

**Helpdesk Research Report: Humanitarian Impact of the Global Economic Crisis on the Asia/Pacific Region**

Date: 20/04/09

**Query:** Please identify literature on the humanitarian impact of the global economic crisis on the Asia/Pacific region. Please aim to highlight from within the available literature any information on most affected countries/regions; prevalent humanitarian impacts; and implications for humanitarian programming in affected or vulnerable locations.

**Enquirer:** AusAid

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**1. Overview**

As the current economic crisis is still unfolding, its impact on people's income levels and their welfare is difficult to estimate. However, preliminary estimates by the ILO indicate that in 2009 unemployment in Asia-Pacific could increase by between 7 and 23 million workers. The countries experiencing the greatest impact will be those with slowing economies and rapid labour force growth, such as Cambodia, Pakistan and the Philippines. Emerging economies whose growth depends heavily on exports to the United States and the European Union, such as Cambodia, China, Philippines and Vietnam, are already slowing down markedly. South Asian countries are expected to be relatively less affected less in this way because they have a much lower export share in their GDP, compared to many East and South-East Asian countries. Pacific island economies are, to some extent, protected from the most immediate effects of the crisis but they are not immune. Slowdowns in the tourism, real estate sectors and in commodity-based lending can be expected to slow regional economies.

The specific humanitarian impacts of the global economic crisis are also not yet clear. Previous crises and media reports suggest dramatic increases in unemployment will occur. It is also known that due to unemployment and food and fuel price increases, the number of people living in poverty will increase dramatically. By some estimates, as many as 105 million more people would become poor as a result of a 10 percent food price increase - a potential reversal of about 7 years worth of poverty reduction. Recent projections by the Asian Development Bank show that a 20 percent increase in food prices will lead to an increase in poor people by about 5.65 million in the Philippines and 14.67 million in Pakistan (see Ramesh 2008). This will result in increased demands on already overburdened public and

family-based support networks, particularly in countries which are already facing severe governance and financial challenges.

Those most at risk are the poor, women labourers in the manufacturing sector, the youngest and oldest populations, and socially excluded groups. Not only do these groups have fewer resources which can absorb some of the impact of shocks, such as real assets and savings, they also have less influence on economic and political decision-making. Communities or groups that have been excluded from productive resources, decent work and social security are also likely to be highly vulnerable to the impact of the global financial crisis as well as to volatility in food and fuel prices. These groups include: indigenous communities; ethnic minorities; the disabled; populations displaced due to conflict, environmental degradation or disasters; stateless people; and migrants. In particular, many refugees and internally displaced populations depend on food assistance for their survival and generally do not have access to land for farming, employment or income generation.

A key concern is the impact of the crisis on women. Many women work in export processing zones, where they may not have labour rights, or in industries with very low wages, poor working conditions and no job security. When workers are laid off, women's jobs are usually the first to go. They are also expected to act as buffers - urged to look for jobs to meet family needs, but also relied upon to care for the sick, older persons and children. "The societal pressure on them is to be strong for the sake of others – the men and the nation. The family becomes the safety net for the negative impacts brought about by the financial crisis. However, it is still the woman who is made to carry the heavier burden of keeping the family together. The fact that she has lost her job and needs support is apparently not important" (see Tauli Corpuz 1998).

Additional concerns include:

- The retrenchment of migrants and a reduction in remittances: Low-skilled immigrants, especially the untrained, are among the first to be laid off because they are concentrated in vulnerable sectors, such as construction or tourism, and often hold temporary jobs. Many migrants will return to rural areas, where they will remain largely underemployed. Wage competition in urban areas may lead to an increased neglect of labour standards.
- The impact on maternal and child health: Recent research has found that if unaddressed the crisis could increase rates of maternal anaemia by 10-20% and prevalence of low birth weight by 5-10%. In addition rates of childhood stunting could increase by 3-7% and wasting by 8-16%. Trend data also suggests that if unaddressed through preventive measures, overall under-5 child mortality in severely affected countries of East Asia & Pacific regions could increase by 3-11% (see Bhutta et al 2008 below).
- Increases in youth employment: Youth unemployment levels are already high in the countries of the region, such as Indonesia, Sri Lanka and the Philippines - up to 25% in the first two. In the Pacific, where economic growth has not kept up with high rates of population growth, large youth populations combined with school dropouts make youth employment a major concern.
- The growth of the informal economy: The informally employed are likely to be highly vulnerable to exogenous shocks to their income and livelihoods. They are unlikely to benefit from any social protection whatsoever.
- The withdrawal of children from education: The Asian financial crisis of 1997-98 and the ensuing increase in unemployment and poverty resulted in a significant deterioration in education and health outcomes. As families struggle to make ends meet during times of crisis, often families are no longer able to afford to send their children to school.

- The threat of child labour: In 2004, there were 122 million economically active children in the region. It is widely argued that the increased poverty that results from economic crises leads in turn to increased child labour.
- The impact on nutrition: The impact of the financial crisis has been exacerbated by the rise in food prices and the cost of living. In Sri Lanka, for example, some women have reduced their meals from three to two times a day and/or reduced the quality of their diet in response to declining wages and price increases.

Much of the literature on this issue refers to lessons learned from the 1997-98 Asian financial crisis. It is argued that then the situation stabilised and eventually improved only after massive government intervention in the affected countries. Employment creation programmes and cash transfers played a critical role in alleviating poverty, while education, nutrition and healthcare programmes helped mitigate against the emergence of long-term adverse effects.

The literature also highlights the crucial importance of safety nets in tempering the impact of the crisis and avoiding the need for poor families to resort to often harmful coping mechanisms, such as reducing meals, eating less nutritious foods, taking children out of school, selling livestock and other assets, and/or borrowing money to feed their families. These safety nets include: cash transfers – conditional/unconditional; food distribution; price subsidies; agricultural inputs; family benefits; childcare support; public works; health, asset and life insurance; school-based food programmes; education scholarships; and micro-finance.

## 2. Key Documents

**'Economic and Social Survey of Asia and the Pacific 2009: Addressing Triple Threats to Development', United Nations Economic and Social Commission for Asia and the Pacific, New York**

<http://www.unescap.org/pdd/publications/survey2009/download/Survey2009.pdf>

This report examines the triple threats of the financial crisis, food and fuel price volatility and climate change facing the Asia Pacific region. The authors argue that as the crisis is still unfolding, its impact on people's income levels and their welfare is difficult to estimate. However, preliminary estimates indicate in 2009 that unemployment in Asia-Pacific could increase by between 7 to 23 million workers.

There is also a significant risk that the recession may evolve into a deeper and wider regional crisis that will bring with it political instability, widespread social unrest, further downward pressures on economic growth, rising unemployment, and a new cycle of crises, both within and among countries. In the Asia Pacific region, the countries experiencing the greatest impact will be those with slowing economies and rapid labour force growth, such as Cambodia, Pakistan and the Philippines. The various impacts of the crisis include:

- Wage growth: This is slowing across the region – the average wage growth in real terms in 2009 is unlikely to exceed 1.8% – and an outright wage reduction in countries with low economic growth is predicted. Wage growth has already been reduced through agreements between governments and social partners in some cases, such as in Singapore, or through a cap on minimum wage increases, as in Indonesia.
- Migration: During a crisis, low-skilled immigrants, especially the untrained, are among the first to be laid off because they are concentrated in vulnerable sectors, such as construction or tourism, and often hold temporary jobs. Migrants will return to rural areas, where they will remain underemployed. Wage competition in urban areas may

- lead to an increased neglect of labour standards, as well as an increase in income inequality between top executives and employees. Remittances have traditionally been an important source of external funding in the Pacific islands in view of the small size of the economies.
- Vulnerable groups: Those most at risk are the poor, women who are labourers in the manufacturing sector, the youngest and oldest populations and socially excluded groups. Not only do these groups have fewer resources with which to cushion the impact of shocks, such as real assets and savings, but they also have less influence on economic and political decision-making. Communities or groups that have been excluded from productive resources, decent work and social security are also likely to be highly vulnerable to the negative impact of the global financial crisis and to volatility in food and fuel prices. These groups include: indigenous communities; ethnic minorities; persons with disabilities; populations displaced due to conflict, large development projects, environmental degradation or disasters; stateless people; and migrants. In particular, many refugees and internally displaced populations depend on food assistance for their survival and generally do not have access to land for farming, employment or income generation.
  - Youth unemployment: This is expected to increase from its already high levels in some countries – in 2007, for example, 25.1% in Indonesia, 25.0% in Sri Lanka and 14.9% in the Philippines. In the Pacific, where economic growth has not kept pace with high rates of population growth, large youth populations combined with school dropouts make youth employment a major concern for this subregion.
  - Child labour: The financial crisis could exacerbate the child labour situation in the Asia-Pacific region, as some children may have to go to work to supplement household income. In 2004, the ILO estimates that 122 million children were economically active in the region. Children are also at risk of being withdrawn from school or not enrolled. In addition, when families have to cut back on the quantity and quality of food, poorer nutrition in children can have permanent effects on intellectual capacity and cause chronic poor health, which, along with lower educational completion rates.
  - Gender implications: It is expected that men and women will be affected differently by the financial crisis. Many women work in export processing zones, where they may not have labour rights, or in industries with very low wages, poor working conditions and no job security. In addition, in difficult times, families often rely on women to care for the sick, older persons and those who cannot fend for themselves, making it difficult for women to earn an income outside the home. In South-East Asia and the Pacific, although the overall unemployment rates are comparatively low and have stabilized in recent years, there is a worrisome trend of rising unemployment rates for women, which the financial crisis could further exacerbate. In 2007, unemployment rates were 6.9% for women, compared with 5.6% for men. Ten years earlier, the rate for women was 4.2%, only 0.3 percentage points higher than the rate for men.
  - Social protection: Most developing countries of the region do not provide adequate social protection for their citizens – leaving millions to resort to limited, often harmful, coping mechanisms, such as reducing meals, eating less nutritious foods, taking children out of school, selling livestock and other assets or borrowing money to feed their families. In the case of sudden spikes in the price of food, the poor have to spend an even larger proportion of their income on food and will probably buy less food or food that is less nutritious. Chapters 2 and 5 examine this issue in more detail.

**'Room Paper on the Likely Impact of the Financial and Economic Crisis and Possible Responses', International Labour Office**

[http://www.oit.org/wcmstp5/groups/public/---ed\\_norm/---relconf/documents/meetingdocument/wcms\\_100483.pdf](http://www.oit.org/wcmstp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_100483.pdf)

This paper provides a rapid preliminary assessment of the likely impact of the financial and economic crisis and suggests a number of policy responses. The paper is organised into six sections, providing: (1) a rapid preliminary overview of the impact of the crisis in the regions; (2) selected examples of measures taken by countries; (3) a summary of the action taken by the ILO by early November 2008; (4) an outline of policy response options that countries might consider; (5) a summary of the challenges to global governance arrangements; and (6) possible responses to the crisis by the ILO through the first half of 2009.

Section 1 finds that emerging economies whose growth depends heavily on manufacturing exports to the United States and the European Union (EU), such as Cambodia, China, Philippines and Vietnam, are slowing down markedly. Other countries, whose exports are driven by a single industry, are also affected. South Asian countries are expected to be affected less through the "export channel" because they have a much lower export share in their GDP, compared to many East and South-East Asian countries. Pacific island economies are, to some extent, shielded from the most immediate effects of the crisis but they are not immune. However, slowdowns in tourism, real estate and commodity-based lending can be expected to slow regional economies.

It also highlights that the financial crisis is having a number of adverse impacts on Asian labour markets in a number of ways:

- Slowing employment growth: Recent business surveys indicate that employers in the region are reducing hiring but do not expect employment to be cut during the rest of the year. Some companies have also reduced overtime in order to save jobs.
- Most affected sectors: These include financial services, export industries (garment, electronics and other sectors – many dominated by women workers), construction, real estate, commerce, transportation and tourism.
- Impact on young people: As the number of new vacancies shrinks, labour turnover is declining and school leavers and graduates are experiencing increasing difficulties in finding jobs. Youth unemployment is already high in some countries (25.1 per cent in Indonesia, an estimated 25 per cent in Sri Lanka and 14.9 per cent in the Philippines in 2007) and the numbers are expected to grow.
- Slowing wage growth: Wage growth is slowing down and eroding living standards. In some countries, lower increases in wages have been negotiated to save jobs (Singapore); in others (Indonesia) the Government has set a limit on the minimum wage increase.
- Job losses not large-scale so far: In Thailand, 125 factories retrenched a total of 15,000 workers between 1 January and 31 October 2008, and about 17,000 more jobs are likely to go during the rest of the year. The Social Security Board is considering extending the period of unemployment benefits from 180 to 240 days. In China, there are unconfirmed reports that factory output has shrunk sharply in the face of declining orders and that hundreds of companies are closing down and laying off their workers.
- Rising unemployment in developed countries: In more developed Asian economies, employment growth will decline and unemployment rates will rise.
- Expansion of the informal economy/vulnerable employment in developing Asia: While workers in more formal manufacturing activities – particularly those in export-oriented industries – may lose their jobs or face reductions in hours worked or in their pay, many of those in the affected industries will be forced to seek alternative employment in informal activities. Many countries therefore face a possible expansion of their urban informal economy.

- Labour supply pressure: The greatest challenge will be in countries that experience a sharp deceleration in economic growth amidst fast labour force growth (such as Cambodia, Pakistan and Philippines). China faces the challenge of declining growth in a context where the population has high expectations of a continued rise in living standards.
- Concern about migrant workers and their remittances: Labour migration outflows in the Asia–Gulf region will experience a modest decline. Total outflows will thus be reduced, but net flows may still remain positive for some time to come. In countries like Nepal, lower foreign earnings will make it harder to service external debt and could lead to increased social tension.
- Increased vulnerability to child labour: The impact of a global economic downturn, increased unemployment and underemployment could also have a significant impact on child labour.

**Mehrotra, S., 2009, 'The Poor in East and South East in the Time of Financial Crisis', Draft Working Paper prepared for UNICEF Conference on 'The Impact of Economic Crisis in the Child in East Asia and the Pacific Islands, Singapore, January 6-7**

[http://www.unicef.org/eapro/The\\_Poor\\_in\\_EA\\_and\\_SEA\\_in\\_the\\_time\\_of\\_Financial\\_Crisis\\_S\\_M.pdf](http://www.unicef.org/eapro/The_Poor_in_EA_and_SEA_in_the_time_of_Financial_Crisis_S_M.pdf)

Section 1 of this paper examines the impact on the poor of financial crisis and suggests five reasons why the impact on livelihoods is a source of concern for governments. These are:

- A significant proportion of the East Asian population is still poor: Indonesia, Malaysia and Thailand have very low shares of the total population below the \$1 a day poverty line. However, significant shares of their populations live on under \$2 a day (Indonesia 52%, Thailand 32.5%). Meanwhile, Cambodia (34%), Laos (26%), the Philippines (14.6%) and Vietnam (17.7%) have significant shares of the population below the \$1 a day poverty line.
- The share of the workforce in the informal economy is very large in all countries: The informally employed are likely to be highly vulnerable to exogenous shocks to their income and livelihoods – especially those who are employees rather than employers within the informal sector. The poor are most likely to be those engaged in informal employment, without any social protection whatsoever.
- The share of the region's workforce in agriculture is still very large, yet the agriculture sector is neglected: Households in the lowest expenditure categories still derive a larger share of their total income from agriculture when compared to households in higher income groups. Yet policy-makers tend to ignore agriculture. If agricultural incomes rise, they can boost domestic consumption demand, and thus serve as a countervailing force which could offset the decline in external demand due to the financial crisis.
- Declining food self-sufficiency ratios and rising import prices: According to FAO, food self-sufficiency (production/total demand) is projected to decline from 97% to about 90% in East Asia. Thus, given that food self-sufficiency is declining, it is critical that in conditions of rising world food prices there are measures in place to ensure that the poor and those in the informal economy, and net food buyers in rural areas, are protected against the pass-through of world prices to domestic consumers.
- Share of exports in GDP is far higher than in comparator countries: Of all groups of countries in the world, East Asia has the highest proportion of export to GDP ratio (66% as opposed to 44% for developing countries). Therefore, the East Asian countries' growth prospects, as well employment in the export-oriented sectors, will be impacted adversely as the economy of the main market for their products, the US, slows significantly.

Section 4 highlights the case studies of two economies in the region – one low income (Cambodia) and one middle income (Indonesia) – as a way of exemplifying some of the policy concerns that governments must address to meet the income and livelihood needs of their poor.

The final section discusses specific actions that are needed to address the issues listed above. These include initiating social insurance and social assistance mechanisms for workers in the informal economy; a fiscal package to stimulate domestic demand and offset the falling employment in export activities; and a focus on agriculture, especially food production, that will have multiplier effects throughout the economy.

**Ramesh, M. 2008, 'Economic Crisis and its Social Impact: Lessons from the 1997 Asian Economic Crisis', Draft Working Paper prepared for UNICEF Conference on 'The Impact of Economic Crisis in the Child in East Asia and the Pacific Islands, Singapore, January 6-7**

[http://www.unicef.org/eapro/Economic\\_Crisis\\_and\\_Its\\_Social\\_ImpactMR.pdf](http://www.unicef.org/eapro/Economic_Crisis_and_Its_Social_ImpactMR.pdf)

The objective of this paper is to examine the social consequences of the 1997 Asian financial crisis with the purpose of drawing lessons for addressing the current economic crisis. The paper shows that the outbreak of the financial crisis and the ensuing increase in unemployment and poverty resulted in a deterioration in education and health outcomes. The situation stabilised and eventually improved only after massive government intervention in the affected countries. Employment creation programs and cash transfers played a critical role in alleviating poverty, while education, nutrition and healthcare programmes helped mitigate against the emergence of long-term adverse effects.

The author argues that in many ways, the current crisis is a more pernicious one than its 1998 predecessor, as it is conjoined with energy and food crises. However, the financial and economic systems of many Asian countries are in a better state than a decade ago – and this may offer some protection against the adverse effects of the crisis. The author's research finds that no country in the region is expected to experience a deep recession, and certainly not of the type felt in the late 1990s. In fact, despite the slowdown, economic growth is expected to positive for 2008 and 2009. However, as societies and governments in Asia are so deeply integrated with the world economy they cannot escape the global crisis unscathed. Even a modest economic decline will make it harder for affected countries to achieve their Millennium Development Goals.

The author highlights studies which have suggested that recent food price rises will significantly increase poverty levels. As many as 105 million more people will be poor as a result of a 10 percent food price increase - a potential reversal of about 7 years worth of poverty reduction. Recent projections by the ADB show that a 20 percent increase in food prices will lead to an increase in poor people by about 5.65 million in the Philippines and 14.67 million in Pakistan.

The paper outlines some of the lessons learned from 1997-98 crisis that may be relevant:

- The 1997 economic crisis was heterogeneous in its impacts across Asia, as was the response to them. Many of the social impacts that became apparent during the crisis had existed before and were only aggravated by the economic downturn.
- The crisis was deep but not as widespread as initially feared, although there were particular households and communities who were severely affected.
- No country proved to be immune to the need for social protection. Even robust and well managed economies, e.g. Singapore in early 1997 when all economic indicators were largely positive, fell into difficulties

- Social protection programmes need to be established preceding and not during the crisis. Such programs help contain the severity of the crisis by acting as automatic macroeconomic stabilisers that boost income and thus shore up consumer demand. Launching new programmes during recession is difficult because of fiscal constraints during slowdown. The near-absence of adequate income support programmes in the region at the time aggravated the recession and made it difficult for governments to protect the population from its worst effects.
- Without well-designed programmes already in place, governments during crises have to resort to quick fixes which can have possible long-term adverse effects. Indonesia's subsidy for rice and fuel are examples of ill-designed programmes that cost a lot of money but benefitted the middle and upper classes more than the poor. Similarly, all Asian countries that launched major public works programmes in response to the 1997 crisis did so in an ad hoc manner with inadequate evaluation of the long-term desirability of the projects or their unintended effects.
- The primary objective of social protection programmes should be to assist those in need rather than to boost the economy. In the early days of the crisis, Korea and, especially, Thailand launched assistance programmes centred on the labour markets that provided little immediate protection to many affected by the crisis. It was only after the Thai government introduced health, nutrition and education programmes that benefits began to reach such people.
- Broadly targeted programmes should not be dismissed summarily, as is often the case among policy reformers influenced by economistic thinking. The case of Malaysia shows that programmes designed to uplift the entire Malay (*Bumiputras*) community, who form over half the population, can also be quite effective during crisis. The existing system of public provision of education and healthcare at no or negligible price meant the government did not have to struggle to establish special programmes for households pushed into poverty by the crisis.
- The cost of administering strict targeting is substantial, but so is the cost of excessive leakage, suggesting a need for a balance. The community-wide support schemes launched in Indonesia and Thailand amidst the crisis were perhaps the best that could have been done, given the lack of the information on the potential beneficiaries.
- A simple yet effective programme is a means-tested cash transfer programme. Such programmes automatically spring into action when there is a need and wind back as conditions improve. It is also consistent with the idea of individual autonomy and consumer choice. Its main limitation is the possible work disincentives, but the author argues this fear is an insufficient reason for denying protection to the population faced with economic conditions not of their own making. Governments may also consider establishing conditional cash transfer programmes whereby households are required to send children to school or get them immunised in order to receive benefits.

### 3. Impact on children

**Bhutta, Z. Et al., 2008, 'The Impact of the Food and Economic Crisis on Child Health and Nutrition', Draft Working Paper prepared for UNICEF Conference on 'The Impact of Economic Crisis in the Child in East Asia and the Pacific Islands', Singapore, January 6-7**

[http://www.unicef.org/eapro/Crisis\\_and\\_Child\\_Health\\_Nutrition\\_ZB.pdf](http://www.unicef.org/eapro/Crisis_and_Child_Health_Nutrition_ZB.pdf)

This report identifies the possible impacts of the current crisis on child health and nutrition in East Asia and the Pacific region, by examining the complex cause and effect relationships of various child and maternal nutrition and health indicators as the findings from last Asian economic crisis of 1997. The report also identifies possible social security measures and remedial interventions which could help mitigate these impacts.

The authors find that food and economic crises have the clear propensity to lead to significant deterioration of the health and nutrition of mothers and children in poor communities in the short term. These effects are especially marked among susceptible sectors of the population, the marginalized poor, especially those in urban settings who cannot resort to subsistence farming like their rural counterparts, and who do not have access to social support networks. The effects are also especially notable among women who act as buffers for children by bearing the brunt of acute food shortages or price increase. As the experience of the 1997 Asian financial crisis shows, this can have significant impact on health and nutrition outcomes for both maternal and child outcomes. It is also evident from the experience of the 1997 Asian crisis that not all sectors or countries were affected equally and several countries appear to have escaped significant financial and social sector impacts. However, an analysis of available data from specific sub-national studies and trend of health and nutrition indicators suggest that the impact was significant in several moderate to severely affected countries.

The recent global food price and financial crisis has had fiscal impacts of comparable magnitudes in many parts of the developing world. The global economic meltdown also indicates that development aid and assistance may also not be available at the same level as before, thus making it likely that social sector spending and consequent health and nutrition outcomes may be significantly affected. The authors' estimates suggest that if unaddressed the recent crisis could increase rates of maternal anaemia by 10-20% and prevalence of low birth weight by 5-10%. In addition rates of childhood stunting could increase by 3-7% and wasting by 8-16%. Trend data also suggests that if unaddressed through preventive measures, overall under-5 child mortality in severely affected countries of East Asia and Pacific regions could increase by 3-11%.

**Kane, J. and Vemuri, S. R., 2008, 'What the Economic Crisis Means for Child Labour', Draft Working Paper prepared for UNICEF Conference on 'The Impact of Economic Crisis in the Child in East Asia and the Pacific Islands', Singapore, January 6-7**

[http://www.unicef.org/eapro/Economic\\_Crisis\\_and\\_child\\_labourJK.pdf](http://www.unicef.org/eapro/Economic_Crisis_and_child_labourJK.pdf)

There is widespread common wisdom that economic crisis will automatically result in increased child labour. This is based largely on the perception that child labour is a direct result of poverty, and some commentators argue that, since economic crises deepens poverty, child labour will inevitably increase. This paper argues that the key to understanding why child labour occurs is understanding the whole range of individual and cumulative vulnerability factors that form the basis of the decisions that families (and sometimes children themselves) make on the allocation of the child's time – whether the child should be in school/training, remain idle or begin work (in the case of child labour, prematurely). While shocks of various kinds may influence these decisions, there are generally factors already in

place or that arise that make it likely that some families will consider the option of child labour while others will not.

What is clear, however, is that the likely impact of economic crisis and food price rises is to drive people underground. To avoid high prices and the prospect of low wages, many workers are driven into informal sector employment. A rise in the informal sector may result in a steady flow of child labour so that wage rates in the informal sector can be kept as low as possible. The fundamental root cause of vulnerability of the informal sector is a lack of social safety nets. Policies are needed that can address how children can be supported by strengthening social safety nets. Section IV looks at the responses that are possible or necessary to specifically reduce the likelihood that children will enter into child labour as a result of the shocks. These include:

- Data and profiling: The need for comprehensive, systematic national data on child labour, fully disaggregated by the child's age, sex, (dis)ability, educational profile family circumstances, and sector worked /risk factors observed.
- Vulnerability profiling: So that interventions can be targeted at those children and families that are most at risk.
- Safety nets: These nets include: cash transfers – conditional/unconditional; food distribution; price subsidies; agricultural inputs; family benefits; childcare support; public works; health, asset and life insurance; school-based food programmes; education scholarships; and micro-finance. These should be targeted to newly vulnerable populations in the first instance – especially in urban areas (since rural areas produce some of their own food whereas urban areas are dependent on food purchases) and very young children.
- Conditional/ unconditional cash transfers: Making cash transfers conditional on all school-aged children attending school is strongly indicated in efforts to stave off child labour.
- Boosting agriculture: In both the short and longer term, boosting smallholder farmer food production will both make food available and support rural families and economies. However, it is important to note that this might also provide incentives for rural families, particularly those involved in agriculture, to exploit children as agricultural labourers.
- Childcare support: Where families increase household income through female employment, it is vital that enhanced (even temporary) childcare services are available and accessible to women who have children below school age or any other children who need care. This is not only important to ensure that these children are looked after but also to obviate the possibility that girl children in particular will have to replace the mother in household and child-rearing duties.
- School-based programmes: These include school feeding programmes and take-home rations that not only safeguard a child's nutrition but also provide an incentive for the child to attend school.
- Multi-level monitoring: For example, teachers, school principals and other educational staff need rapid training on how to recognise signs of a child potentially having started work or increasing workload: fatigue, sudden absences, lack of concentration, physical injuries etc. A system of alerts to protection or social services should be in place and used to report cases where children are at risk. Also community vigilance, labour monitoring, social monitoring.
- Youth employment schemes: Youth employment schemes, including apprenticeships, subsidies to employers, accelerated school-to-work transition schemes, 'work for benefits' schemes and subsidies for diversification training for those young people who need to upgrade their basic skills – these are all important in the medium- to long-term to reduce the likelihood of child labour.
- Information, communication and education (ICE) initiatives: There should be immediate and sustained ICE initiatives on the importance of education and the risks of child labour. These should be both general and targeted: families might receive

educational briefings during parents' meetings in schools, at health clinics, mother and baby clinics and other places that parents and families frequent. The aim of these should be to influence family decision making in a context where options are being made available, so it is important that briefings include information about available programmes.

#### 4. Impact on women

**Tauli-Corpuz, T., 1998, 'Asia-Pacific Women Grapple with Financial Crisis and Globalisation', Third World Resurgence, Number 94**

<http://www.twinside.org.sg/title/grapple-cn.htm>

This report was written during the Asian financial crisis of the late 1990s. It argues that it was the poor women of the Asia-Pacific region who bore the brunt of the crisis. "The further liberalisation of trade and investments (particularly financial investments) which has led to the present crisis has exacerbated unemployment, underemployment, dislocation from traditional sources of livelihood, increased outmigration to urban areas and overseas, and worsening food insecurity. While jobs have been created for women because of the influx of labour-intensive industries to take advantage of cheap labour, these jobs are also highly insecure. The recent financial crisis has shown how fragile these jobs are."

The key issues included:

- Unemployment and underemployment of women workers: The crisis forced many companies to shut down. Whilst both men and women workers were laid off, usually, the women are the first ones to go. The Philippine Overseas Employment Association (POEA) reported in February 1998 that the regional crisis threatened 33,096 overseas Filipino workers. The estimated total number of Filipino overseas migrant workers was 7.2 million, of which 55% to 65% were women. More than half of those sent back home were women. In Indonesia, similar stories are told. Thousands of migrant workers from Malaysia lost their jobs but many of them chose to stay on illegally.
- Women as buffers: Aside from being fired first, the women are also the ones pressured to help keep the family intact in these times of crisis. At the same time, women are also urged to look for jobs to meet their family needs. According to a 1998 government survey in Korea, the rate of women job-seekers was twice as high as that of men. "The societal pressure on them is to be strong for the sake of others – the men and the nation. The family becomes the safety net for the negative impacts brought about by the financial crisis. However, it is still the woman who is made to carry the heavier burden of keeping the family together. The fact that she has lost her job and needs support is apparently not important."
- Marginalisation of rural women and increasing food insecurity: Although globalisation resulted in some women gaining employment in the manufacturing sector, the majority of Asian women were still found in the informal economy, rural farming communities, and in subsistence economic activities. The shifts in production patterns due to globalisation, however, led to the dislocation of women from their traditional sources of livelihood. Land and crop conversion schemes were pushed to create the shift from subsistence to commercial crop production. Even commercial rice- and corn-growing were discouraged in favour of the production of 'high-value' (or globally competitive) crops like asparagus, bananas, eucalyptus, and cutflowers like orchids and anthuriums. The outmigration of rural women to the urban areas and abroad increased significantly as a result of the breakdown of rural agriculture and cottage industries such as handloom textile weaving.

**Emmett, B., 2009, 'Paying the Price for the Economic Crisis', Oxfam International**  
[http://www.oxfam.org.uk/resources/policy/economic\\_crisis/downloads/impact\\_economic\\_crisis\\_women.pdf](http://www.oxfam.org.uk/resources/policy/economic_crisis/downloads/impact_economic_crisis_women.pdf)

This research by Oxfam International uncovers the impact on women of the global economic crisis. The report highlights recent World Bank estimates that women are highly vulnerable to the effects of the economic crisis, and predicts increases in infant and child mortality, decreases in the number of girls in education, and reduced earnings. The report argues the crisis is having a devastating impact on women's livelihoods, rights, and families:

- Women's jobs usually the first to go: Women are concentrated in insecure jobs with meagre earnings and few rights; they tend to have few skills and only basic education. So they are usually the first to lose their jobs. The ILO predicts that the global economic crisis will plunge a further 22 million women into unemployment, make female unemployment higher than male unemployment, and make the ratio of women pushed into insecure jobs in 2009 higher than for men. In the Philippines, more than half of the 40,000 jobs lost in the come from export processing zones, where 80 per cent of workers are women. Sri Lanka and Cambodia have each lost 30,000 mostly female garment industry jobs to date – in both countries, the garment industry accounts for at least half of export earnings.
- Loss of migrant jobs and effect on remittances: Women who have migrated to cities at home and abroad to support themselves and their families are being hit hard by the crisis. Female wages are an important source of income for families who depend on their remittances. In Cambodia, for example, more than 90 per cent of garment workers are women and almost all of them are migrants from rural provinces who support their families back home.
- Impact on nutrition and education: The impact of the financial crisis has been exacerbated by the rise in food prices and the cost of living. In Sri Lanka, for example, some women have reduced their meals from three to two times a day and/or reduced the quality of their diet in response to declining wages and price increases
- Exploitation by employers: There are reports that employers are exploiting the second-class status of women to evade statutory labour rights – pressurising workers to sign redundancy letters to avoid having to pay severance, leaving pay and social insurance outstanding. Those who manage to keep their jobs are seeing cuts in wages and overtime rates, increasingly precarious contracts, and the loss of benefits such as subsidised meals and transport
- Male-focused government interventions: "There is deep concern that government responses to the crisis in many countries are inadequate or targeted overwhelmingly at male employment, as governments concentrate stimulus packages in the construction and infrastructure sectors. In the Philippines, for example, a day after a newspaper article cited the loss of 42,000 jobs in the garments, semi-conductor, and electronics industries – where female labour is predominant – the government responded by announcing the creation of 41,000 new jobs through government infrastructure projects. The stimulus is badly needed – but likely benefits men almost exclusively, even where women are bearing the disproportionate impact of job losses." (p.9)

## 5. Impact on migrants

### **CARAM Asia, n.d., 'Financial Crisis Impact on Migration', Coordination of Action Research in AIDS and Mobility, Kuala Lumpur**

<http://www.caramasia.org/presentations%20&%20papers/Economic%20Crisis%20Report.pdf>

As the effects of the financial crisis continue to cause a global economic slowdown, millions of migrant workers are set to be deported. This report seeks to highlight the implications of the financial crisis arising from the mass retrenchment of migrant workers. The paper also argues that the financial crisis has become a catalyst exposing existing failures in the uses of migration by both developing countries' labour exportation policies and the willingness of developed states to profit from the commoditisation of migrant workers with little to no oversight.

In many cases, migrant workers are often the sole income providers for their families and the expected retrenchment is likely to push millions of these families further into poverty. Recent studies published by the World Bank estimate that the level of remittances sent back to developing countries may fall from anywhere between 0.9% - 6%. When the Asian financial crisis occurred in 1997, governments throughout the region deported hundreds of thousands of foreign workers to safeguard the political and economic status quo. As unemployment rose to 10% in South Korea, 200,000 migrants were deported. In Malaysia, the crisis led to almost 850,000 foreign permits not being renewed by the government as the country's GDP fell fallen by some 6.2%. Thailand deported some 600,000 workers as the unemployment rate doubled.

Those migrants who are able to stay employed, are likely to face increasing rates of stigmatism and persecution by local populations as unemployment figures amongst nationals continues to rise. It is also important to note that the current financial crisis affects the lives of all migrants, not just those who are employed overseas. Since the liberalisation of its markets, China has increasingly engaged in a process of urbanisation, in order to provide cheap labour for its factories. This process has now resulted in between 110-150 million urban migrants working in the major cities to support their rural families across the country. As a result of the downturn in trade, some 15% have already returned to the countryside with some 20 million migrants losing their jobs. China's Ministry of Human Resources has already indicated that a further 30 million are also likely to lose their employment. This rising unemployment will have severe implications for migrants' ability to provide basic amenities for their families.

### **Ray, Y., 2009, 'Economic Downturn and Instability in China: Time for Political Reform?', The Brookings Institution, Washington DC**

[http://www.brookings.edu/opinions/2009/04\\_china\\_yep.aspx](http://www.brookings.edu/opinions/2009/04_china_yep.aspx)

China's huge domestic market and its cautious approach to integration with the global financial system may have helped cushion the impact of the continuing financial tsunami. However, China's unemployment rate is expected to reach 4.6% by the end of this year, the worst figure since 1980. Worse, this figure does not include migrant workers from rural area. It is estimated that at least 20 million of the 130 million migrant workers will lose their urban jobs in 2009.

“(I)t is the migrant workers, who receive no systematic support in times of need, who are the most at risk from the economic downturn. Rural-urban inequality is reflected not only in terms of discrepancy of life chances, income opportunities, and standards of living: the difference in welfare regime is also testament to the huge gap between the two worlds. Self-sufficiency is the defining feature of China's rural welfare system, with peasants striving on their own to face economic ups and downs. With the economic and social systems in flux, and with no

welfare system to serve as a tether, entitlement to the lease of land is crucial for the rural population. Land, and farming, provides a steady flow of income, cheap food, shelter, and most important of all, a sense of security. It is the last line of defense against economic disaster and a fall-back option for migrant workers.”

However, when millions of these peasant workers eventually return home, many of them will have to face the reality of landlessness. Many peasants lease out their lands when they take jobs in the cities, but others have been forced to surrender their land leases. As rural lands are “collectively owned”, i.e. Chinese peasants are entitled only to lease land for a fixed period of time and the ultimate control rests in the hands of their “representatives” or village officials. There have been various instances of social unrest over land transfers in recent years. As a result, the author argues: “The combination of presence of tens of millions of frustrated, jobless, and landless people and the disposition of public security forces to sometimes employ excessive violence toward complainants appears to be the perfect recipe for confrontation and disturbance. The situation is so delicate that the Chinese government may consider it the lesser of two evils if some of these unemployed migrant workers prefer to stay in the cities.”

## 6. Impact on the labour market – case studies

### *Vietnam*

**Pham, N. Q., 2009, ‘Impact of the Global Financial and Economic Crisis in Vietnam’ International Labour Office, Hanoi** [http://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/documents/meetingdocument/wcms\\_103550.pdf](http://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/documents/meetingdocument/wcms_103550.pdf)

The global financial and economic crisis is having significant impacts on enterprises, workers and families in Vietnam. The most important effects include:

- The global fuel and food price crisis has had a negative impact on consumer price inflation. Inflation in 2007 was 23 per cent – the highest level in the last 17 years.
- The crisis is also having a deep impact on exports and hence the deficit on the merchandise trade account of Vietnam.

Section 3 focuses on the impact of the crisis on the labour market. The author argues that crisis has led to a reduction in output of many manufacturing sectors. This in turn has resulted in job losses and declining real wages:

- Job losses: According to the Ministry of Labour, Invalids and Social Affairs (MOLISA), as of January 23, 2009, about 67 thousand labourers working in enterprises lost their jobs. Workers are losing their jobs due to three reasons: employers decamp; firms go bankrupt; or firms have to reduce their output. Rising unemployment is being across the country nation, but mostly in the three main economic zones: Danang, Hanoi and Ho Chi Minh City.
- Slower rates of job creation: The number of jobs created fell sharply in 2008. The Hanoi Job Promotion Centre reported that at the end of 2008, there were only 3-4 thousand vacancies compared to 6-8 thousand at the beginning of the year.
- Reduced working time to avoid job losses: There are 90 seafood manufacturers located in the Mekong Delta, employing more 50 thousand workers. Under pressure of reduced world prices and falling demand from traditional markets, many firms have reduced their output by 50-60 per cent. As a result, thousands of workers are standing idle or facing reduced working time.
- Negative real wage growth and falling income: With 23 per cent inflation in 2008, real wage growth was negative, reflecting the fact that nominal wage growth did not grow in line with double-digit inflation. Apart from real wages eroding due to inflation, many

workers in Hanoi's industrial parks have had to stop working temporarily or have been given long stretches of work at 70 per cent of their regular payment.

**Yap, J. T., 2009, 'Impact of the Global Financial and Economic Crisis on the Philippines: A Rapid Assessment', International Labour Office**

[http://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/documents/meetingdocument/wcms\\_101595.pdf](http://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/documents/meetingdocument/wcms_101595.pdf)

Remittances from overseas migrants have been critical to the economy of the Philippines during the past decade. In 2007 alone, remittances amounted to \$13.3 billion or 9.4 percent of GDP. The government's Department of Labor and Employment (DOLE) has identified certain categories of overseas workers who are vulnerable to displacement due to the global economic and financial crisis. These include those who work in the US under temporary working visas; seafarers in cruise ships; factory workers in Korea, Taiwan, and Macau; household service workers in Singapore, Macau, and Hong Kong. However, these groups comprise only about 15 percent of the roughly 4 million overseas workers. The government also anticipates a sustained growth in overseas remittances in 2009, although at a slower pace of 6-10 percent. This will definitely have a negative, but muted, impact on the real sector, particularly on personal consumption expenditures.

Employment in the domestic economy has been fairly steady. While the unemployment rate in 2008 increased as expected, it rose only to 6.8 percent from 6.3 percent in 2007. More worrying is the increase in the number of unemployed from the manufacturing sector despite the rise in its 2008 growth rate of value added. One reason for this counter-intuitive result is that growth was concentrated in the food, beverage and tobacco sector. The latter accounts for 53 percent of manufacturing value added but only 25 percent of employment. In contrast electrical machinery accounts for 8.6 percent of value added and 9.5 percent of employment. This indicates that the economic slowdown has more acute employment effects in specific sectors. For example, it was reported that plant and machine operators and assemblers lost 250,000 jobs. Hence, there should be a sector specific dimension to policy responses in addition to the usual economy-wide assistance to labourers.

## 7. Press Articles

***The global financial crisis: Asia Pacific not immune, Euromonitor International, 2009***

[http://www.marketresearchworld.net/index.php?option=com\\_content&task=view&id=2450&Itemid=76](http://www.marketresearchworld.net/index.php?option=com_content&task=view&id=2450&Itemid=76)

***Crisis could push 140 million Asians into poverty: ILO, AFP, Manila***

<http://www.google.com/hostednews/afp/article/ALeqM5jYxfcKF30-iYHsHUv5GVXUS10F3Q>

***The impact of the global economic recession on women, Poverty News Blog, March 3 2009***

<http://povertynewsblog.blogspot.com/2009/03/impact-of-global-economic-recession-on.html>

***Philippines: Global downturn threatens poverty goal, IRIN Asia, March 2 2009***

<http://www.irinnews.org/Report.aspx?ReportId=83213>

**Kerr, D., 2009, *The Global Financial Crisis and Regional Integration*, ALP International Projects <http://www.ip.alp.org.au/news/1208/alts20-04.php>**

**Vainere, T., 2009, *Pacific voices heard on financial and climate change crisis*, Secretariat of the Pacific Community**

[http://www.spc.int/ppapd/index.php?option=com\\_content&task=view&id=480&Itemid=1](http://www.spc.int/ppapd/index.php?option=com_content&task=view&id=480&Itemid=1)

## 8. Additional information

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### Websites visited

Google, Google Scholar, Eldis, Brookings Institution, American University, Humanitarian Futures Programme, Australian National University, Asian Development Bank, World Bank, East West Center, Development Gateway, UNICEF, Institute of Southeast Asian Studies University of Singapore

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