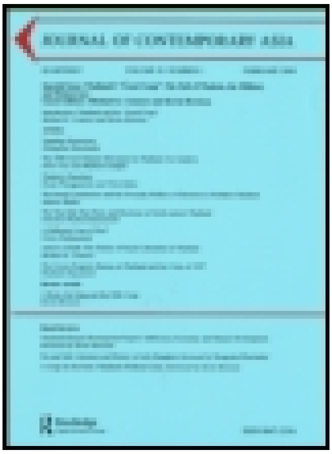

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From Asian to Global Financial Crisis: Recovery Amidst Expanding Labour Precarity

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From Asian to Global Financial Crisis: Recovery Amidst Expanding Labour Precarity

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ABSTRACT *This article outlines the labour impacts and social consequences of the 1997–98 Asian financial crisis and 2008–09 global financial crisis on Southeast Asia. Both had adverse consequences on output, employment, income and poverty in the region, although the impact of the global financial crisis was much less severe compared to the Asian financial crisis. Economies recovered quickly from both crises. However, labour markets continue to be characterised by informal, vulnerable and precarious employment. The crises and the ensuing efforts of employers to resort to increased flexibility in labour hiring in both crisis and recovery periods fanned labour protests despite the diminutive size of the trade union movement and the underdeveloped system of industrial relations in most countries. In turn, these protests have triggered national and regional debates on rules for labour contracting, minimum wage adjustments and social protection. These debates have remained unresolved even as the region is gearing up for fuller economic integration in 2015 labelled as the ASEAN Economic Community.*

KEY WORDS: Financial crisis, labour impacts, precarious labour, social protection

A decade apart, Southeast Asia was struck by two financial and economic crises of varying form, magnitude and consequence. This article seeks to outline the labour impacts of the 1997–98 Asian financial crisis (AFC) and the 2008–09 global financial crisis (GFC), which shook the region and affected employment, livelihoods and socio-economic conditions in varying ways. The AFC, having escalated to financial panic and capital flight, was far more severe and widespread in its effects. The two crises were fundamentally different in that the AFC began in the region and burgeoned to a massive financial crisis, while the GFC was transmitted to Southeast Asia through crises elsewhere that collapsed external demand for exports from the region. The GFC's adverse impact was also mitigated by the absence of a financial meltdown within the region and the avoidance of International Monetary Fund (IMF)-style austerity measures that exacerbated socio-economic conditions in the AFC.[1]

This article focuses on labour market responses to the crises, in particular, the consequences of the AFC on workers and structural shifts in the post-AFC period, through to the GFC. The region experienced massive employment losses and rapid recoveries in the

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AFC, and subsequently saw persisting and expanding flexibility, informality and insecurity in employment, which augment uncertainty and precariousness of work and workers' livelihoods. Labour market institutions and social protection were demonstrably inadequate to handle the severe consequences of the AFC. Social protection and workers' rights have also emerged as major labour issues in the wake of the GFC.

Several themes stand out. First, sectoral and spatial differences in output and employment growth show both crises converging on urban areas, particularly in manufacturing and services which endured steeper drops in output and employment. At the same time, these sectors also bounced back vigorously as the economic recovery gathered pace. Second, the impacts of the crises on workers and households were overwhelmingly greater in the AFC when compared to the GFC. This result finds broad empirical support in terms of employment losses, real wage declines, school dropout rates and other indicators. Poverty increased substantially in the wake of the AFC, but held steady or rose only slightly after the GFC. Increased school dropout rates are attributable to the AFC, but such educational adversities were not found in the years after the GFC. Third, while the evidence indicates robust recovery from cyclical downturns, structural features of the labour markets indicate increasingly precarious forms of employment and workers' vulnerability, raising questions over the countries' capacities to withstand severe crises in the future. Recent years have seen intermittent workers' protests and continuing national and regional debates on social protection and workers' rights.

Crisis Sources, Transmission Channels and Outcomes

The labour impacts of the financial crises vary in form and magnitude, in correspondence with the source and transmission channels of each crisis. Figure 1 presents a mapping of the crises. We consider the process in four parts, from the external trigger to the macro impacts and transmission channels, leading to labour impacts and social consequences, but possibly countervailed by a few mitigating factors. The AFC originated in Southeast Asia and spread across both the financial and real economies.

Thus, the ramifications of the AFC involved currency crises, financial market turmoil and economic downturn. Southeast Asian countries were devastated on multiple fronts: capital flight, spikes in inflation and interest rates, collapse of investment, heavy employment loss, income contraction and increased poverty, which were exacerbated by austerity measures and cuts to social spending. However, external demand, particularly from the Organisation for Economic Co-operation and Development (OECD) countries importing Southeast Asian goods and commodities, did not collapse in 1997–98 and served as a mitigating factor. Boosted by export competitiveness on the back of currency devaluation, it was a factor in the region's reasonably rapid economic recovery in 1999–2000.

The GFC, in contrast, arrived in Southeast Asia through a collapse in external demand. The resulting economic downturn was logically less severe than the one involving financial crisis, stemming from its confinement to the real economy – importantly, avoiding rapid inflation, capital flight, collapse in investment and social spending cuts. Whereas fiscal austerity was imposed during the AFC, stimulus packages were sanctioned as a crisis response to the GFC, and were implemented throughout Southeast Asia. The linkages from economic downturn to social cost, through the labour market and fiscal balance channels, apply to both the AFC and the GFC, with difference in magnitude. Increases in unemployment, under-employment or informalisation lead to loss or decline in wages,

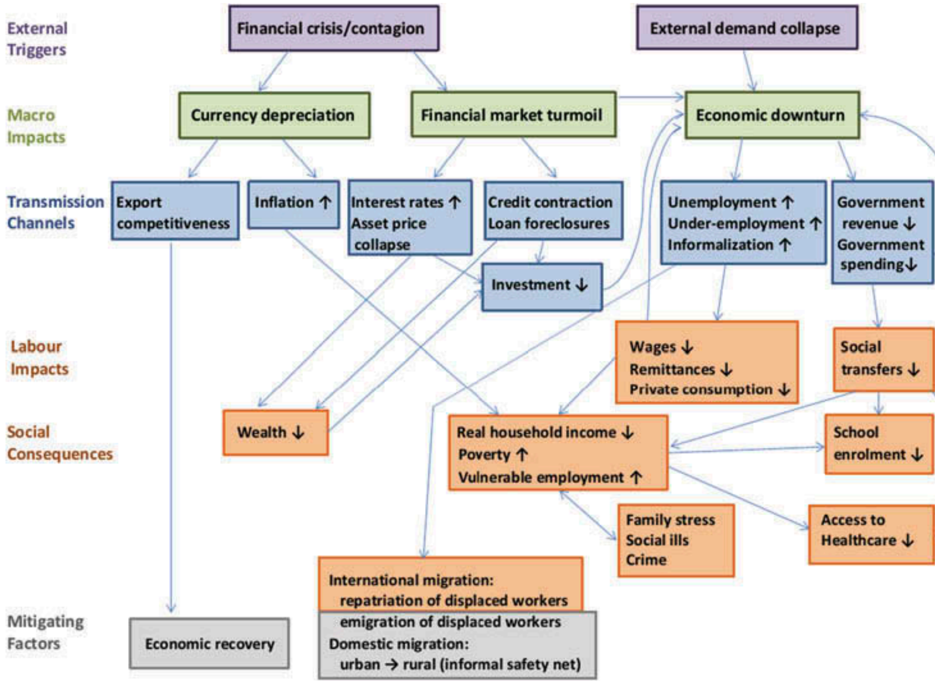

Figure 1. Mapping of crises

earnings and remittances and in turn lower household income, higher poverty and higher vulnerability. Reductions in government revenues and expenditures may deepen the recession, through lowering aggregate demand, as well as attenuate household income in the form of social transfers. Lesser public provision, in addition to reduced income, may lead to further adversity in terms of curtailed access to and attainment of education and health, especially for low-income households that rely more on public provision.

Outcomes of labour migration, a growing regional phenomenon, vary within and across countries. Domestically, crises that mostly affect urban economies may trigger internal migration to rural areas, which can provide employment and informal social safety nets. Southeast Asia is a region where migratory labour, particularly low-skill workers, play an important role from both the sending and receiving countries' vantage points. Foreign migrant workers convey remittances and alleviate under-employment problems in their home country. In the event of their displacement, remittance flows decline and workers may be repatriated from one crisis-hit country to another. Receiving countries are likely to lay off foreign migrant workers, and those that return home leave the labour force, thereby moderating unemployment and to an extent mitigating the impact of the crisis.

This study empirically investigates differences in form and magnitude of the transmission channels, labour impacts and social consequences posited above. We observe trends in inflation, the most pertinent outcome of financial turmoil and capital flight on the labour market and on household living. We refer to socio-economic data that provide insight on the relative severity of the crises, in particular, employment, income, poverty and education. This study gravitates towards nationally representative data from official sources; availability of such informational sources limits our scope to Indonesia, Malaysia, the Philippines and Thailand. In addition, we refer to the considerable impact studies that offer sub-national perspectives, found in the substantial literature on the AFC and the few extant assessments of the GFC (Knowles, Pernia, and Racelis 1999; Jones, Hull and Ahlburg 2000; TDRI 2000; Ramesh 2009; Djaja 2009; Mahani and Rasiah 2009; Balisacan et al. 2010). Our discussion on structural shifts in labour markets draws on literature that has observed the growth of flexible, insecure and vulnerable employment around the region (Kalleberg and Hewison 2013).

Financial Turmoil and Cost of Living

The contrast between the crises is starkest in the financial system, where we observe massive and abrupt changes in 1998 and 2009, the years respectively marking the AFC and GFC. Currencies depreciated in all countries under consideration, most precipitously in Indonesia. In 1998, the Indonesian rupiah lost 70% of its value, the Malaysian ringgit and Philippine peso close to 30%, and the Thai baht close to 25%. To combat capital outflows and to protect investor interests, interest rates also increased in 1998, most sharply in Indonesia. Consequently, investment fell off a cliff from 1998 through 1999. In these financial system vital signs, the GFC did not cause observable impact. Southeast Asian currencies devalued by 3% to 8% in 2009, while investment did not undergo any significant decline.

Inflation has immediate effects on ordinary people, curtailing real wages and household spending power, potentially to the point of reducing consumption of necessities. Financial crises can impact heavily on society through the inflation channel. Currency devaluation during the AFC raised prices in Southeast Asia in 1998, especially in Indonesia which saw inflation skyrocket to 58.4%, from 6.2% in 1997 (Figure 2). Other countries also experienced rising costs of living between 1997 and 1998, with the inflation rate increasing from 2.7% to 5.3% in Malaysia, 5.6% to 9.3% in the Philippines, and 5.6% to 8% in

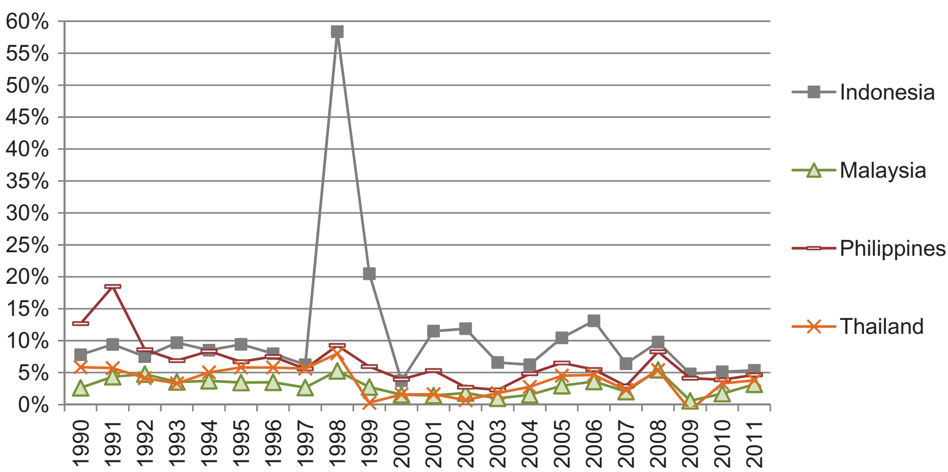

Figure 2. Inflation, 1990–2011 (annual %). Source: World Development Indicators.

Thailand. This was quelled by 2000; however, the spike in cost of living took a substantial toll on household livelihoods.

The GFC presents a contrasting scenario, with the onset of recession in 2009 ushering in reduced inflation or deflation. The drop in 2009 partly derives from the high mark set in 2008, when oil and food prices escalated. The pattern of inflation in the GFC is consistent with recessionary conditions triggered on the demand side by export contraction, further evidenced by an uptick in inflation upon economic recovery. The rising cost of living was, therefore, not a major factor in the transmission of economic crisis to workers and households.

Output and Employment Growth

This section outlines real gross domestic product (GDP) and employment growth patterns surrounding the AFC and GFC, to trace out the baseline scenarios of the crises on the whole, as well as disaggregated by sector. We focus on the major Southeast Asian countries that were affected by the AFC – Indonesia, Malaysia, the Philippines and Thailand – and that have maintained output and employment data series. Missing real GDP data stem from discrepancies in base year adjustments.

The AFC massively disrupted robust growth in the preceding years, with most countries maintaining 7–10% annual GDP growth 1994–96 (Figure 3). Thailand, where financial panic first exploded before spreading around the region, registered year-on-year change of −3% in 1997 and −7% in 1998. Contagion effects are evident in the 1998 statistics. Indonesia, eventually the worst hit economy, maintained positive growth in 1997 but suffered close to 14% contraction in 1998, while the Malaysian economy shrank by almost 8%. The Philippines was considerably less affected, with a 1% contraction in 1998. The damage was sustained through 1999, in which economies grew less than the contraction of 1998. Recovery was somewhat set back a few years later, in the aftermath of the 2001 bursting of the technology bubble, which slowed down growth across

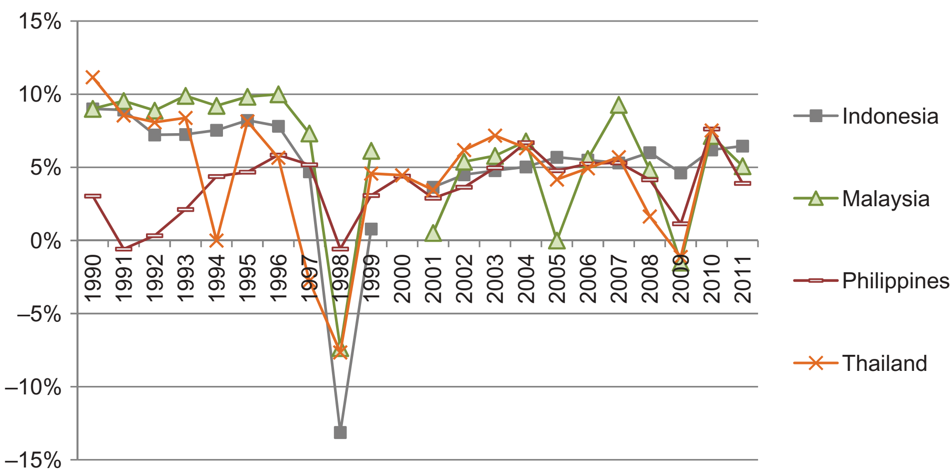

Figure 3. Annual real GDP growth: all sectors, 1990–2011 *Source*: Authors' calculations from ADB (2000, 2012), and World Development Indicators.

Southeast Asia. Conditions stabilised thereafter, with the 2002–07 period seeing Indonesia, Malaysia, the Philippines and Thailand settling at 5–6% annual growth. The milder effects of the GFC are obvious in the GDP growth patterns. In 2009, only Malaysia and Thailand registered negative growth. Indonesia and the Philippines decelerated from the previous year, but remained in positive territory.

Labour market conditions, especially employment, mirror the state of the economy, providing an important link between macroeconomic outcomes, and wages and income. Contractions in output in excess of contractions in employment signify declining wages for those remaining employed. The AFC palpably impacted on employment, with growth rates falling in 1997 for Indonesia, Malaysia and the Philippines, and in 1998 for Thailand. In marked contrast and in concurrence with the much lesser economic downturns in the GFC, employment growth remained fairly stable over 2008–09 (Figure 4). A few observations on the AFC are worth noting. Indonesia and the Philippines registered net employment loss in 1997, as with Thailand in 1998. Malaysia saw employment growth decline considerably in pace, but remain positive. We also observe recovery in a year following each country's respective labour market downturn, including Indonesia, which interestingly experienced employment growth in 1998. Sizable growth in agricultural and informal employment significantly account for this somewhat anomalous outcome.

Interesting patterns emerge as growth statistics are disaggregated by economic sector. The differences also have a bearing on the distribution of the adverse outcomes of the crises, the vulnerability of different sectors to shocks and the capacity to rebound. Manufacturing is perhaps the only sector in which various countries' experiences in both crises were mirrored. The AFC caused a steep drop in manufacturing activity in 1998 followed by a steep recovery in 1999 (Figure 5). The GFC similarly saw a sharp decline in 2009 – the largest of all sectors, though, of course, of lesser magnitude than in 1998 – and also a swift return to positive growth the year after. The reasons for the fall and rebound, however, present contrasting scenarios. The 1998 collapse resulted from a massive financial crisis and economic contraction that, on the flipside, augmented export competitiveness through currency depreciation and facilitated an export-based recovery.

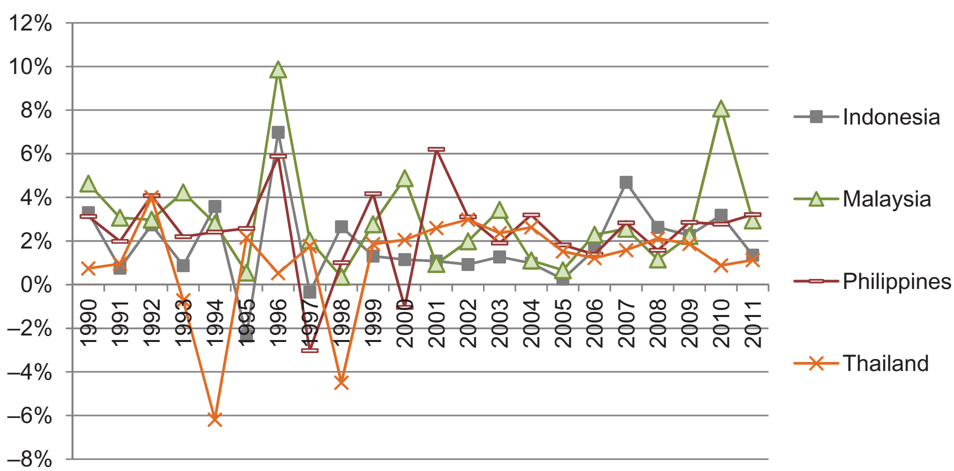

Figure 4. Annual employment growth: all sectors, 1990–2011 *Source*: Authors' calculations from ADB (2012) and World Development Indicators.

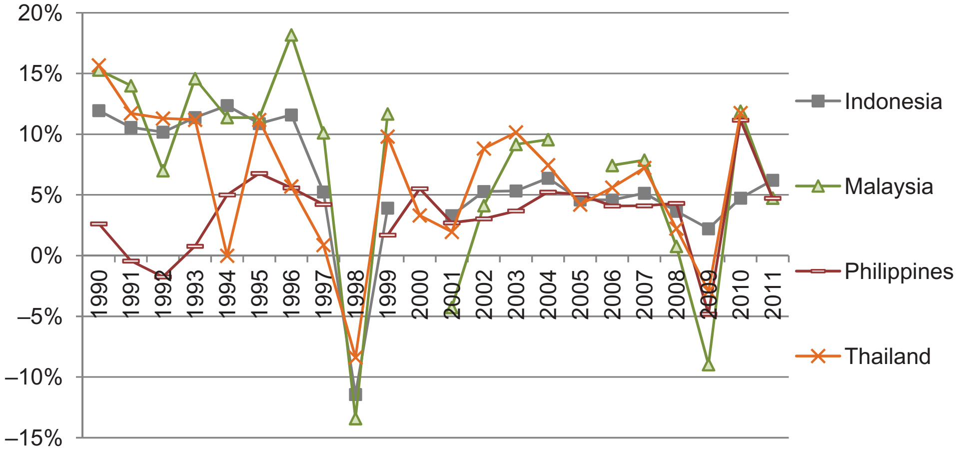

Figure 5. Annual real GDP growth: manufacturing, 1990–2011 *Source*: Authors' calculations from ADB (2000, 2012).

The 2009 downturn sprang from collapsed demand from high-income importing economies, buffered by trade with developing countries as well as fiscal stimulus packages announced in late 2008 to early 2009. These packages accounted for varying proportions of 2008 GDP: Malaysia (1%), Vietnam (1.1%), Indonesia (1.4%), Thailand (3.3%), and the Philippines (4%) (ILO ROAP 2009, 24). In terms of employment growth, manufacturing has been vulnerable yet quantitatively resilient, especially in Indonesia and Malaysia, which experienced heavy employment losses in 1998 but rapid upswings the subsequent year (Figure 6). In the post-2000 period, annual manufacturing employment growth in Indonesia, Malaysia and the Philippines are characterised by a considerable degree of volatility year to year even while output growth has been comparatively steady, with employment growth frequently turning negative.

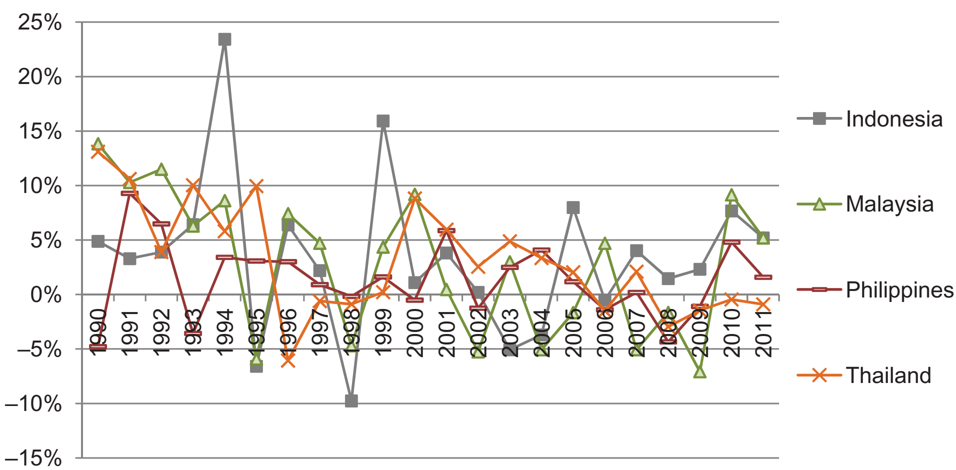

Figure 6. Annual employment growth: manufacturing, 1990–2011 *Source*: Authors' calculations from ADB (2000, 2012).

Agricultural output shrank during the AFC, but showed less obvious crisis aftershocks in the GFC. Agriculture was affected by the AFC, with sizable contraction in Indonesia, Malaysia and Thailand over 1997–98. Concurrent with the GFC, agricultural employment growth fell in 2008 and 2009 for Malaysia and dipped slightly in 2009 for the Philippines and Thailand. Notably, by official records, employment growth increased in this sector in Indonesia and Malaysia in 1998, while the corresponding figures for Thailand and the Philippines were continually negative. The rise in agricultural employment, in tandem with contraction in agricultural output and income, implies migration of the urban workforce to rural areas. Through the AFC, the agricultural sector in some countries evidently absorbed labour displaced from urban-based sectors, especially manufacturing (Booth 1999). Agricultural employment growth is also partly explained by the gains made from the low points reached in 1997, when strong effects of the *El Niño* caused droughts and decreased output and labour demand.

In services, utilities and construction, we note marked differentiations in exposure to crises (Figures 7 and 8). These sectors – reported in this highly aggregated cluster due to employment data availability – on the whole plummeted in 1998, especially in Indonesia and Thailand which respectively experienced 20% and 10% contraction. In 2009, growth rates slowed down but basically in positive territory, except for Thailand which marginally shrank by 0.2%. Unsurprisingly, financial and business services and construction, being more susceptible to speculative activity and asset bubbles, experienced particularly deep fluctuations among sectors of this cluster. Trade, transportation, communication and other services – increasingly sizable proportions of Southeast Asian major economies – diminished in all countries in 1998, most drastically in Indonesia. In 2009, output of these sectors slowed down noticeably but not momentously in Thailand, Malaysia and the Philippines.

On the labour market front, changes and swings mirrored those in GDP. Employment contracted by significant margins in Indonesia and Thailand in 1998, and growth came to a halt in Malaysia. These sectors rebounded in Malaysia and Thailand, but remained sluggish in Indonesia. The 2000s saw employment growth, albeit unevenly, in Malaysia, the Philippines and Thailand, while employment contracted in Indonesia intermittently.

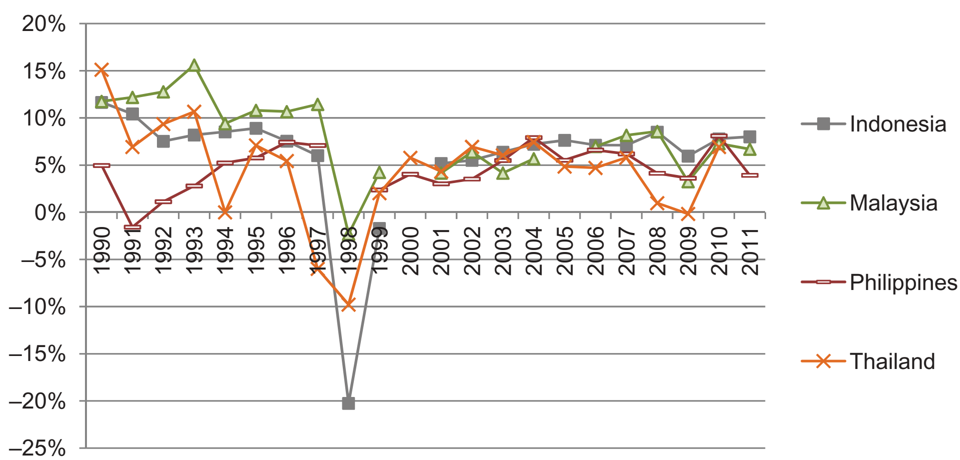

Figure 7. Annual real GDP growth: services, utilities and construction, 1990–2011. Source: Authors' calculations from ADB (2000, 2012).

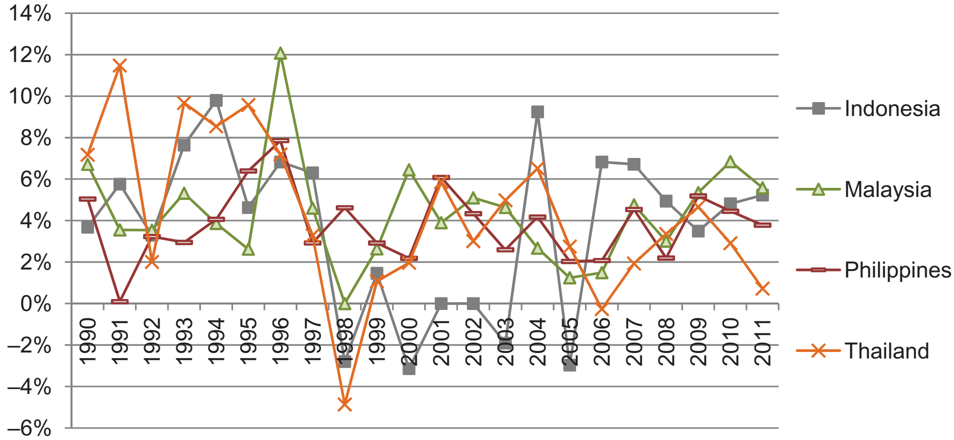

Figure 8. Annual employment growth: services, utilities and construction, 1990–2011. Source: Authors' calculations from ADB (2000, 2012).

The GFC did not coincide with a major downturn in employment in these sectors, although growth slowed conspicuously over 2009–11 in Thailand. On the whole, the weight of utilities, construction and especially services in Southeast Asia's economies and labour markets has held steady and will continue to grow, underscoring the importance of quality and security of work in these sectors.[2]

In sum, patterns of growth in output and employment draw important differences in the magnitude and composition of AFC and GFC impacts. The AFC's origins from financial crash and contagion are reflected in the implosion of services – specifically finance – and construction, which continued growing through the GFC. In general, sectors that suffered downturns also sprang back, most rapidly in manufacturing. However, sharper drops in output than in employment suggest falling wages, which adversely impacts livelihoods. Changes in agricultural output and employment indicated shifts into the informal economy in response to the crisis, particularly in Indonesia. The above overview thus raises questions on wages, labour market structures and forms of employment, to which we now turn.

Wages, Poverty and Human Development

Wage and income patterns shed important light on the capacity of individuals and households to sustain livelihoods. National survey data on wages are largely unavailable or unreported in ways that facilitate comparison across countries. Nonetheless, available statistics on the AFC are consistent with output and employment figures presented above. In Indonesia, national accounts data showed real wages falling between 1997 and 1999, by an overall average of 27.2%, and by 31% in manufacturing, 41.2% in construction and 23.5% in agriculture (Feridhanusetyawan 2000, 129). Real wages of low-skilled informal farm workers, in particular, were found to suffer especially sharp drops. It should be noted that Indonesia's exceptionally high inflation in 1998 accounts for the predominant share of real wage decline (Booth 1999). In Thailand, private sector real wages contracted by approximately 10% in 1998 (Sauwalak and Chedtha 2000, 48–49). Other impact assessments also reported evidence of falling real wages – and even nominal wages – as a result of the AFC in Thailand and Indonesia. As a further indication of economic stress, as well as social vulnerability and manipulability by malevolent agents, reported crime increased in Thailand in 1998, while Indonesia witnessed episodes of violence and looting, particularly of Chinese-owned businesses as the Suharto government was ejected (Knowles, Pernia, and Racelis 1999; Jones, Hull and Ahlburg 2000).

Tellingly, wage data have not been reported with any salient connection to the GFC in Southeast Asia. Unlike the above findings on Thailand and Indonesia, adverse effects on wage growth in the 2008–10 period have not surfaced. Manufacturing survey data in Malaysia reflect the crises' effects, and are comparable across the AFC and GFC. Using data from various issues of the government's *Report on the Annual Survey of Manufacturing Establishments*, it was found that real wages for full-time employees in this sector grew at an annual average 6.3% over 1993–96, then dropped to 2.1% over 1996–99. Production workers experienced a steeper decline as wage growth, although remaining positive, plummeted from 6% to 0.6%. Real wages in Malaysian manufacturing also declined in the GFC years, but by lesser margins: 1.5% in 2008 and 1.4% in 2009 for full-time employees, and dropped from 0.6% to – 0.6% for production workers.

Income poverty gauges the severity of welfare consequences, in terms of meeting basic consumption needs. Relevant data, based on household income or expenditure surveys, are less frequently collected on a national scale, and hence do not necessarily coincide with the focal points of the crises. Nonetheless, the available official measurements for Indonesia and Malaysia provide insight into rising poverty in the immediate aftermath of the AFC, as expected, and relatively less severe impacts of the GFC in these and other countries (Table 1). Indonesia's poverty rates in 1998 and 1999 are subject to considerable debate; the official rates presented here are less dramatic than various figures projected in the discourses swirling while the crisis unfolded (see Feridhanusetyawan 2000; Tambunan 2011). Nonetheless, rates show a substantial increase from 17.6% in 1996 to 23.4% in 1999. In 2008–10, however, Indonesia's poverty rate declined. Malaysia's official poverty estimate recorded a sizable rise from 6.1% in 1997 to 8.5% in 1999, and a marginal uptick from 3.6% in 2007 to 3.8% in 2009. The Philippines measured poverty at 31.8% in 1997 and 33.7% in 2000, while the rates reported for 2006 and 2009 were virtually unchanged at 26.4% and 26.5% respectively. Thailand's recently revised poverty line has upwardly recalibrated poverty rates for the 1990s compared to figures reported soon after the AFC.[3]

Table 1. Available poverty headcount ratio (based on national poverty lines)

	Asian financial crisis					Global financial crisis				
	1996	1997	1998	1999	2000	2006	2007	2008	2009	2010
Indonesia	17.6			23.4		17.8	16.6	15.4	14.2	13.3
Malaysia		6.1		8.5			3.6		3.8	
Philippines		31.8			33.7	26.4			26.5	
Thailand[a]	35.3		38.7		42.6	23.4	20.9	20.5	19.1	16.9

Sources: World Development Indicators (Indonesia, Malaysia and Thailand); National Statistical Coordination Board (Philippines).
Note: [a]Thailand's poverty rates for the 1990s are based on a 2013 poverty line revision.

However, the increase in poverty remains, from 35.3% in 1996 to 42.6% in 2000. By these official estimates, Thailand's poverty rate fell across the GFC years.

Declines in private household income can be compounded by cuts in public social expenditures, subsidies and transfer payments, or compensated by increases in such allocations and disbursements. The highly controversial fiscal austerity imposed on Indonesia in 1998 under IMF pressure adversely affected households, particularly in food prices. Thailand, in its initial reaction to the AFC, also cut social expenditures. More systematic social protection was introduced, about one year after the crisis started in Thailand, and from June 1999 in Indonesia, after the socio-political disruptions had taken a toll on the nation (Ramesh 2009, 88–91). Post-AFC, there have been numerous discussions by government agencies, trade unions and civil society organisations on how to strengthen the system of social protection and make it universal, particularly the health programme as developed by the Thaksin Shinawatra government in Thailand. A World Bank-supported programme of "conditional cash transfer," or CCT, for the poorest families was also initiated in Indonesia and the Philippines.

The crises' consequences on human development – specifically education and health – are also of substantive interest, particularly in view of the long-term consequences of regression in schooling and physical well-being. There is less evidence of primary school enrolment declining as a result of the AFC, although some indication of children dropping out from secondary schooling. This is not surprising, in view of the higher possibility that teenage youth may be withdrawn from school into the workforce, or due to the higher costs of secondary schooling. Studies found no change in school dropout rates in Malaysia and the Philippines, but a slight increase in Thailand (Knowles, Pernia, and Racelis 1999; Jones, Hull and Ahlburg 2000; Ablett and Slengesol 2000). Tertiary education, especially in overseas private institutions, had to be discontinued for a considerable number of students in Malaysia (Jomo and Lee 2000, 216). It is expected that university students of other countries would also face financial adversities, although, on a national scale, only a small segment of the population would have been affected.

Indonesia stands out among regional counterparts in terms of the AFC's effects on school enrolment. Ablett and Slengesol (2000) note that a range of surveys generated different findings. In general, though, it is reasonable to conclude that there were declines in enrolment, though not necessarily huge. The impacts disproportionately fell on households in urban areas and at the secondary school level. Thomas et al.'s (2004) detailed analysis also found evidence of a decline in enrolment and education spending, spanning both public and private education institutions. Indeed, the combined damage from inflationary pressure and reduced public expenditures – Indonesia being the only country in the region that suffered a decline in its real education budget – was serious to the point that the government announced abolition of entrance fees for public schools in July 1998 (Booth 1999).

Similar global problems converged in 2009, with a threatening mix of soaring food prices and financial crisis jeopardising education expenditures in various parts of the world. However, no significant downturns in education were reported for Southeast Asia (UNESCO 2010). In view of the shallowness of the economic downturn and dearth of adverse fiscal conditions, it is reasonable to conclude that the GFC did not impact significantly on education in all Southeast Asian countries.

Health outcomes are less sensitive than education to economic shocks. Empirically, life expectancy and infant mortality, two common indicators of socio-economic well-being, have not moved in directions that signify ramifications of the crises. However, reduced health funding and rising medical costs were found to take a toll on health care in Indonesia, Malaysia and Thailand (Jones, Hull and Ahlburg 2000; Jomo and Lee 2000; Knowles, Pernia, and Racelis 1999). As with education, negative changes in access to health care have not been reported in the wake of the GFC.

Labour Market Responses

The Low Unemployment Puzzle

Employment statistics discussed above indicate how labour markets adjust to crises, in terms of the quantity and quality of jobs generated and filled. The unemployment rate captures a further dimension of labour market vitality. However, Southeast Asia's unemployment scenario raises some puzzles, mainly stemming from official statistics showing no steep rise in unemployment rates in 1998 as well as in 2009. The three countries suffering the biggest GDP declines – Indonesia, Malaysia and Thailand – saw only modest increases in unemployment. Indonesia, in particular, recorded unemployment rates of 4.7% in 1997 and 5.5% in 1998, far below the expected rates given its massive economic downturn.[4] Thailand's unemployment rate increased by the biggest margin – from 0.9% in 1997 to 3.4% in 1998–but still remained at relatively low levels.[5] In the Philippines, unemployment rose from 7.9% to 9.4%, and in Malaysia, from 2.4% to 3.2%. In stark contrast, unemployment rates in 2009 either remained steady, as in the case of Malaysia, Thailand and the Philippines, or declined slightly, as happened in Indonesia.

Suggesting that official unemployment figures are not necessarily reliable, massive layoffs and retrenchments were reported by the media during the AFC as well as under the less severe impact of the GFC. Displacement data are also available for Indonesia and Malaysia for both crises.[6] The number of displaced workers in Indonesia numbered around 4.3 million in 1997 and 1998 (4.9% of the employed population of 1997), with about a quarter from manufacturing. Between December 2008 and December 2009, just over half a million workers were laid off, amounting proportionally to under 0.5% of the employed population of 2008 (Feridhanusetyawan 2000; Tambunan 2011, 54). In Malaysia, the number of workers retrenched burgeoned from 18,843 in 1997 to 83,865 in 1998 – about 1% of the 1997 employed population (Jomo and Lee 2000, 209). Retrenchments also increased from 5,218 in the first half of 2008 to 20,060 in the corresponding period in 2009, but this amounted to only 0.2% of the 2008 employed population (Mahani and Rasiah 2009).

The unexpected yet slight rise in unemployment rates needs not be surprising in view of the measurement's limitations of national labour force surveys and the sectoral shifts that we have noted for the AFC. Given the convention of classifying a worker as employed even if he/she works only for an hour in the survey week, underemployment (being employed more than an hour but less than a subsisting amount) is obviously undercounted and very often underreported. This is more acute in crisis times, when workers may have their hours cut while remaining on the job. Movement of workers from the formal to the informal economy also poses important implications. In this case, and regardless of whether informality is adequately accounted for, a stable or mildly increasing unemployment rate tends to hide employment shifts to relatively less remunerative and less secure informal settings. In Indonesia, in the aftermath of the AFC, 2.2 million people were absorbed into other employment, of which the largest share (39%) was in agriculture. Urban areas accounted for 30% of total employment, but for about 60% of unemployment, and simultaneous growth in agricultural employment is taken to reflect absorption of urban workers into rural economies (Feridhanusetyawan 2000, 119). Specifically, many workers shifted to informal agricultural employment, even though seasonal factors, as well as drought conditions in 1997–98, placed constraints on rural economies (Jones, Hull and Ahlburg 2000).

In Thailand, the expected movement of the displaced formal sector workers during the AFC to the rural areas did not happen. In fact, rural unemployment doubled between early 1997 to early 1998, increasing numerically by over a million (Hewison 2002). And yet, as Thailand had a relatively low unemployment rate for the year 1998, it is reasonable to deduce that most displaced workers entered the informal economy.

As Dejardin (2010, 7), in an assessment of the Philippine labour market under the GFC, put it: "An assessment of labour market consequences of economic crises in countries like the Philippines cannot rely on the unemployment indicator" because "in a context where social security coverage is low and patchy, and where unemployment insurance is non-existent, families, especially those who are not well-off, have no choice but to send out their members to earn a living." Dejardin explained that in the Philippines during the GFC, the shock absorber was not agriculture but services where "distress employment" in low-income, low-productivity activities is common.

Regional migrant worker flows add a further dimension to the labour market response to crisis. In labour-receiving countries, low unemployment figures also do not reflect the return exodus of migrant workers who are easier to expel in the labour market and who are also rarely counted in the national labour force statistics (see Rasiah, Yap, and Chandran Govindaraju 2014). In fact, the forcible expulsion of a large number of Indonesian workers from Malaysia during the AFC was a major source of political tension between the two countries, as Malaysia was host to at least two million Indonesian workers.

On the whole, therefore, the aggregate official labour force data inadequately capture the human dimensions of the changes and convulsions in the labour market. Many workers who lost their jobs in the formal sector found themselves in the informal economy, mainly in low-paying service activities or in agriculture. A few, however, could not cope with the crisis. Thailand saw a record number of suicides among workers and managers, while workers' riots and anger triggered the collapse of the Suharto regime in Indonesia (see Ofreneo 2000).

The Spread of Precarious Employment in the Formal Sector

Employer adjustments to crises are usually translated into labour cost-cutting measures, which make the enterprise leaner and meaner. During the AFC, the Association of Southeast Asian Nations (ASEAN 2001) employers cited the following labour cost-cutting measures: reduced overtime, reduced workdays, job sharing through work rotation, temporary layoffs, retrenchments, freeze hiring, forced leaves and increase in outsourcing.

These practices stem from more systemic origins, with cost-cutting continuously executed towards corporate re-engineering ends, not only in crisis periods but even during the ensuing economic recovery. Corporations explain that this is unavoidable under global and regional competition. A "leaner and meaner" work organisation, characterised by a few regular workers and a large peripheral or non-regular workforce, is justified by companies as a survival mechanism and as a source of competitiveness. This process naturally often leads to short-term hiring arrangements, outsourcing of work to outside producers and suppliers and the utilisation of the services of manpower-dispatching agencies which bring in their own workers in the work premises of the principal company. These developments provide industry with labour flexibility, that is, it is easy for firms to hire and fire workers depending on the rise and fall of the market. At the same time, labour flexibility practices raise job fears and anger in the ranks of many regular jobholders, especially the small unionised workforce in most of the Southeast Asian countries.

Thus, one labour market trend in Southeast Asia is unmistakable: increasing labour precarity in the formal labour market, in both crisis and recovery periods. Of course, the growth and persistence of precarious employment – characterised by uncertainty, instability and insecurity – is not unique to the region. It is an international or global concern under globalisation (Kalleberg and Hewison 2013). However, recent studies have found precarious forms of employment intensifying in Southeast Asia since the AFC, with extensive documentation in Indonesia, the Philippines, Thailand and Vietnam (Tjandraningsih 2013; Ofreneo 2013b; Hewison and Woradul 2013; Arnold 2013). Using *Annual Survey of Manufacturing Establishments* data on Malaysia, the increasing utilisation of contract labour, largely migrant and foreign, at the expense of regular workers, stands out as a systemic shift. In manufacturing, full-time contract workers as a share of total full-time employees steadied at 7.0% in 1992 and 7.3% in 1999, then continuously rose to 12.4% in 2005 and 17.7% in 2010 (Authors' calculations from the *Report on the Annual Survey of Manufacturing Establishments*).

Like in other Southeast Asian countries, the statistics are unable to capture various forms of labour flexibility in the formal labour market, such as manpower dispatching and hiring of casual and temporary workers. Temporary replacement of sub-contracted workers by external placement agencies is considered common. In documenting the employment outcomes of the GFC, ASEAN (2009, 9) reported that Thailand lost about 600,000 jobs in the manufacturing sector, but almost 800,000 people were hired in wholesale and retail trade and in the accommodation and catering sectors, where the informal economy predominates. The crisis also deepened the formal–informal sub-contracting system in Thailand, with formal economy investors engaging informal economy subcontractors in the sewing of garments, weaving of special textiles, production of mulberry products and the growing of certain crops or contract farming (Bundit and Voravith 2006). Also, there is switching between the sectors, which can be seasonal, for example, when unskilled workers in small and medium enterprises shift to agriculture during the cultivation period. For Thailand, labour force statistics also indicate a rising number of part-timers in Thailand, from 7.7% of the workforce in 1990 to 10.3% in 2004 (ILO ROAP 2007a).

Expansion of the Informal Economy

The phenomenon of precarious work in the formal labour market grows side by side with the expansion of the informal economy. The AFC induced entry to the informal economy, notably in Indonesia, the Philippines and Thailand. This mitigated formal sector unemployment to an extent, but at the same time augmented informality and vulnerability beyond the crisis recovery. Evidence points to informality and precarious employment rising during crisis, and being sustained at high levels post-crisis. Indonesia's informal sector employment went up considerably – from 62.8% in 1997 to 70.8% in 2003 (Felipe and Hasan 2006). The downturn of the economy resulted in a parallel downsizing of regular employment in the formal labour market, with employers resorting to the hiring of more casual or temporary workers as well as agency or sub-contracted workers (Juliawan 2010). Growth in employment over 2006–08 was concentrated in the informal sector, which created 4.4 million jobs (46% of the total), followed by 2.6 million self-employed positions in the formal sector (27%), then followed by the formal sector, which contributed 2.5 million jobs (26%). Correspondingly, the number of under-employed has been measured in Indonesia at 29.9 million in 2006, 30.2 million in 2007 and 30.6 million in 2008 (Djaja 2009, 7–13).

For cross-country comparison, the proportion of unpaid family workers and own-account workers in total employment, who are largely in the province of the informal economy, serves as a useful metric. According to this indicator, vulnerable and precarious employment in Southeast Asia's main diversified economies over 2005–10 was alarmingly high, with Indonesia registering 63%, Thailand 53%, the Philippines 43% and Malaysia 22% (Ofreneo 2013a). Regional assessments of the GFC's impact on labour have observed increases in informality and vulnerability. In its *Global Employment Trends 2012*, the International Labour Organization (ILO 2012, 66) reported an increase of 6.2 million workers in vulnerable employment for Southeast Asia and the Pacific between 2009 and 2010.

Migration: A Labour Buffer

Foreign migrant workers, predominantly low-skilled, constitute another vulnerable segment of the labour market, being generally contract workers lacking security and protection, and a workforce that is both more exploitable in growth phases and perhaps more expendable in crisis times. The ILO Regional Office for the Asia Pacific (ILO ROAP 2007b) estimated that the ASEAN countries had a total of 13.5 million migrant workers working globally. Some 5.3 million of them are working within the ASEAN region, mostly in Singapore, Malaysia, Brunei and Thailand. Given the large number of unregistered migrants crossing porous borders and a growing number of highly mobile professionals and experts being deployed within the region and beyond, 13.5 million might be a conservative estimate. Nonetheless, it is clear that the cross-border mobility of labour is growing and will intensify as ASEAN pushes towards fuller economic liberalisation.

International migration data for countries in the region are available at five-year intervals that do not completely coincide with the AFC and GFC (see Figure 9). The figures indicate the pattern of net sending and receiving countries, with outmigration predominating in the Philippines and Indonesia, as well as Vietnam and increasingly Cambodia. In the 2000s, Malaysia and Thailand have been net recipients of international migration, with the numbers dropping between 2005 and 2010, an outcome that may be attributed to displaced workers leaving in the wake of the GFC. Migration out of Indonesia and the Philippines continually declines, but at a slower rate in 2010, perhaps reflecting the mutual phenomenon of returning workers and reduced outmigration due to fewer opportunities abroad.

The implications of foreign migrant workers during economic downturn, as discussed in our conceptual framework, are manifold. They may be displaced not just from employment but also residency, thus relieving the unemployment burden, while returning to their home country and possibly joining the ranks of the unemployed or under-employed.

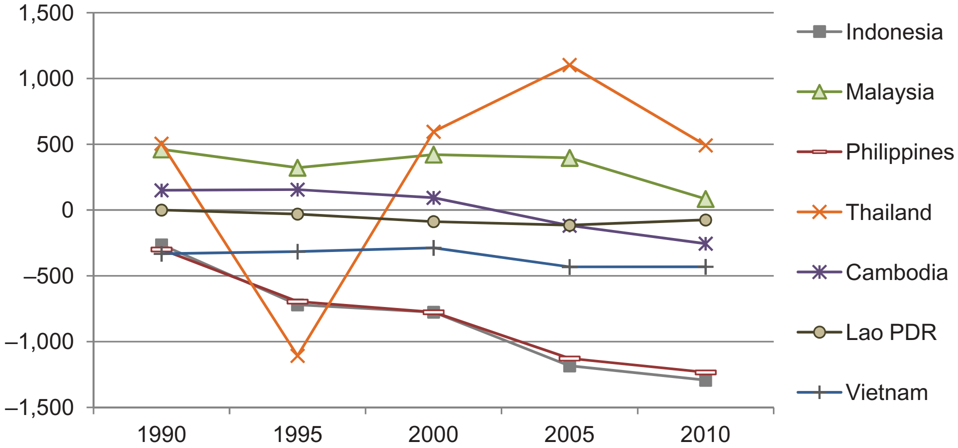

Figure 9. Net international migration, 1990–2010 (in thousands). Source: World Development Indicators.
Note: Figures denote immigration minus emigration, including citizens and non-citizens.

Regardless of nationality, however, the problem transcends borders and should be a concern for Southeast Asian nations, given the sizable numbers who cross borders within the region for work. Fair and full frameworks for protection of rights and prevention of discrimination by nationality should be instituted.

Another implication of foreign workers concerns the remittances flowing back home. The level of dependency on remittances varies across countries. In 2007, remittances per GDP ratios for the region were: the Philippines (11.7%), Vietnam (7.7%), Indonesia (1.4%), Malaysia (0.9%) and Thailand (0.7%) (World Development Indicators (2012), cited in ILO ROAP 2009). Plotting remittances, available data straddling the AFC and GFC years indicate outflows declining from Malaysia in 1999, while the inflow to the Philippines is higher in 1999 than it was in 1996 (see Table 2). The Philippines continued to receive massive remittances across the GFC years, virtually uninterrupted, reflecting an exceptional resiliency as well as widespread and diversified reach of Filipino workers overseas. Net remittances to Indonesia dipped in 2009 and 2010, while the net remittance outflow from Malaysia plummeted, consistent with the likelihood that Indonesian workers abroad, especially in Malaysia, were adversely affected in terms of employment and earnings.

Table 2. Net remittance flows, (current US$ in millions)

	Asian financial crisis				Global financial crisis				
	1996	1997	1998	1999	2006	2007	2008	2009	2010
Indonesia (inflow)	n.a.	n.a.	n.a.	n.a.	4,363	4,520	4,823	4,091	4,076
Malaysia (outflow)	−1,261	−1,880	−2,734	−161	−4,231	−4,832	−5,456	−5,398	−652
Philippines (inflow)	4,818	n.a.	n.a.	6,692	15,231	16,267	18,598	19,711	21,361

Source: World Development Indicators.
Note: n.a. = data not available.

Low Union Density, Rising Labour Militancy

The rise of precarious work in labour markets is aided by the limited reach of unionism, which could have challenged employers' increasing resort to flexible forms of hiring arrangements. Table 3 shows the low rate of unionism in the region, with corporatist Singapore on top at 15.6 %, followed by the Philippines (12.3%) and Vietnam (10%). The rate for the Philippines is somewhat overstated since union membership statistics are based on "claimed memberships" submitted by a hundred or so competing union federations, most of which tend to inflate their respective strengths. On the other hand, Vietnam, Cambodia and Laos adopted a market-oriented economic policy in the 1990s and their labour laws, especially on union formation, are relatively new compared to Indonesia, Malaysia, the Philippines, Singapore and Thailand. Overall, the vast majority of workers in the formal labour market are non-unionised workers, who are invariably more exposed to market and employer vagaries or arbitrary power. This is particularly true in the special economic or export processing zones developed by various ASEAN countries to attract foreign investments looking for re-export manufacturing sites for garments, electronics, auto parts and other labour-intensive products that are produced for the global market by multinational corporations.

Most governments in the region, wary of union militancy and foreign investment reaction to any form of workers' protest, assiduously try to maintain industrial peace through strict rules on unionism, according recognition mainly to pro-government labour federations. This is how the authoritarian Suharto regime was able to keep a tight leash on the Indonesian labour movement for several decades, while declaring that all sectors of society were united under a *pancasila* system of industrial relations. Of course, there was no such unity, and the AFC saw angry workers staging waves of wildcat strikes against the impacts of crisis and state policies from early 1998 (Juliawan 2011). After the consequent collapse of the Suharto regime, new unions flourished under the banner of *reformasi.* The Indonesian government also made a dramatic presentation in the ILO Convention of June 2008 by declaring its ratification of all the core ILO conventions on freedom of association, collective bargaining, non-discrimination, prohibition of forced labour and the elimination of child labour. This was followed by the drafting of new laws based on the democratic industrial relations practices of other countries.

Table 3. Unionisation rates in Southeast Asia

Country	Unionisation rate
Burma	0.0
Cambodia	1.0
Indonesia	2.6
Laos	3.0
Thailand	3.1
Malaysia	8.3
Vietnam	10.0
Philippines	12.3
Singapore	15.7

Source: Extracted from Caraway (2010).

In Malaysia, the Malaysian Trade Union Congress became divided from the late 1990s, with a *reformasi* wing aligning with the political opposition and raising non-traditional labour issues such as social protection for all. In Vietnam, the state appeared helpless when a wave of wildcat strikes hit the country's growing export processing zones in the mid-2000s (see Siu and Chan 2014). The strikes were not linked with the official Vietnam General Confederation of Labour, whose members are based primarily in the shrinking state-owned enterprises.

During the GFC, labour militancy was a lot tamer compared with the spontaneous workers' protest actions during the AFC. This behaviour was in part due to the efforts of governments to preserve jobs through stimulus spending and campaigns for employers to avoid labour-shedding through non-labour cost-cutting measures. For example, in Thailand, the government introduced a programme in 2011 providing a subsidy of 100,000 baht (about US$3,300) for first-time car buyers to maintain the market for Thai-made, Japanese-branded cars.

However, through good and bad economic times, labour activists in the region have persisted in the campaign for greater freedom to organise workers, even in the military-controlled Myanmar. These efforts continued in the post-AFC as well as post-GFC periods, as reflected in worker protests in the region. The most striking among these protests were those waged by Indonesian workers in October 2012 and those of Cambodian workers in January 2014. Both indicate the restiveness of the workers, even in non-crisis periods.

In the case of Indonesia, labour demonstrations and strikes have become a common occurrence in Jakarta and other cities since the fall of Suharto. However, in October 2012, the divided trade union movement was able to unite for action that paralysed Jakarta for several days. The labour issue which galvanised competing labour federations was the widespread practice of outsourcing jobs through the use of labour contracting or dispatching agencies. The post-Suharto 2003 labour law recognised the rights of workers to free trade unionism and to collective bargaining. While bitterly opposed by many employers, the law allowed the outsourcing of some work and the use of labour outsourcing expanded. The labour outsourcing industry grew phenomenally between 2003 and 2012, with the Indonesia Employers Association (APINDO) estimating that 40% of the formal labour market was made up of outsourced workers (APINDO 2012). Authorities tried to quell the October 2012 labour unrest by issuing rules limiting labour contracting to fewer activities, yet the practice remains widespread. Unions and employers remain at odds, especially on the appropriateness of these rules (as raised by the employers) and on the weak enforcement of these rules (as raised by the unions).

In the case of Cambodia, the shocking shooting of several workers and the jailing of an undetermined number of worker protesters by the Hun Sen government in January 2014 was apparently meant to still the waves of wildcat strikes and labour protests which sizzled from December 2013 until that violent crackdown. The demands of the protesting workers, mostly women garment workers, were for a doubling of the minimum wage, which was pegged at a miserly US$80 a month, and greater freedom of the workers to form unions and seek redress for their grievances. The workers' protests exposed the hollow protective mantle provided to the workers by the "Better Factory" programme crafted by the ILO and a number of Western countries to promote workers' rights by rewarding labour-friendly employers a greater share of the garment export business (see Arnold and Shih 2010).

Social Protection

Stung by criticism of their inability to provide adequate social safety nets, ASEAN governments started discussing social protection measures such as livelihood and credit assistance in late 1998. In 1999, the ASEAN Action Plan on Social Safety Nets was established (ASEAN 2001, 2003). Yet measures have been limited and it is noted that adequate unemployment insurance is essentially absent in the ASEAN countries, although it was the biggest concern of workers displaced from the formal manufacturing sector during the AFC and GFC.

In Thailand, social protection became a national issue at the height of the AFC because of the numerous layoffs and rapid decline of the purchasing power of the working population as discussed earlier. According to Hewison (2002), the initiative of the government to explore the possibility of setting up a safety protection net for vulnerable workers put the World Bank in an awkward position because the bank supported a crippling IMF-inspired austerity programme during the AFC. There were also debates within the World Bank itself, between proponents of austerity and unbridled liberalisation of the labour market and the "revisionists" who saw the importance of a safety net for workers. Paralysing policy debate within the World Bank pushed the post-AFC Thaksin government to look beyond the bank. Thaksin eventually established the highly popular 30 baht universal health coverage (see Gruber, Hendren, and Townsend 2014).

By the time of the GFC, the World Bank had become a proponent of social protection, promoting in Indonesia and the Philippines the CCT developed by the bank in Latin America. The CCT scheme calls for the allocation of some cash to a poor family on the condition that the mother visit a health clinic and their children not stop attending school.

Vietnam perhaps stands out as a regional exception, having introduced an unemployment insurance scheme in 2009, to take effect from 2010 (ILO ROAP 2009). Although we have paid less attention to the country, due to both limited data and lesser crisis impacts, its introduction of this unemployment insurance underscores the growing sense of the role and importance of social protection, regardless of growth or crisis situations.

Emerging Labour Landscape: ASEAN in 2015

In 2015, the ASEAN Economic Community (AEC), characterised by the free flow of goods, capital, services and skilled labour, which is made possible by a bundle of liberalisation programmes, comes into existence. The AEC has attracted the attention of employers in the region because the AEC means fiercer intra-regional competition. On the other hand, unions worry that AEC competition will intensify flexibilisation processes and will lead to a reduction of workers' benefits because of a "race to the bottom" among competing employers.

Thus, Southeast Asia's trade unions, workers' support groups and non-governmental organisations (NGOs) are critical of the AEC project. Instead, they have been pushing for labour law reforms and better industrial relations practices at the national and regional levels. The resolutions submitted by the ASEAN Civil Society Conference (2011) for the ASEAN Senior Labour Officials Meeting in Malaysia in mid-2011 sum up the key labour issues in the region. The recommendations were for: the elimination of labour outsourcing and discriminatory measures against "permanent" workers; the extension of "social security for all"; the protection of all migrants and allowing them to establish autonomous trade unions; the recognition of domestic work as work; respect for ILO Conventions 87 (Freedom of Association) and 98 (Collective Bargaining); secure rights for women workers; a minimum wage policy to ensure a decent standard of living for all; adequate monitoring and curbing of labour abuses; and providing workers with fair settlement of grievances.

None of the foregoing demands are new. Trade unions and civil society organisations have been articulating them in varied ways since the 1980s. The problem is how to overcome the obstacles in the realisation of these demands given the three major trends in the labour market of Southeast Asia: increasing labour precarity in the formal sector; expanding informal and vulnerable employment; and the continuing expansion of migration for work in the region.

Conclusion

It is clear that the dislocating impacts of the AFC and the milder GFC were substantial and that they have deepened informalisation and flexibilisation in Southeast Asian labour markets. These processes continued even in the recovery periods because these are aided by competition realities and "race to the bottom" practices under globalisation. While employment recovered numerically from the crises, and robustly in the wake of the AFC, precarious forms of employment have been entrenched.

At the same time, the two crises and workers protests in the region, sporadic though they may be, highlight the need for broadening and deepening protective labour market institutions. Rapid cyclical recovery should not detract attention from structural impediments to security and productivity. Persistently high levels of informal, casual and migrant contract labour shift the risks associated with market vicissitudes onto workers and their dependents, and limit the needed transition to higher productivity and wages. While informal employment has served to absorb displaced workers in past crises, the social costs of allowing this to recur will likely be substantial. It is also in the interest of the region to safeguard migrant worker well-being through multilateral engagement.

The crises – in particular the AFC – underscored the imperative of supporting basic needs provision in times of duress, and of instituting social protection more generally.

AFC alerted Southeast Asia to the inadequacies of its social protection schemes, compelling the expansion of such programmes in the region (see Ramesh 2009). Socio-economic development was much less disrupted by the GFC. Fiscal stimulus spending would have alleviated some of the adverse impact on workers. However, the impacts of the GFC were insufficient to test the adequacy of protection of workers and their livelihoods. Importantly, the absence of full-fledged unemployment insurance in Southeast Asia raises questions on the capacity of the region's countries to cope with future crises.

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Notes

[1] Singapore, which experienced a drastic economic contraction in 2009 but a speedy recovery thereafter, is undoubtedly an exception in Southeast Asia. We omit Singapore from this discussion due to its constitution as a city-state, as well as data limitations.

[2] From 2000 to 2011, the share of services, utilities and construction in GDP increased from 53% to 63% in Indonesia, 67% to 72% in Malaysia, 66% to 72% in the Philippines and 71% to 72% (2010) in Thailand. In terms of employment, these sectors raised their share from 41% to 50% in Indonesia, 59% to 70% in Malaysia, 53% to 58% in the Philippines and 41% to 47% in Thailand (authors' calculations from ADB 2012).

[3] Thailand's relatively high poverty rate, even exceeding Indonesia's, seems at odds with its income level and stage of development. We report these current official statistics, as a consistent series retrospectively revised to the 1990s and earlier. Details of the 2013 poverty line revision are not available in English translation. Nonetheless, an analogous exercise in 2006 also raised poverty rates up to 2002, and was demonstrably conducted in a thorough, objective and rigorous manner that would reasonably have been maintained in the latest exercise (Somchai and Jiraporn 2006).

[4] The reported figures originate from Indonesia's statistics agencies. Other sources, notably the Ministry of Manpower and the National Planning Agency, estimated unemployment at much higher levels for 1998, respectively, 14.8% and 13.6% (Feridhanusetyawan 2000, 117–118).

[5] For Thailand, Brown and colleagues (2002, 13) reported that World Bank estimates of unemployment were almost twice that of the official figure.

[6] The Philippines reported increases in layoffs, increasing from 62,734 in 1997 to 155,198 in 1998, of which about half were permanent layoffs and a third temporary (Pasadilla 2000, 256). Jones, Hull and Ahlburg (2000, 47) similarly note that layoffs for economic reasons in 1998 exceeded that of 1997 by 2.4 times. However, data through the GFC period are not readily available for comparison.

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