



**The Human Resources Development
Dimension of the Asian Financial Crisis:
Towards the Definition of an APEC Response**

A report on the APEC HRD Task
Force on the Human Resource and
Social Impacts of the Financial Crisis
in Asia based on discussions at an
Experts' Meeting held in Jakarta, in
April 1998, and a Symposium held
in Chinese Taipei in June 1998

Compiled by

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Professor of International Business

University of Auckland



*Asia-Pacific Economic Cooperation
Human Resource Development Working Group
Task Force on the Human Resource and
Social Impacts of the Financial Crisis in Asia*

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PREFACE

This report summarizes an important dimension of the work to date of the APEC Task Force on the Human Resource and Social Impacts of the Asian Financial Crisis. It is based on a summary paper prepared by Nigel Haworth, Professor of International Business at the University of Auckland, based on the discussion of a meeting of experts held in Jakarta in April 1998. Professor Haworth's paper, in turn, provided the basis for a further discussion in Chinese Taipei in June 1998 at a symposium held prior to the 18th meeting of the APEC Working Group on Human Resources Development. The symposium brought together over 100 officials, experts and representatives from the private sector to discuss the social consequences of the financial crisis and to help identify specific actions that might be taken by APEC for individual member economies to mitigate the consequences of the economic and financial crisis.

In addition to the synthesis paper and summary of discussion reproduced here, the Chinese Taipei Symposium included a number of papers outlining the experiences of individual member economies. Space considerations precluded reproducing these papers in their entirety here. However, they are available on the APEC website. Specific references are included in this report for those who may be interested in reading these papers in their entirety.

Since the work of the Task Force began, the current economic and financial crisis has spread beyond the Asia Pacific region, and has become truly global in its scope. The unprecedented scope of the crisis underscores the need for concerted cooperative action. The Co-Chairs of the Task Force would like to thank all of the individuals who participated in the Experts' Meeting in Jakarta and the Symposium in Chinese Taipei for their contribution to a greater understanding of the human resources and social dimensions of the crisis. Particular thanks are extended to Professor Haworth for his efforts in pulling together the perspectives and experiences of so many members of the APEC community.

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I would like to thank the authors of the case studies for their help in completing this synthesis paper. Particular thanks are due to Charles Barrett, Co-Chair of the Task Force, who kindly read a first draft of the paper and suggested some very helpful revisions. I am, of course, entirely responsible for the final version.



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BACKGROUND

The APEC Task Force on the Human Resource and Social Impacts of the Financial Crisis

The APEC Task Force on the Human Resource and Social Impacts of the Financial Crisis was formed under the auspices of the APEC Human Resources Development (HRD) Working Group, at the 17th meeting of the Working Group held in Bali, Indonesia, in January 1998. The Task Force members include Canada, Indonesia, Malaysia, the Republic of the Philippines, and Thailand; the USA has also recently joined. The Task Force is co-chaired by Canada, Indonesia and the Philippines.

The terms of reference of the Task Force are:

- to explore and examine the human resource, labour market and social impacts of the crisis;
- to estimate the likely degree of re-structuring that might be required in labour markets and associated sectors;
- to identify and share knowledge and “best practices,” especially from those economies which might have overcome similar crises in the past; to facilitate possible policy or program reforms; and
- to recommend appropriate and realistic actions which the HRD Working Group could take within its own limit in APEC to lessen the impact of the crisis on people in the region.

The Task Force held its first meeting in conjunction with an Experts’ Symposium in Jakarta, Indonesia, in May 1998. A symposium, organized by the Task Force, took place just before the 18th meeting of the HRD Working Group, and was hosted by Chinese Taipei. Over 100 delegates attended the symposium. Papers and/or presentations were contributed by Australia, Canada, Chile, the People’s Republic of China, Japan, Indonesia, the Republic of Korea, Malaysia, Mexico, New Zealand, the Republic of the Philippines, and Thailand. Other economies, including Hong Kong, China, Papua New Guinea, Singapore and Chinese Taipei, also shared

written analyses of the human resource and labour market impacts with HRD Working Group colleagues during the subsequent Working Group Meeting.

The symposium began with the presentation of a synthesis paper based on the Jakarta Experts’ Symposium that is reproduced in this report. The symposium then heard case studies by experts from some of the most affected economies, as well as adjustment experiences from other APEC economies. Comments on the presentations were provided by panellists from the perspective of business and labour, as well as specialists in social and gender analysis. HRD Working Group members participated in an open discussion of the issues raised in the presentations.

A number of human resource development and social issues were raised and explored during the symposium discussions, ranging from unemployment and other labour market impacts on migration issues, poverty levels and on food security. The issues were discussed within a framework that took account of both short-term adjustment and longer-term impacts.

Some familiar APEC issues were explored, but in a somewhat different light than the way these issues have been traditionally addressed in the APEC Economic and Technical Cooperation (ECOTECH) agenda. For example, the role of SMEs, and particularly micro-enterprises, was considered in the context of the informal sector, particularly the potential of the informal sector for job creation and economic revitalization in either rural or urban contexts. On the other hand, the destabilizing effects of the growth of the informal sector on the more secure elements of the labour market, like wages and job security, were noted.

It was observed that the heaviest burden of the financial crisis is borne by certain groups: women, young people trying to enter the labour market, and older men previously employed in certain industrial sectors. The paradox was also noted of skill shortages in

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The role of social safety nets was a prominent theme of the discussions.



key sectors for growth and development: for example, technology, marketing, and other “knowledge and information society” skills; while many workers continue to look for jobs.

The role of social safety nets was a prominent theme of the discussions. Some member economies shared perspectives on social safety net models that they have tried in the past, while others discussed those which they are currently using in response to the financial crisis. It was noted that one of the social changes accompanying industrial economic development has been the erosion of traditional safety nets and social support systems; this also affects the capacity of communities and individuals to cope with the impacts of the crisis.

One of the social changes accompanying industrial economic development has been the erosion of traditional safety nets and social support systems.



Another strong theme throughout the discussions was the importance of partnerships and consensus-based initiatives in addressing the human resource and social impacts of the crisis. Tripartite approaches by governments, business and labour were pointed to as an emerging useful paradigm,

not only for addressing short-term impacts, but also for developing long-term strategies of human resource development.

The value of cooperation among economies within APEC in analyzing the human resource and social impacts of the financial crisis and seeking solutions was reiterated. It was also noted that cooperative sharing of information and perspectives with other organizations carrying out related efforts in the region, such as the Asian Development Bank (ADB) and the International Labour Organization (ILO), could be useful.

The high degree of participation by HRD Working Group member economies as well as the comprehensiveness and openness of the discussions at the symposium produced a valuable outcome of this APEC initiative. The Task Force carried through considerations of the themes and issues raised during the symposium in its development of preliminary recommendations, subsequently presented to the 18th Meeting of the HRD Working Group.

THE HUMAN DIMENSION OF THE ASIAN FINANCIAL CRISIS

► *Uncertainties in Southeast Asia have compounded current concerns about the performance of the Japanese economy, in turn contributing to global anxiety about trade dislocation and international growth levels.*

► *A perception grew that the economic success of the “tiger” economies of Asia was in some way impregnable.*

► *The immediate trigger of the crisis was the devaluation of the Thai baht in July 1997.*

A Summary of Discussion at the Jakarta Experts’ Meeting

Since July 1997, Southeast Asia has been in profound turmoil as currency crises have precipitated economic and political instability. The crisis has also brought with it implications beyond the most affected economies (in particular, the Republic of Korea, Thailand, Malaysia, the Philippines and Indonesia). The knock-on effects on international trade have extended into other APEC and non-APEC economies as markets for both exports and imports have faltered. Uncertainties in Southeast Asia have compounded current concerns about the performance of the Japanese economy, in turn contributing to global anxiety about trade dislocation and international growth levels. Strenuous efforts have been made by international financial institutions, especially the IMF, to bring some financial orthodoxy to bear on the most affected economies, provoking a complex debate about the appropriateness of policy responses to the crisis. This debate has been conducted at various levels, including the technical mix of measures for the creation of financial stability, the timing of such measures, their appropriateness in terms of traditional financial and business practices in the most affected economies, and, importantly, their impact on social and political processes.¹

In many ways, the crisis has been all the more shocking because of the recent performance of the most affected economies. They have experienced annual growth rates of 6 per cent-plus for many years. They have seen export markets grow impressively. Foreign capital has flowed into manufacturing, the financial sector and into property. Labour forces have been transformed. Adaptation to technological advances has proceeded apace. A perception grew that the economic success

of the “tiger” economies of Asia was in some way impregnable. The current crisis is felt all the more severely because of that seemingly flawed impregnability.

However, despite the image of permanent economic success in the high-performing Asian economies, some observers anticipated the crisis. For example, in a September 1996 article, an argument advanced the prospect that the 1996 flurries against the currencies of Malaysia, Thailand and Indonesia presaged a Mexico-style “meltdown” (the IMF’s Morris Goldstein, reviewed in *The New Zealand Herald*, September 2, 1996, p. B5). Based on the 1994 Mexican crisis, Goldstein identified seven danger signals, which supported this concern. They were:

- a mismatch between short-term debt and foreign reserves
- a big current account deficit
- increased consumption rather than investment
- budget deficits
- dependence on foreign capital inflows
- overvalued exchange rates, and
- rapid monetary growth.

Goldstein went on to argue that Thailand was the most vulnerable of the Asian economies in terms of these signals, with Malaysia and Indonesia close behind. At that stage, the November 1997 collapse of the South Korean won was not widely envisaged. Goldstein was shown to be prophetic by the events of 1997.

The Crisis: A Brief Overview²

The immediate trigger of the crisis was the devaluation of the Thai baht in July 1997. As we note in the discussion that follows of the four case studies (Malaysia, the Philippines, Indonesia and Thailand), the striking impact of the Thai devaluation was its replication in other regional

¹ The web page at <http://www.stern.nyu.edu/%7Enroubini/asia/AsiaHomepage.html> is a good source of material on the crisis and its associated technical debates.

² This section is drawn in part from the overview in *The Social Impact of the Asian Financial Crisis*, (ILO: Bangkok, April 1998), pp. 1-11.

Institutionally, the regional banking system was shown to be unable to cope with the crisis.

economies.³ Currencies were devalued dramatically (in Malaysia, Indonesia, Korea, the Philippines and Thailand by around 35 per cent). The currency crisis triggered dramatic collapses in regional stock markets, losing between 40 and 55 per cent of value in these same economies. A key factor underpinning both currency and stock market collapses was the reversal in foreign capital flows. In the most affected economies, net private inflows fell from US\$93 billion to negative US\$12 billion in the period from the end of 1996 to the end of 1997, estimated to represent a reversal in GDP of 11 per cent.

Institutionally, the regional banking system was shown to be unable to cope with the crisis. A high level of dependence on unhedged short-term loans was a significant factor, particularly in Thailand. Corporates were vulnerable to similar lending arrangements, especially in Indonesia and Korea. Corporates also maintained high debt-to-equity ratios, which exacerbated the impact of their borrowing regime. As interest rates rose in response to the currency crisis, even viable corporates became vulnerable to the financial and institutional consequences of the crisis. Confidence in trade relationships and their instruments fell and exporting firms were unable to benefit from the impact of devalued currencies. As a result, the GDP in 1997 fell away, particularly in Thailand, and is projected to suffer dramatically across the region in 1998, with something of a recovery proposed for 1999 (see Table 1).

The impact of the crisis has not been evenly spread across the region.

The impact of the crisis has not been evenly spread across the region. For example, Thailand, Indonesia and Korea have been particularly badly hit; Malaysia and the Philippines, both with a lower exposure to short-term overseas debt, have experienced less severe impacts.

Domestic imperfections are also highlighted, including the regulation of domestic financial structures in a period of financial liberalization.

The ILO points to the extended and unresolved debate about the origins of the

Table 1

Real GDP Growth
(per cent)

	1996	1997*	1998*	1999*
Thailand	6.4	0.1	-3.0	1.8
Indonesia	8.0	4.6	-0.1	2.6
Korea	7.1	5.8	0.6	4.4
Malaysia	8.6	7.4	3.4	5.1
Philippines	5.7	4.9	3.0	3.6

* These figures represent the average of IMF, *The Economist* International Business Unit and Union Bank of Switzerland estimates. Source: adapted from ILO, *The Social Impact of the Asian Financial Crisis*, p. 2.

crisis. It is this lack of a resolution that makes the development of an appropriate strategy difficult in the midst of the crisis. For the ILO, the actions of the international financial market have played a part in creating the conditions for the crisis, in particular in terms of its lending profile over preceding years and its over-reaction to the crisis once in train. Domestic imperfections are also highlighted, including the regulation of domestic financial structures in a period of financial liberalization, the unquestioned commitment by governments to an externally funded, high-growth strategy, the mechanisms put in place for handling the massive capital inflows (particularly exchange rate and interest rate policies) and the impact of "crony capitalism."

The Social Impacts of the Crisis

The ILO has provided a succinct and telling overview of the social impacts of the crisis (ILO, *The Social Impact of the Asian Financial Crisis*, pp. 12-30). Social impacts derive from the sudden reversal in economic fortunes from a situation in which, generally,

³ This replication has been interpreted in a number of ways. Some commentaries have invoked the idea of contagion; others focus on a set of individual cases in which economic

fundamentals were ignored or unstable. In the latter case, some mechanism by which the events in Thailand were transmitted across regional boundaries is still required.

This reversal is taking place in economies with minimal social safety nets.

rates of job creation, in jobs with reasonable wages, exceeded the rates of growth in the labour force to a situation marked by retrenchments, reduced rates of new hiring, rising unemployment and underemployment, and the prospect of declining real wage levels. This reversal is taking place in economies with minimal social safety nets, and widespread expectations about growth, which can no longer be met in the short term.

The crisis affects women workers in particular ways. Not only do they face reduced opportunities in formal employment as a result of the crisis, but they also face difficulties because of the downstream effects on the informal sector and on family structures. They may also be disadvantaged in

terms of access to relief measures and their impact on decision making in response to the crisis. Migrant labour also faces particular difficulties, as retrenchment and downturn may lead governments to consider substituting immigrant labour with indigenous labour. Moreover, this may take place in contexts where the export of labour is seen as a potential answer to job loss and unemployment. In the April seminar in Jakarta, it was also suggested that older, male workers will face significant consequences as a result of crisis-driven restructuring. In particular, they will experience major problems in terms of finding new jobs, and subsequently may lack the ability to cope with the social consequences of unemployment.

FOUR CASE STUDIES: MALAYSIA, THE PHILIPPINES, INDONESIA AND THAILAND⁴

► *Insolvency has hit the financial sector due to a lack of confidence in institutions, high debt-equity ratios and a dependence on foreign borrowing.*

► *Careful analysis of the Thai growth model and its associated institutions has shown that, for a considerable period prior to July 1997, the model was unsustainable on a permanent basis and that a major adjustment was inevitable.*

The Financial Crisis and Economic and Financial Responses

If the broad features of the crisis generally conform to the description given above, it is also the case that each economy experienced the crisis in different ways. How the crisis affected an economy was dependent on the pre-crisis relationship between domestic economic and financial policies and external factors.

In the case of Thailand, the *de facto* devaluation of the baht in July 1997 brought to an end a decade of growth. By October 1977, the baht had depreciated by 50 per cent. This led to reluctance on the part of exporters and investors to hold baht and to a massive capital outflow. In recent months (March and April 1988), some stability has returned to exchange rates as a result of a high interest rate policy. The export-promoting effect of devaluation has frequently been undermined by problems faced by exporters in gaining access to credits, problems exacerbated by high interest rates and tight credit controls.

Insolvency has hit the financial sector due to a lack of confidence in institutions, high debt-equity ratios and a dependence on foreign borrowing. A raft of measures has been directed at the financial sector in order to overcome these difficulties. Much effort is being put into establishing financial institutions on a firm and transparent basis whilst also attempting to consolidate a stable exchange rate, and reverse the current account deficit and debt servicing and liquidity problems. The international financial institutions have been supporting these efforts, with a bailout totalling US\$17.2 billion.

Limskul's paper identifies a number of key features of the Thai crisis including:

- rapid economic growth, resulting in an investment-saving gap associated with

rapid and large inflows of foreign investment, inflows consequent on international realignments of currencies in the 1985 Plaza Accord;

- a deterioration of the current account (a gap of 8.8 per cent of GDP in 1996); and
- policies which failed to respond to economic signals, and regional and international economic trends.

Implicit in this analysis is a perspective similar to that of Goldstein (*op cit.*). Careful analysis of the Thai growth model and its associated institutions has shown that, for a considerable period prior to July 1997, the model was unsustainable on a permanent basis and that a major adjustment was inevitable.

The way forward for Thailand has been charted in conjunction with the IMF. Drastic reform of the financial system, an austerity programme and tight monetary control using a high interest-rate approach combine to form the basis of the policy approach. Private consumption, investment and production have been adversely affected by this package. Capital outflow has not been halted, leading to further domestic liquidity difficulties. As a result, some relaxation of the high interest rate and the tight liquidity policies is being considered in order to promote export earnings. In institutional terms, alongside financial sector restructuring, corporates face new bankruptcy and foreclosure legislation, as part of a legal reform package. Also, privatization is being pursued in the public sector.

In Malaysia, GDP growth had averaged nearly 9 per cent annually for a decade, with inflation averaging under 4 per cent annually over the same period. The savings rate was high (around 33 per cent of GNP 1990–1995). The exchange rate for the ringgit was stable against the US dollar. Foreign capital flows

⁴ These case studies are drawn from papers by Kitti Limskul (Thailand), Kim-Lian Yap (Malaysia), Aris Ananta and colleagues (Indonesia), and Cayetano Paderanga Jr. (Philippines), particularly prepared for the APEC HRD Working Group Task Force.

The financial and construction sectors were particularly badly hit by the 1997 reversal in economic fortunes.



into the economy were strong against a background of stable economic indicators and political certainty.

By the end of December 1997, the ringgit had depreciated by 35 per cent against the US dollar; and stock market values had fallen by 45 per cent since June. GDP growth fell from a projected 8.5 per cent to 6.9 per cent in the final 1997 quarter, with a GDP growth projection for 1998 of around 3 per cent. Export growth is seen to be the answer to the impact of declining domestic demand on growth levels. The financial and construction sectors were particularly badly hit by the 1997 reversal in economic fortunes. The current account deficit is projected to be an acceptable 1 per cent of GNP in 1998. Inflation is expected to double to between 7 and 8 per cent in 1998, but price controls on basic commodities will, it is hoped, dampen any inflationary effects.

Indonesia's annual growth was regularly 6.5 per cent or higher for nearly 30 years prior to the 1997 crisis.



The policy settings adopted by the Malaysian government to deal with the crisis have been driven by the National Economic Action Council (NEAC), a representative stakeholder initiative. Specific policies include a reduction in state expenditure, the deferment of project expenditure (other than those allowing potentially significant export earnings), export and tourism promotion, and encouragement of local content usage in production. Malaysian business compliance costs are being attacked. Prudential standards in financial institutions are being tightened. Funds raised in capital markets are to be subject to more stringent requirements and priority is to be given to lending for productive and export-orientated operations.

When the crisis hit, the rupiah fell from 2,400 per USD (July 1997) to 17,000 per USD in January 1998.



In the Philippines, the pre-conditions for the crisis were to be seen in the exuberant expansion of domestic credits in 1994 (by 50 per cent) and 1995 (by 40 per cent). Confidence in the economy and an inflow of foreign capital promoted a cheap credit regime. Foreign capital became an option on the basis of apparently stable exchange rates. This exuberance led to banking institutions

becoming overstretched and, because of foreign exposure, susceptible to external shocks. By early 1997, a note of caution was sounded about levels of foreign obligation, and some constraints were imposed on domestic credits.

When the crisis hit the Philippines, paralysis was induced in almost all sectors of the economy. Confidence in the economy fell as uncertainty rose in the face of a depreciating peso. Operations with unhedged foreign obligations were adversely affected by this depreciation. Consequent liquidity pressures on financial institutions led to a credit crunch, upward pressure on interest rates, further reductions in business confidence and a consequent downwards spiral in economic activity. Inflation rose due to both external and domestic pressures.

Government responded to the downturn with measures to re-establish economic equilibrium and increase confidence in economic fundamentals. The focus of policy was to maintain control over three areas: fiscal policy, the balance of payments and the savings-investment gap. Higher interest rates were used to make domestic assets more desirable and to restrict liquidity. Austerity measures were introduced particularly in terms of state sector expenditures. Export promotion was fostered to respond to the balance of payments issue, as were policy adjustments in respect of the capital account.

Indonesia's annual growth was regularly 6.5 per cent or higher for nearly 30 years prior to the 1997 crisis. Cheap capital combined with cheap skilled labour provided an attractive environment to overseas capital. In recent years, a shift was developing from labour-intensive to more capital-intensive, higher-skilled production, promising further growth and improved export performance.

When the crisis hit, the rupiah fell from 2,400 per USD (July 1997) to 17,000 per USD in January 1998. By April 1998, it had recovered to 8,000 per USD. The crisis led

The aim has been to stabilize the financial sector whilst balancing policies applied to this end against policies designed to reassert export growth as the long-term way forward out of the crisis.

to a drop in domestic demand, falling investment levels, foreign capital flight and the exodus of important layers of skilled labour. Price increases reflect the important contribution of foreign content to domestic production. The IMF-designed adjustment policy carries with it the reduction of subsidies to staple commodities, exacerbating social unrest and contributing to recent civil unrest. Growth is expected to be negative in 1998, by as much as 5 per cent.

The response to the crisis in Indonesia has been focused on the debate around the IMF austerity plan. The plan, first agreed to in January 1998, is a comprehensive reform of Indonesia's economic order. Subsidies are to be reduced or abolished; trade and manufacturing monopolies are to be prohibited; non-performing state enterprises are to lose government financial support; privatization is to be promoted; the financial sector is to be reformed and prudently regulated; central bank independence is to be increased; and state expenditure is to be made more accountable and transparent. After the January agreement, little stability emerged due to policy slippage, resulting in further currency pressures, rising inflation and further deterioration of economic conditions. In April 1998, the January measures were complemented by further reforms that were designed to induce stability, which was an expectation that was given some support by changing political circumstances.

Two points stand out, in considering these accounts of the crisis. First, there is a to-be-expected uniformity of policy prescriptions to deal with the crisis. In all cases, the aim has been to stabilize the financial sector whilst balancing policies applied to this end against policies designed to reassert export growth as the long-term way forward out of the crisis.

Second, the intensity of the crisis varies between economies. The depth and urgency of the crisis declines as one moves from Indonesia to the Philippines via Thailand and Malaysia. This suggests that the mixture of institutional structures and policy settings that were in place when the crisis hit, and their adaptation in response to the crisis, are important factors in understanding the crisis.

Labour Market Impacts⁵

A concern about the impact of retrenchment on unemployment and underemployment dominates all case studies of the crisis. In the case of Thailand, non-agricultural employment fell from 16,516 million to 16,016 million between 1997 and 1998 (in a total labour force in 1998 of some 33 million). National statistics suggest that unemployment grew from 1.9 per cent to 3 per cent in the same period. New entrants to the labour market face particular difficulties in the current environment. Another survey paints an even bleaker picture. Manufacturing is badly hit (24 per cent unemployment in the fourth 1997 quarter), as is the service sector (46 per cent unemployed in the same quarter). What is even more concerning for Thai employment levels is the implication that the impact of the credit crunch will be tougher than IMF predictions and that, therefore, any upturn out of the crisis will be delayed beyond 1999. Yet another survey, this time of layoffs in the last two quarters of 1997, suggests that up to 29 per cent of staff in place in the surveyed firms at the beginning of the crisis were laid off by the end of 1997. Other measures of the employment impact of the crisis in Thailand bear out this depressing picture.

In Malaysia, retrenchment has taken place but the picture is more promising than in Thailand. Some 8,000 workers were retrenched

⁵ Taking its lead from the commissioned case studies, this paper focuses on the labour market impacts of the crisis. For a broader discussion of the impacts, and for an extended

discussion of policy options, see ILO, *The Social Impact of the Asian Financial Crisis*, 1998.

Malaysia is also facing a substantial increase in demand for tertiary education places as a result of the rising cost of overseas education due to a depreciated ringgit.

The measure of poverty has increased from 22.5 million (11 per cent of the total population) in 1996 to over 100 million in mid-1997, a figure likely to have been much increased by the impact of the crisis.

in 1996; the figure rose to 19,000 in 1997; in the period from January to April 1998, 26,500 workers lost their jobs (in a labour force of some 8.6 million). The jobless rate, according to Yap's paper, is not alarming and pre-existing skill shortages have allowed the market to reallocate some retrenched labour in enterprises facing labour shortages. Employment growth is projected to be about 1 per cent in 1998. Employment levels are expected to fall in all sectors except those involved in exports. Construction and tourism will face particular problems. Agriculture still exhibits labour shortages. As in Thailand, new entrants into the labour market face particular problems at present. Malaysia is also facing a substantial increase in demand for tertiary education places as a result of the rising cost of overseas education due to a depreciated ringgit. Rising inflation, as already noted, is likely to have an adverse impact on real wage and income levels. This should be seen, argues Yap, against the background of above-productivity-growth wage settlements in the period prior to the crisis.

In the Philippines, unemployment growth follows both the downturn of the economy and the adjustment policies enacted. In the former case, retrenchment follows reduced outputs; in the latter, structural adjustment to fundamentals such as the exchange rate has threatened previously viable enterprises.

In the year to end January 1998, employment grew by 1.3 per cent as the labour force grew by over 2 per cent (to 30.2 million). Over the same period, the unemployment rate grew from 7.7 per cent to 8.4 per cent. Official underemployment rates remained stable (21.1 per cent and 21.7 per cent). Employment growth was positive over this period in industry and services but was declining in agriculture.

In Indonesia, Ananta et al propose that the impact of the crisis on employment cannot be measured accurately. They suggest that mid-1988 unemployment may run at between 1.3 million (2 per cent) and 8.20 million (12.5 per cent), depending on the scenario constructed. However, they also suggest that a better measure of the impact of the crisis is the percentage of the population living below a poverty line. On this basis, the measure of poverty has increased from 22.5 million (11 per cent of the total population) in 1996 to over 100 million in mid-1997, a figure likely to have been much increased by the impact of the crisis.

In terms of the effects on employment, the impact gradient declines from Indonesia to the Philippines via Thailand and Malaysia, again reflecting the differential impact of the crisis on different economies. It is reasonable to argue that the wider social impacts of the crisis also broadly follow the same gradient.

The Indonesian case study also provides a helpful discussion of the crisis' impact on migrant labour.⁶ Two important arguments stand out in this analysis. First, the attempt by unemployed and unskilled Indonesian labour to find work in neighbouring economies will not only cause economic and political difficulties for those economies but will also be complemented by further outflows from Indonesia of business people and skilled labour, both vital to any long-term recovery. The second issue, which is identified as the most pressing one arising from the crisis, is that of the security of Indonesian workers already overseas. Already subject to difficult and often discriminatory regimes in destination economies, these workers may well find their position made worse by the impact of the crisis.

⁶ This summary does not do justice to the detailed analysis of the issues provided in the case study, which warrants closer study in its complete form.

In Thailand, a range of responses to retrenchment and the wider social impacts of the crisis has been introduced.

Labour Market Responses

In Thailand, a range of responses to retrenchment and the wider social impacts of the crisis has been introduced. These include:

- repatriation of undocumented foreign labourers;
- the creation of a Centre for Assistance to Laid-off Workers (with ADB assistance to the tune of US\$300 million);
- a proposed US\$480 million programme in the areas of labour, health and education (targeted at the unemployed, especially in hard-hit regions) focusing on job-creation in infrastructure projects and tourism;
- a Regional Urban Development Fund and a Social Investment Fund (the former for regional infrastructure projects; the latter for local authority and community-based projects; together totalling US\$185 million);
- counter measures against layoffs and unemployment, including short-run measures (for example, labour market information provision, cooperation with employers on the allocation of severance payments and matters, provision of training referrals, and work in the area of retraining) and long-term measures (including the development of private provision for training, focused training provision for industrial technicians—for which a demand exists—training for some service sectors, and rural job creation);
- other layoff measures (including measures to avoid layoffs: for example, changed working arrangements and early retirement; stakeholder involvement in management of changed working environments);
- mitigation of the effects of unemployment, including funding to allow people to move into new areas of economic endeavour, and the promotion of rural employment and of Thais working overseas, and support for employment creation in industry.

The goals of the Thai response package are:

- the generation of rural employment (some 320,000 jobs anticipated in the first nine months of the activity);

- the substitution of 300,000 foreign workers by Thai labour;
- the maintenance of at least 500,000 employed in industry;
- the export of 210,000 Thai workers;
- the implementation of His Majesty the King's model of balanced rural development (expected to create opportunities for 20,000 unemployed); and
- other measures to create a further 21,000 job opportunities for new entrants in the labour market and for the unemployed educated.

In all, the proposed measures are designed to create 1.137 million direct jobs and a further 900,000 indirect employment opportunities.

Amendments are also proposed to the framework of management and labour relations which, it is suggested, build on the developing perception of mutual interest between the parties as a result of the crisis.

In Malaysia, measures have focused on employment creation and labour market improvements, which foster increased productivity, and sectoral and spatial mobility. Measures include:

- encouragement of export-sector investment to create employment opportunities;
- allowing government-sponsored students to remain overseas and seek employment there (a clear reversal of policy);
- sectoral monitoring and government-sector cooperation to identify employment possibilities;
- reviewing legislation in order to encourage more flexible employment practices (for example, in relation to part-time employment, flexible work, pay cuts and working time rearrangements);
- retraining retrenched workers via initiatives of the Human Resource Development Fund;
- continuing the expansion of skill-training establishments, including mechanisms for private sector access to public training establishments;
- creating a graduate entrepreneur scheme;

In Malaysia, measures have focused on employment creation and labour market improvements.

In the Philippines, a response emerged around the National Employment Conference in February 1998.

- expanding the intakes of tertiary institutions, including the promotion of the establishment of private tertiary operations by overseas providers, and by large corporates; and
- longer-term assessments of the HRD implications of the crisis.

In the Philippines, a response emerged around the National Employment Conference in February 1998. Its task was to review and update the Comprehensive Employment Strategy Programme, particularly in relation to the short-term employment effects of the crisis. This was followed by a National Economic Summit, also in February, which focused on four areas of action:

- currency exchange and interest rates;
- fiscal discipline and savings;
- protecting jobs and enhancing productivity; and
- protecting the vulnerable groups.

In turn, the Department of Labour and Employment initiated a package of responses, including:

- *the job-watch programme*: this involves the monitoring of job loss and creation. The information is used in part to inform the second element of the package, that is;
- *the job-linking process*: this includes provision for training and retraining grants, support for displaced overseas workers, training opportunities for rural workers and other employment-related measures;
- *job loss prevention*: a proactive approach to the safeguarding of existing employment and the minimization of job losses by facilitating employer-employee dialogue. Also included are the Work Improvement in Small Enterprises (WISE) approach, designed to improve productivity and job conditions on simple and low-cost bases, and the Industrious, Systematic,

Time-conscious, Innovative and Value for Work Productivity Awareness Programme (ISTIV), a total productivity improvement measure.

When compared, there is much in common that unites the responses of the economies to the labour market impacts of the crisis.

Common themes are:

- the search for integrated strategies;
- information gathering and analysis in the labour market;⁷
- short-term relief measures to tide the retrenched workers over the immediate impact of job loss;
- support for retrenched workers in terms of retraining;
- cooperation between the stakeholders to create a shared perspective on appropriate labour market responses;
- a search for improved working arrangements, coupled with a focus on productivity improvement and flexible work practices; and
- particular support for the exporting sectors.

Equally, there are responses that are specific to one economy. The Thai response includes the explicit “U-turn” to the agricultural sector, on the face of it involving a reversal of post-war thinking about the direction in which labour moves in a modernizing economy. The Malaysian response includes the interesting ideas of exporting graduate skills (also found for non-graduates in the Thai model) and, as well, the expansion of tertiary options as a productive way forward to deal with reduced job opportunities.

A provisional conclusion to be drawn from this brief overview of labour market responses to the crisis is that, a priori, there is little in the various packages that might be seen to contradict the focus on export-led growth and competitiveness that has marked these

There is much in common that unites the responses of the economies to the labour market impacts of the crisis.

⁷ See also the Labour Market Information Group report to the Jakarta Experts' Meeting, April 1998.

economies in recent years. Rather, there seems to be a recognition that short-term adjustment measures should help to recreate the model of export success, which faltered

in mid-1997. This recognition has particular significance for any APEC inputs into the short-term amelioration of the impact of the crisis.

THE RESPONSE TO THE CRISIS OF THE APEC WORKING GROUP ON HUMAN RESOURCES DEVELOPMENT

The economies less immediately affected recognized the significance of the crisis and its potential for extended trade effects. Shock was registering at both the rapidity of the crisis' development and its depth.

The economies most affected by the crisis are all members of APEC. In its January 1998 meeting in Bali, the APEC Working Group on Human Resource Development established a Task Force to consider responses to the human impacts of the crisis, particularly in relation to unemployment.

The work programme of the Task Force combines four key elements:

1. an *Experts' Workshop*, held in Jakarta in April 1998, during which four case studies (four of which have been discussed) were presented and at which the proposed June 1998 symposium was planned;
2. the *June 15, 1998, Symposium*, held in association with the mid-year Working Group Meeting, in which information sharing, networking and analysis around HRD responses to the crisis will take place, involving a wide range of stakeholders. Outcomes from the symposium are to be discussed in the Working Group Meeting;
3. the *conduct of research, analyses and sharing of best practices* before, during and after the June Working Group Meeting;
4. *monitoring, reporting and disseminating information by the Task Force*, including the publication of a summary document on analyses undertaken and best practices identified.

The creation of the Task Force and the development of the work plan as a result of discussions at the Bali Working Group Meeting is not surprising. All the affected economies were represented at the Bali meeting, which, of course, was held in an affected economy and at a time in which the domestic currency plummeted to 17,000 rupiah to the US dollar against the previous 2,400. The economies less immediately affected recognized the significance of the crisis and its potential for extended trade effects. Shock was registering at both the rapidity of the crisis' development and its depth. As already noted, issues associated with labour markets and HRD were already pressing for short-term responses. Shutdowns, reduced-time working and unemployment were evident in many economies. Exploration of ways to alleviate the HRD dimensions of the crisis made eminent sense.

EXISTING APEC HRD PRIORITIES AND THE SHORT TERM

▶ *The desired outputs from HRD—for example, higher productivity, improved quality, increased flexibility, greater job satisfaction, skill mobility—all imply a medium- to long-term orientation.*

▶ *HRD is primarily about medium- to long-term capacity building: its policy horizons begin in the three- to five-year range. In contrast, labour market adjustment commences in the short term and, in part adapting to HRD considerations, takes on a longer-term framework.*

The work of the Task Force should be considered in terms of the established priorities of the Working Group. HRD is usually understood conceptually in terms of medium- to long-term policies and activities. HRD takes place in many arenas, for example, schools, tertiary institutions of various types, technical training operations, on-the-job and employment-based training. Equally, the HRD target groups are schoolchildren, young people making the transition into work, lifelong learners in changing technological and production circumstances, managers at various career stages, and so on. The desired outputs from HRD—for example, higher productivity, improved quality, increased flexibility, greater job satisfaction, skill mobility—all imply a medium- to long-term orientation. Interventions in these arenas are predominantly strategic, and often reflect major structural shifts in economic circumstances. They must be strategic because the costs involved in implementing change, the lags consequent upon change, and the potential downside of poorly conceived HRD initiatives are such that policy makers must move cautiously and judiciously, even conservatively.

This medium- to long-term perspective is central to the basic principles of HRD endorsed by APEC Leaders and to the priorities which have been determined over time for the Working Group (see Appendix B). The principles focus on medium- to long-term impacts of HRD on economic growth and development in the region; all eight priorities are equally medium- to long-term in focus—the key emphases lie in the development of education systems, training provision in various contexts, and skill mobility, with the role of SMEs, sustainable development and trade and investment liberalization and facilitation providing important contexts.

Until 1996, the primary focus of APEC was on HRD and not on labour market adjustment. However, particularly since the First HRD Ministerial in the Philippines, the emphasis of the Working Group has been gradually broadened to include labour market issues. For example, the creation of the labour market Information Network within the Working Group is complemented by a growing emphasis on the participation of labour and management in HRD, both involving a more explicit focus on labour market issues. HRD is primarily about medium- to long-term capacity building: its policy horizons begin in the three- to five-year range. In contrast, labour market adjustment commences in the short term and, in part adapting to HRD considerations, takes on a longer-term framework. However, both have come to be important to the task of the Working Group. We should also note that labour market adjustment encompasses issues not of immediate consequence for the HRD agenda (for example, collective bargaining regimes and the power relations between bargaining parties, the short-term impacts of labour market adjustment and so on) but which indirectly or over time will have important HRD effects. Thus, while they are not identical, their concerns overlap, and their interests are complementary.⁸

Politically, this raises some interesting issues. HRD policy formation can involve a degree of political controversy, but its long-term orientation customarily permits the creation of consensus around its implementation. The consensus usually combines the state, education and training providers, families, employers and employees in joint approaches to the development and implementation of appropriate HRD practices. Labour market adjustment, particularly short-term, is less

⁸ A matrix describing how the relationship between short-term and medium-long term activities within the Working Group might be constructed is laid out in Appendix B.

likely to define a consensus, specially in circumstances where major structural adjustment takes place, or, importantly, where changes are driven by crisis. From an APEC perspective, therefore, bringing together HRD and labour market issues within the Working Group requires some conceptual clarification. One potentially useful way of understanding this relationship is to understand APEC's

perspective in terms of the creation of a seamless transition from short- to medium-long-term standpoints, by means of an effective integration of both. The advantages of a seamless transition are transparent in a stable economic environment; it is particularly welcome in crisis situations where the immediacy of economic difficulties may overshadow medium- to long-term perspectives.

THE ISSUE OF PERSPECTIVE

Clearly, the most affected economies face some pressing short-term issues, particularly relating to redundancies and their wider consequences.

Nothing discussed in Bali in January or in Jakarta in April suggests that a revision of the Working Group's priorities is necessary as a result of the crisis.

Much of the adjustment effort in the HRD and labour market areas is focused on supporting an export-led growth model.

Another potential concern emerges from the shift in focus to include short-term issues. To what extent is it desirable that further effort should be devoted to short-term labour market considerations within the Working Group? This question in no way trivializes the importance of the crisis and its labour market effects; rather, it suggests two points. First, concern exists that a desirable balance between short- (labour market) and medium- to long-term (HRD) perspectives might be undermined by the pressure of short-term considerations; second, the established HRD policy focus, which in the Leaders' view carries with it the future of economic growth and development in the region, may be compromised as a result of the diversion. A powerful answer to this concern lies in the argument about the complementarity of labour market and HRD foci. Rather than posing the issue in terms of a "diversion" of energies, we should see the complementarity between short- and medium-long-term perspectives in two ways: as an important and valuable attempt at a regional level to integrate both perspectives and, consequently, as a logical and productive extension of the work of APEC in the HRD area.

At the Experts' Meeting in Jakarta in April, the issue of diversion of effort was related to an important analytical concern: to what extent does the HRD/labour market outcome of the current challenge change the focus of the Working Group, as defined in its principles and medium-term strategy? Consideration of the case studies again provides an answer to this question. Clearly, the most affected economies face some pressing short-term issues, particularly relating to redundancies and their wider consequences. It is not obvious, however, that these challenges require amendment of the Working Group's medium-term priorities. The existing Working Group's priorities, already broadened by the inclusion of labour market concerns, may

simply be complemented by appropriate short-term activities deriving from the Task Force's work.

If, however, the crisis raises concerns in any quarter about the appropriateness or immediacy of the Working Group's priorities, such concerns have yet to be raised in the Working Group or the Task Force. Nothing discussed in Bali in January or in Jakarta in April suggests that a revision of the Working Group's priorities is necessary as a result of the crisis. Rather, a consensus appears to exist around the need to extend further the existing priorities of the Working Group to include short-term adjustment issues.

However, another question was posed in the Jakarta meeting: has a qualitative, long-term shift taken place in labour market and HRD circumstances in the most affected economies as a result of the crisis? A provisional answer to this emerges from the case studies already discussed. In terms of economic and financial issues, some major reforms will follow from the crisis and these will have long-term impacts on the economic and financial structures of the affected economies. However, the growth model to be followed in the future is much the same as that which drove such impressive growth rates over previous decades. Much of the adjustment effort in the HRD and labour market areas is focused on supporting an export-led growth model. Given this, we may conclude that, if the challenges facing the affected economies have grown as a result of the crisis, the policy prescriptions in the HRD and labour market areas remain much the same and are in line with the chosen model of economic recovery. Moreover, this responds positively to the argument that HRD is particularly important in an export-led growth model. For example, technology transfer and the focus on innovation and flexibility at the heart of export-led models require continual improvement in managerial competence and in employee skill levels.

A BROADER AGENDA: APEC, TILF AND ECOTECH

The development ends of ECOTECH are, for many, dependent on the effective delivery of the TILF agenda.

Do the short-term HRD and labour market responses adopted in the most affected economies challenge the integration of TILF and ECOTECH agendas within APEC?

Shared experience from today's affected economies becomes an important resource for economies, which will one day face similar policy challenges.

The further development of short-term labour market adjustment priorities in the Working Group's work plan also raises institutional issues beyond those associated with the immediate circumstances of the financial crisis. There are two issues of particular moment, which may be considered. The first is the relationship between short-term labour market measures. APEC's trade and investment liberalization and facilitation (TILF) agenda warrants mention. The second is the implication of such measures for the relationship between the TILF and ECOTECH agendas. Discussion of these issues takes place against the background of a wider discussion of the TILF-ECOTECH relationship.

As Morrison argues, if at one time the TILF and ECOTECH agendas were perceived as separate and complementary, the distinction between the two is now less obvious.⁹ The Bogor Declaration (which established the trade liberalization focus of APEC) has been complemented by the delineation of the ECOTECH agenda at the Osaka Leaders' Meeting. That said, this fusion does not receive equal recognition in all member economies and in all commentaries. The development ends of ECOTECH are, for many, dependent on the effective delivery of the TILF agenda. This is, for example, a logical conclusion of the "open regionalism" interpretation of APEC. It follows from this perspective that APEC should not condone activities which might compromise the pre-eminent TILF agenda. Concern will arise in TILF circles if APEC becomes active in short-term, remedial, labour market activities, which carry with them the potential for market-distorting and free market-limiting interventions within member economies. Along with the Working Group, this concern is shared by both some officials in member economies and by key stakeholders in the

APEC process, particularly in the private business sector.

As indicated in Appendix B, support for the TILF agenda is prioritized in the Working Group's medium-term focus. Given the status of the TILF agenda within APEC, this is not to be understood as a formal statement of priority. The expectation is that APEC HRD outputs will contribute usefully to the TILF agenda, emphasizing the integration of ECOTECH and TILF perspectives. Discussion in the Working Group affirms this perspective. An important question therefore arises: do the short-term HRD and labour market responses adopted in the most affected economies challenge the integration of TILF and ECOTECH agendas within APEC? On the basis of the case-study material previously discussed, the answer is no. The congruence between the short-term measures adopted in the affected economies—the chosen, export-led recovery model and the TILF agenda—is clear and provides comfort to those who may be concerned about a deviation from APEC's established agendas.

What more, then, can APEC add to this positive alignment of factors? First, collaboration in the Working Group may well allow affected economies to learn from each other about the choice and implementation of short-term labour market adjustments, just as they share experience about HRD. In this way, the Working Group will, through the work of the Task Force, contribute to the development of labour market adjustment measures, which coincide with APEC's defining agendas. Second, shared experience from today's affected economies becomes an important resource for economies, which will one day face similar policy challenges. In contemporary jargon, Working Group activities around the crisis will not only add value in today's affected economies but also in future adjustment experiences.

⁹ See C. Morrison, "Development Co-operation in the 21st Century: Implications for APEC" in A. Elek (ed.) *Building an Asia-Pacific*

Community: Development Co-operation within APEC (Foundation for Development Co-operation: Brisbane, 1997), p. 22.

THE JAKARTA EXPERTS' MEETING: OPERATIONAL ISSUES

► In a body such as APEC, which functions on the basis of consensus and a willingness to commit to activity, the definition of agreed principles is a *sine qua non* for future effective activity.

The Task Force's Experts met in Jakarta, aware of the complex nature of the crisis and the issues raised for the Working Group by the call for an HRD response to its impacts. Four outcomes of the Experts' Meeting are particularly important for the development of an HRD response to the crisis within APEC.

The first outcome relates to the development of a set of principles, which should inform any HRD intervention. The principles are:

- any HRD activities should be realistic, achievable and demonstrable in their effect. This reflects the growing focus within APEC on "deliverables," or outcomes which are transparent, useful and, preferably, in some way measurable;
- deliverables resulting from any HRD interventions should be clearly value-adding. They must complement in a constructive way the domestic measures adopted by economies in response to the crisis;
- any HRD interventions should consider the issue of timing. A balance needs to be struck between short-term possibilities and long-term possibilities. Reflecting medium- to long-term perspectives, this principle also recognizes that the role of the Task Force may be to prepare for future economic dislocations as much as for the current crisis;
- consideration of HRD impacts of the crisis should extend beyond the most affected economies. Not only do the impacts of the crisis extend beyond the most affected economies, but also the adjustment experiences of other economies may well offer important insights into possible responses;
- Any APEC-based HRD responses to the crisis should be consistent with both TILF and ECOTECH agendas and should complement the work of other international agencies, in particular, the Asian Development Bank (ADB), the International Monetary Fund (IMF) and the International Labour Organization (ILO). We have outlined above the significance of the first element of this principle. The second is

► APEC is committed to building stronger public-private links within both the TILF and ECOTECH agendas.

also important. Complementarity with the work of other organizations is likely to reduce duplication of effort, create a community of purpose around agreed activities across institutions and economies, and result in efficient policy outcomes. The welcome presence of representatives of both the ABD and the ILO at the Jakarta meeting confirmed this view.

The elucidation of principles is important as it, first, defines a potential consensus around which work may be undertaken, and, second, defines potential parameters of HRD activity. In a body such as APEC, which functions on the basis of consensus and a willingness to commit to activity, the definition of agreed principles is a *sine qua non* for future effective activity. These principles, endorsed by the Experts' Meeting, provide a clear and acceptable way forward not only for the work of the Task Force, but also for further activities beyond the life of the Task Force in the area of short-term labour market adjustment.

A second outcome is related to the role of the private sector in developing HRD responses to the crisis. APEC is committed to building stronger public-private links within both the TILF and ECOTECH agendas. The significant role given to the APEC Business Advisory Council (ABAC) within APEC captures this commitment. As the case studies already discussed illustrate, any effective responses to the labour market impacts of the crisis rely on strong cooperation between governments and their respective business sectors. Future work on the HRD aspects of the crisis should bear this in mind, and ways should be sought to promote business involvement in the development of short-term measures.

A third outcome reflects the impact of the Second HRD Ministerial meeting, held in Seoul in 1997. As a result of this meeting, the seventh medium-term strategic priority for the Working Group effectively sets in place a commitment to a tripartite relationship between government, employers and employees in the

Clearly, a range of relevant and useful initiatives are available to APEC and the Working Group in response to the HRD aspects of the crisis. Effort is required in the clarification and implementation of appropriate interventions.



context of quality, productivity and efficiency issues (see Appendix B). The potential for this tripartite framework to contribute positively to the work of the Task Force and to the definition of appropriate policy outcomes should be considered carefully. One outcome might be to include representatives of both employers and employees in future meetings of the Task Force, beginning with the June Chinese Taipei Symposium.

A fourth consideration for the Working Group relates to the possible inputs of the Working Group's various networks to the work of the Task Force. The Network for Economic Development Management (NEDM) is the key network for the activities of the Task Force, a logical location. However, the labour market group, in its paper to the Jakarta meeting, indicates important possible inputs to the Task Force's work in the areas of data gathering and analysis and the preparation of some in-depth presentations on most affected economies. Equally, the technological dimensions of short-term adjustment might become an area of concern for the Human Resource Development on Industrial Technology Network (HURDIT), and the Business Management Network (BMN) might consider the role of management and managers in the preparation of appropriate policy tools in response to short-term labour market difficulties. Finally, the Education Forum might well devote some of its energies to the consideration of short-term measures associated with the transition from school to work, bearing in mind such initiatives as those undertaken by Malaysia in this area (see above). Whilst relevance to the development of short-term policies may vary across networks, it is clear that the Working Group has ample opportunity to consider a range of complementary activities in association with the Task Force.

The listing of these outcomes begs the question: what are the types of outputs of the Task Force and the Working Group, beyond the existing medium-term programme, which might help resolve the labour market and

HRD crises facing the affected economies? During the Jakarta meeting, several options were tentatively canvassed. These included:

- the identification of viable and generalizable policy responses in the HRD/labour market area for discussion and potential implementation across APEC member economies;
- the inclusion in Working Group-supported projects of projects focused on short-term issues;
- the exchange under the APEC banner of technical assistance relevant to the definition and implementation of appropriate HRD/labour market policies to deal with the impact of the crisis;
- the development of early warning systems, including the definition of indicators, which might help avert future crises (this was noted as a concern for the May 1998 meeting of the APEC Finance Ministers); and
- the establishment of an APEC HRD Training Centre.

It was agreed in Jakarta that APEC's role in the identification of appropriate HRD responses to the crisis should be facilitative (in the sense of information sharing, networking and joint policy analysis) rather than based on the provision of funding. The particular role of APEC as a conduit for the flow of information was stressed. Clearly, a range of relevant and useful initiatives are available to APEC and the Working Group in response to the HRD aspects of the crisis. Effort is required in the clarification and implementation of appropriate interventions.

Conclusions

Amongst the many challenges posed to the region by the recent financial and economic crisis, its impacts on labour markets and the search for short-term responses to these impacts stand out as particularly important. Labour market dislocation is not only likely to exacerbate economic dislocation, but also to fuel social unrest, which is equally

Labour market dislocation is not only likely to exacerbate economic dislocation, but also to fuel social unrest, which is equally disruptive to economic performance.



disruptive to economic performance. Consequently, it is inevitable that APEC should consider labour market responses to the crisis

through the Working Group. Such work complements other work on the crisis undertaken in other Working Groups and fora.¹⁰

¹⁰ This raises the interesting question about the manner in which responses to the crisis developed in different APEC fora will be integrated. For example, the recent Finance Ministers' Meeting

(May 1998) considered the crisis in detail. It remains to be seen whether APEC-wide activity around the crisis is integrated.

CONCLUSIONS: THE DEBATE AT THE CHINESE TAIPEI SYMPOSIUM

Internationally, the economic aspects of the crisis have come to be complemented by a sharp focus on its social impacts, and a growing concern that economic solutions encompass a social perspective beyond simple assertions of welfare maximization as a consequence of sound economic fundamentals.

... a consensus emerged that the way forward for the most affected economies lay in the recovery of export-led growth.

The papers assembled for the Chinese Taipei Symposium (including a number of verbal presentations not specifically referenced in this report) provided ample opportunity for a wide-ranging debate. The participants at the symposium were drawn from many APEC member economies and were from government and non-government backgrounds. This combination of people, coupled to the pressing issues raised by the financial crisis, gave rise to a wide-ranging and often intense debate about the crisis in general and the appropriate APEC response in particular. Whilst many views were expressed, those reported below emerged either as central, repeated themes or as themes around which a consensus emerged in the course of the symposium. As such, they illuminate well the issues that must surely inform the debate within APEC about appropriate responses to the crisis.

Although the symposium took place in June 1998, it is interesting to observe the extent to which issues thrown up then have come to dominate the international debate about the crisis and its still unfathomed global impact. These comments were drafted in Scotland, far from the Asia-Pacific region, yet as they were drafted, massive job losses in the Scottish semiconductor industry were announced. The reason given for these and many other current job losses in the UK was the impact of the Asian crisis. At the same time, Prime Minister Blair of the UK launched his vision of the "new international financial architecture," which has gripped the imagination in the wake of IMF activities in the Asian crisis. Internationally, the economic aspects of the crisis have come to be complemented by a sharp focus on its social impacts, and a growing concern that economic solutions encompass a social perspective beyond simple assertions of welfare maximization as a consequence of sound economic fundamentals. Undoubtedly, the economic fundamentals have to be in place, but their make-up and sequencing are

now subject to vigorous international debate. Political turmoil in the Asia-Pacific region suggests that there is a great need for an effective outcome to this debate if social order is to be maintained, democratic institutions are to survive and export-led growth is to be re-instated as the engine-room of regional economic growth.

Macroeconomic Issues

An over-arching theme of the symposium was the nature of the crisis and the appropriate economic responses. The papers offered to the symposium and the discussions which followed held no terrors for the trade liberalization and facilitation agenda at the heart of the APEC process. Little, if anything, was said about a return to protected fortress economies as a response to the crisis. Rather, a consensus emerged that the way forward for the most affected economies lay in the recovery of export-led growth. Export-led growth benefits from open trading regimes, and APEC is able to contribute further to their consolidation. Attention turned to the manner in which such growth might be achieved. One issue commanded universal agreement. The most affected economies would be required to restructure their financial institutions substantially. In this context, and in line with the APEC Finance Ministers' commitments, the APEC process was able to mobilize substantial capacity-building resources to support new financial structures and systems.

In this context, the discussion moved into the heartland of the debate about solutions to the crisis. Domestic economic adjustment to the effects of the crisis was at the heart of the papers assembled here. To use a traditional adage, a cure that killed the patient offered few advantages. Policies, which unnecessarily maintained high interest rates alongside a credit crunch and tight liquidity, were unlikely to bring about a return to high growth rates and export success. Currency stabilization, controlled inflation and stable, productive

The impacts of the crisis varied between APEC member economies, suggesting that different policy mixes would be needed in different domestic contexts.



investment were needed as long-term underpinnings of economic success. A combination of domestic financial reform and international support to create these conditions would in turn allow interest rates and credit policies to once again complement export-led growth. Implicit in this debate was the argument that the international lending institutions should recognize that the Asian crisis contains elements that are different in key ways from those common in the Latin American crises of previous years. Moreover, the impacts of the crisis varied between APEC member economies, suggesting that different policy mixes would be needed in different domestic contexts. These contexts were in part defined by domestic political realities that had to be taken into account in the definition of adjustment packages. The spectre of Indonesia was ever-present in Chinese Taipei, but similar political considerations have emerged elsewhere in the region since June, not only in the most affected economies.

New financial architectures, a new WTO round, changing balances of economic forces as the crisis hits home; all provide testing challenges to the APEC agenda.



The TILF Agenda

APEC's TILF agenda did not emerge unscathed from the symposium. If open-trade regimes were broadly supported, the TILF agenda came in for criticism on the grounds of its narrowness and its inability to respond to the crisis. For critics of the TILF agenda, it is too narrowly focused on achieving unfettered trade in the framework laid down by the WTO. Its narrowness makes it unable to respond effectively to the breadth of the crisis afflicting the region. To suggest that the other APEC agenda—ECOTECH—is able to provide that breadth is to compound the error made by other international financial institutions in attempting to compartmentalize the economic and the socio-political natures of the crisis. One perspective in the symposium held the view that APEC was broadly irrelevant to any solution of the crisis because of this narrowness. Thus, a question emerges for APEC: should it reassess its goals and

Many speakers reported on the profound impact of the crisis on women.



objectives, and its delivery mechanisms, in the light of the crisis? Could the avowed aims of APEC be better served by a broader agenda? Of course, given the consensual basis of decision making in APEC, this raises the issue of APEC's viability on any other basis. For example, would consensus be possible in APEC on the design and implementation of a new international financial architecture in line with the existing TILF agenda? One suspects that behind such speculation is the broader question of where APEC goes in the future, given the challenges raised by the crisis. New financial architectures, a new WTO round, changing balances of economic forces as the crisis hits home; all provide testing challenges to the APEC agenda.

Social Dimensions: Women

Beyond the macroeconomic concerns (and their implications for APEC) another package of issues attracted considerable attention at the symposium. These were the social dimensions to the crisis and they were reflected in four topics: women; the role of safety nets; tripartism; and, more generally, the APEC ECOTECH agenda. Many speakers reported on the profound impact of the crisis on women. Of course, as these collected papers show, women are badly hit as employees, facing unemployment as a result of layoffs. They make up an important element of migrant labour in the region, a sector of the labour market badly affected by the crisis in terms of reduced opportunity and repatriation. However, the symposium was forcibly reminded of the "double shift" dimension of the crisis for women. Women's role in family structures means that they may carry responsibility for coping with the effects of the crisis on the community. Numerous examples of such coping and its impacts were offered: for example, women forced to make ends meet when partners travelled away in search of work; women forced into multiple jobs in order to provide sustenance for families; the

A failure to recognize these impacts on women would have three key impacts.



spectre of prostitution hanging over unemployed women with family responsibilities; discrimination against women in the implementation of adjustment and relief programmes; and women losing ground in terms of HRD as a result of unemployment. A failure to recognize these impacts on women would have three key impacts. First, there would be the direct and unacceptable burdens imposed on women by such outcomes. Second, social stability might be weakened as social structures held together by women fragment. Third, HRD strategies would be impeded by the marginalization of important and valued women workers. Commentaries from government officials suggested that these challenges were well recognized and that measures to provide a response were in place or under consideration.

The lack of adequate social safety nets in many of the affected economies was pointed out.



Social Dimensions: Safety Nets

The discussion about the impact of the crisis on women was situated in a larger debate mentioned in these collected papers. This concerns the desirability and adequacy of social safety nets in the most affected economies. This issue is also central to IMF, World Bank, ADB and ILO commentaries on the crisis. The lack of adequate social safety nets in many of the affected economies was pointed out in three contexts: first, the simple but profound issues of survival for people in the worst-hit economies; second, safety nets as a contribution to social cohesion and stability; third, safety nets as an underpinning to successful economic modernization and effective HRD policies. There are, of course, no easy answers to demands for the introduction of adequate safety nets. Yet the papers collected here include accounts of international support for the establishment of social provision designed to maintain social stability and continuing involvement in the modern sector. The key international lending agencies have been conscious of this issue for some time and appear to have a broader perspective on what domestic policies and institutions are needed

The focus of tripartite activity in the most affected economies appears to be on the definition of responses to downturn and retrenchment at the enterprise level, and the identification of national measures to maintain skill training and productivity-oriented practices in anticipation of any future upturn.



to achieve economic growth than might have been the case in the past.

Social Dimensions: Tripartism

A third social institution appears in the papers and in some of the verbal contributions to the symposium. This is the issue of tripartism. Across all the most affected economies, efforts have been made to create a unitary, national response to the crisis. This is necessary if only to attempt to displace social and political tensions that will inevitably arise. However, expert commentators, labour representatives and employer representatives reported that tripartite activity between governments, trade unions and employer organizations has been a frequent feature of domestic responses to the crisis. This has particular relevance to the APEC HRD Working Group, which, since the Second HRD Ministerial in Seoul in 1997, has been seeking ways to integrate the three parties in its activities. The focus of tripartite activity in the most affected economies appears to be on the definition of responses to downturn and retrenchment at the enterprise level, and the identification of national measures to maintain skill training and productivity-oriented practices in anticipation of any future upturn. Commentaries in this area were most positive.

ECOTECH

Given these social concerns, it is inevitable that the ECOTECH agenda should come under scrutiny. Clearly, ECOTECH provides a framework in which support for the required reforms in the affected economies may be generated. This is particularly true for the HRD Working Group in capacity building. However, the content of the ECOTECH agenda is currently under scrutiny within the APEC process. Its arrival on centre stage since the Osaka Leaders' Meeting has stimulated widespread discussion about the extent to which ECOTECH is defined by the TILF agenda. The nature of the crisis and the

The nature of the crisis and the widespread acceptance that solutions are not simply economic raise the possibility that ECOTECH might become the vehicle for productive social responses to the challenges facing the most affected economies.

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widespread acceptance that solutions are not simply economic raise the possibility that ECOTECH might become the vehicle for productive social responses to the challenges facing the most affected economies. For example, ECOTECH provides an institutional and conceptual framework in which APEC responses to social dimensions of the crisis might be developed in tandem with economic responses. ECOTECH also provides a framework in which such responses can be integrated with those of other international institutions. The crux of the matter lies not in the potential embodied in ECOTECH; this is clear to most observers. Rather, it lies in the willingness to extend and define ECOTECH activities such that they respond in an effective way to the needs of the most affected economies. Moreover, as pointed out in the symposium, it is not only a question of the current crisis. It is inevitable that the future will bring further challenges of this nature to which lessons gained in the present crisis may well be relevant. Perhaps APEC will be willing to show the same leadership and vision for a revised and extended ECOTECH, as evident in the commitment to TILF.

Business

An important aspect of the Chinese Taipei Symposium was a focus on the relationship between APEC and the business community, captured institutionally in the APEC Business Advisory Council (ABAC). The central role of business in creating solutions to the crisis was recognized, as were the great difficulties facing businesses in the most affected economies.

Financial sector businesses face particular difficulties as they confront the need for reform. Particular mention was made of the impact of the crisis on SMEs, traditionally seen as an important source of employment and innovation in the business sector, but which are often vulnerable to lending constraints. APEC's relationship with business is close and effective and, particularly in the area of capacity building and HRD, this should give rise to positive outcomes for APEC.

Complementarity

The symposium and the presented papers highlighted the importance of collaboration between all institutions involved in responses to the crisis. For APEC, this means close liaison with member economy governments and, importantly, with international agencies such as the IMF, ADB, World Bank and ILO. Duplication of effort should be avoided and complementarity established. In terms of the HRD dimension, such complementarity might well be found with the ILO's regional activities, as well as the HRD capacity-building dimensions of the other institutions' work.

Recommendations for the APEC HRD Working Group

Finally, the Chinese Taipei Symposium endorsed a range of recommendations from the Task Force. These recommendations were later presented to the mid-year meeting of the HRD Working Group. In a modest and effective way, the recommendations indicate how, within its brief, the HRD Working Group can contribute effectively to developing responses to the crisis.

JUNE 1998 PRELIMINARY RECOMMENDATIONS OF THE TASK FORCE

The preliminary recommendations of the Task Force, as discussed and endorsed by the HRD Working Group at its 18th meeting, are as follows:

1. The Task Force recommends that the HRD Working Group undertake a project examining best practices in member economies in balancing market liberalization with labour market adjustment policies to respond to external shocks. The project would be organized to provide a deliverable at the latest to the 1999 Leaders' Meeting.
2. The Task Force reiterates the importance of strengthening the dissemination of HRD Working Group projects, as well as undertaking periodic stock-taking so that the Working Group will become an ongoing source of information on best practices.
3. The Task Force recommends that the HRD Working Group contribute to the efforts of APEC Finance Ministers to strengthen corporate governance in general, and financial sector supervision and regulation in particular, in the region, through support to training programs as appropriate.
4. The Task Force recommends that the HRD Working Group contribute to the Economic Committee's project to examine the impact of trade liberalization by undertaking specific analyses of the human resources and social impacts.
5. The Task Force believes that international financial institutions and private sector investors can contribute much towards alleviating the adverse human resource and social impacts of the financial crisis. Therefore, the Task Force recommends that APEC explore ways of cooperating with international financial institutions (IFIs), consistent with existing guidelines regarding non-member participation, to promote dialogue so that resources and investments can be channelled not only to financial restructuring, but also to other productive uses, including the needs of the affected economies' social sectors.
6. The Task Force recognizes the central role of the private sector in the economic recovery of the region and therefore recommends that the HRD Working Group develop stronger links with key private sector stakeholders, including business, labour, women, youth and non-governmental organizations, to enable them to contribute inputs to the Working Group's activities.
7. The Task Force welcomes the active participation of additional member economies in its activities, recognizing that the impact of the crisis goes well beyond the original most affected economies.

NEXT STEPS

At the 19th Meeting of the HRD Working Group, to be held in Chile in January 1999, the Task Force is expected to present their final report and a draft action plan for follow-up to the recommendations endorsed at the 18th meeting.

In the meantime, the Task Force proposes to publish the Chinese Taipei Symposium

papers as a “deliverable” for the November 1998 APEC meetings. Key issues and considerations raised in the Task Force’s work could also be presented at the 1998 meetings. These proposed next steps will be discussed further with HRD Working Group members prior to specific action.

APPENDIX A: THE BASIC PRINCIPLES STATED IN THE HRD ACTION PROGRAMME

- 1) The people of the Asia Pacific are the most important resource in economic growth and development, one of whose goals is to enhance the quality of life and well-being of the people of the region.
- 2) The development and protection of human resources contribute to the attainment of such fundamental values as the alleviation of poverty, full employment, universal access to primary, secondary and vocational education and the full participation of all groups in the process of economic growth and development.
- 3) Human resources development requires cooperative action by public, and business/private sectors, educational and training institutions.
- 4) In designing approaches to human resources development, attention must be given to the diversity of experiences and situations in the region.

The Working Group's medium-term strategic priorities are:

- 1) Providing quality basic education, with a focus on increasing access by all groups to basic education and increasing levels of educational attainment for the population as a whole.
- 2) Improving labour market information and analysis to support flexible and efficient labour markets, which contribute to economic growth and trade and investment in the region.
- 3) Enhancing the skills of managers, entrepreneurs, and educators/trainers in key sectors; supporting the training needs of small and medium-sized enterprises (SMEs) and the management of sustainable growth and development.
- 4) Promoting and developing lifelong learning as a means to meet both rapidly changing skill needs in the economy, as well as individual needs for adjustment and upgrading of education, vocational training, professional and technical skills, and management development.
- 5) Increasing the quality of curricula, teaching methods, and instructional materials in education, training, and skills development at all levels, with a particular focus on preparing for the transition to the 21st century (i.e., from basic education, through vocational and technical skills training, to professional and executive development for the management of change).
- 6) Facilitating the mobility of qualified persons to help meet skill shortages by developing means for the mutual recognition of skills and qualifications, and to increase opportunities for people to gain the skills required for the economic growth and development of member economies and the region as a whole.
- 7) Enhancing the quality, productivity, efficiency and equitable development of the labour forces and workplaces in member economies.
- 8) Strengthening cooperation in education and training to support trade and investment liberalization and facilitation.

APPENDIX B: A MATRIX OF SHORT- AND LONG-TERM WORKING GROUP ACTIVITIES

The relationship between the short- and medium-long-term in Working Group activities can be modelled in terms of a two-by-two matrix. On the horizontal axis, there are two key dimensions—micro-level (i.e., the enterprise) and macro-level (i.e., the economy) responses; on the vertical axis, there are short- and medium-to-long-term perspectives. We can assume for the purposes of this exercise that the medium-to-long-term dimension is already defined by the priorities for the Working Group laid out in Appendix A. Note that these fall neatly into micro- and macro-level interventions. We have illustrated possible short-term measures by drawing on the case studies previously discussed. Clearly, further work might usefully be undertaken to define the nature of short-term interventions more precisely and generically.

	Micro	Macro
Short-term (as examples)	<ul style="list-style-type: none"> Improved work practices Productivity improvements Work flexibility Retraining measures Outplacing measures 	<ul style="list-style-type: none"> Labour market data gathering Relief for job loss Retraining programmes Export sector support
Long-term	<ul style="list-style-type: none"> Management training Skill improvement Reduced skill deficiencies Rapid technical change 	<ul style="list-style-type: none"> Universal basic education Labour market analysis Curriculum development Rapid technical change TILF

APPENDIX C: LIST OF RELATED PAPERS FROM THE JUNE 15TH SYMPOSIUM AND 18TH HRD WORKING GROUP MEETING

Papers in room, June 15th Symposium and 18th HRD WG Meeting

People's Republic of China

1. "On Financial Crisis, Adjustment of Industrial Structure, and Human Resources Development," by Professor Gong Zhankui, APEC Study Centre, Nankai University, People's Republic of China.

Indonesia

2. "The Impact of Economic Crisis on International Migration: an Indonesia Case," by Mr. Aris Ananta, Mr. Daksini Kartowibowo, Nur Hadi Wiyono, and the Chotib Demographic Institute, Faculty of Economics, University of Indonesia.
3. "An Assessment of Impact and Policy Implication of Economic Crisis on the Employment Sector in Indonesia," by Dr. Mangara Tambunan, Managing Director, Centre for Economic and Social Studies, Jakarta.
4. Ibid., seven-page summary used in presentation.

Japan

5. "The Changes in Economical Situation and Employment Structure in Japan," by Mr. Shuichi Hirata, the Japan Institute of Labour.
6. "AOTS's Experience on Industrial HRD to Respond to the Economic Crisis in Asia." Synopsis of presentation, by Mr. S. Miyamoto, Association for Overseas Technical Scholarships (AOTS).

Korea

7. "The Asian Financial Crisis and Its Effect on Unemployment in Korea." Short presentation paper (longer analysis available in 18th meeting "brick").

Malaysia

8. "Labour Market Adjustments to the Financial and Economic Crisis in Malaysia," by Ms. Kim-Lian Yap, Assistant Director, Economic Planning Unit, Prime Minister's Department, Malaysia.
9. Hard copy of slide presentation by same author.
10. "Labour Market Adjustments to the Financial and Economic Crisis," presented by Mrs. Mariah Mahmud, Director General, Department of Women's Affairs, Ministry of National Unity and Social Development, Malaysia.

Papua New Guinea

11. "Papua New Guinea Situational Analysis on the Human Resource Development (HRD) Impact of the Asian Financial Crisis," presented by Mr. Gabriel Andandi, Mr. Joe Vagi, Mrs. Doriga Henry, Department of Education, Papua New Guinea.

Philippines

12. "Human Resource and Social Impacts of the Financial Crisis: The Philippine Experience." Case study presented by the Philippines delegation (Mr. Reydeluz Conferido).
13. "Reaction paper," by Mr. Antonio C. Asper, Vice President for the International Federation of Free Workers, Philippines, and Head of Projects Development Office of the Brotherhood of Asian Trade Unionists (BATU-WCL).

Chinese Taipei

14. "Financial Crisis and Human Resource Development," by Dr. Chi Schive, Vice Chairman, Council for Economic Planning and Development and Professor of Economics, National Taiwan University.

Other papers

15. "Lessons to Learn from the Asian Crisis: A BATU-WCL Statement."

Other presenters/panellists at the Symposium (no written papers available)

Ms. Elaine Mckay, Gender Expert, Australia

Mr. David Allen, Senior Vice President and Deputy General Manager for Asia, Manulife Financial, Canada

Mr. Mario Velazquez, Chile

Dr. Mayling Oey Gardiner, Gender Expert from Indonesia

Mr. Atty Aniano Bagabaldo, Vice President, Employers Confederation of Philippines, CEO Philexport

Dr. Kitti Limskul, Director, Economic Modelling and Forecasting Programs, Faculty of Economics, Chulalongkorn University, Thailand (his paper from the Jakarta meeting is available on the APEC Secretariat home page)

Ms. Areeya Rojivithee, Delegation of Thailand

Papers included in the summary conclusions of the 18th HRD Working Group Meeting under the report of the Labour Market information Group

Australia

16. "Impacts of the Asian Financial Crisis on Australia"

Canada

17. "The Asian Financial Crises and Their Effect on the Canadian Economy"

Chile

18. “Impacts of the Asian Financial Crisis on Chile”

Hong Kong, China

19. “APEC Labour Market information Group - Impact of the Asian Financial Crisis on Hong Kong, China”

Indonesia

20. “Key Economic Indicators of Indonesia”

Korea

21. “The Asian Financial Crisis and Its Effect on Unemployment in Korea”

Malaysia

22. “Malaysia—Report on the Impact of the Financial Crisis on the Labour Market...”

Singapore

23. “Impact of the Asian Financial Crisis on Singapore”

Chinese Taipei

24. “Chinese Taipei’s Report on the Impact of the Financial Crisis”

Thailand

25. “Report on the Impact of the Financial Crisis in Thailand”

Papers from the April 22-23, 1998 Experts’ Workshop and Task Force Meeting in Jakarta, available on the APEC Secretariat Website, HRD Working Group page (<http://www.apecsec.org.sg/workgroup/hrdhome/html>)

26. “The Impact of the Economic Crisis on International Migration: An Indonesia Case”
27. “An Assessment of Impact and Policy Implications of Economic Crisis on Employment Sector in Indonesia”
28. “Labour Market Adjustments to the Financial and Economic Crisis in Malaysia”
29. “The Financial and Economic Crisis in Thailand: Policy Response, Impact on Social Sector and Counter Measures”
30. “The HRD Dimension of the Asian Financial Crisis: Towards the Definition of an APEC Response”

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