000 potential jobs are lost for every percentage point decline in gross domestic product, the ILO calculates that retrenchments will total between 3.8 million and 5.4 million and that some 8 million jobs are likely to have been lost by the end of 1998.

The Ministry of Manpower has already estimated that the number of unemployed will rise from 4.3 million in mid-1997 to 18-20 million by the end of 1998, bringing the unemployment rate to 20 percent. In addition, Indonesian workers who found jobs in other countries--more than 750,000 have been employed in Malaysia alone--have been returning in large numbers. The impact on wages has been severe with the real minimum wage calculated to have fallen by more than 30 percent in less than a year.

"All these changes," the report states, "imply a dramatic rise in the incidence of poverty; indeed, according to ILO estimates, the incidence of poverty, which had been driven down to 11 percent in 1997, has already risen to about 48 percent."

In Thailand, GDP growth has declined from 5.5 percent in 1996, to minus 0.4 percent in 1997 and an expected minus 8 percent in 1998. Real wages are estimated to have fallen by 8 percent in 1998, with the ILO pointing to a "sharp rise in the incidence of poverty". Hundreds of thousands of immigrant workers, mainly from Myanmar (Burma) have been sent back. The ILO estimates that the number of migrant workers in Thailand had declined by 460,000 by mid-1998.

The impact on the economy of South Korea--the most developed in the region--has been no less severe. Unemployment, which stood at just 2.3 percent in June 1997, has been rising steadily throughout the year, and is estimated to have reached 8.2 percent at the end of last year. According to the report: "Overall employment in the economy declined by 5 percent and real wages declined by 10 percent. The ILO estimates retrenchments at 1.5 million. Besides, there is evidence of growing informalization of employment, which means that the quality of employment deteriorated."

The study found that in the manufacturing industry the decline in employment was 15.1 percent, while in construction it was 22.9 percent

In the Philippines open unemployment was expected to reach 11 percent by the end of last year, with a decline in real wages of 3 per cent during 1998. Malaysia faced a "fairly severe recession". Economic growth, which was 8 per cent in 1997, slumped to between minus 6 and 7 percent for 1998.

The report summed up the impact of the crisis as follows: "In the first place, labour force participation rates have tended to fall, suggesting growth in the number of discouraged workers. Secondly, open unemployment has increased sharply. Third, there has been rapid informalization of employment; self-employment and irregular wage employment have

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grown, while regular wage employment has fallen. There has thus been a sharp deterioration in the quality of employment. Fourth, there have been sharp declines in real wages. Fifth, labour-importing countries have attempted to absorb the shock partly by sending the migrant workers back to their country of origin, and this has exacerbated the unemployment in the labour-exporting countries. Finally, there has been a sharp growth of poverty."

The report also warns of the "serious possibility" of rising unemployment in South Asian countries due to the impact of so-called "market-oriented reforms".

Global pressures on governments to pursue tight monetary and fiscal policies have generated pressure for retrenchment of "redundant labour" employed in state-controlled enterprises, transforming hidden unemployment into open unemployment.

"China," the report notes, "has embarked on reforms of state-owned enterprises which will almost certainly lead to significant job losses. Privatization of public sector enterprises in several South Asian countries--Bangladesh, Nepal and Pakistan in particular--has already led to a loss of good jobs."

So far there has not been a noticeable effect on the unemployment rate but as the "reform processes" are carried forward "it is very likely that the rate of open unemployment, as well as the relative importance of informal sector employment (and hence the level of underemployment), will show significant increases."

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