



*Asia-Pacific Economic Cooperation  
Human Resources Development Working Group  
Labour Market Information Group*

# **Innovative Labour Market Adjustment Policies and Programmes in APEC Member Economies**

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## Introduction

This report presents information on innovative labour market policies and programmes in APEC member economies. It has been prepared as an aid to policy makers, in the context of the economic and financial crisis in Asia. The crisis has had a substantial impact on the human resource and social conditions in several member economies. The identification and dissemination of innovative labour market adjustment policies and programmes aims to provide relevant and timely information to assist economies responding to the economic and financial crisis and minimise its economic and social costs.

This report stems from the report of the APEC Human Resources Development Working Group (HRDWG) on the Human Resource and Social Impact of the Financial Crisis delivered at the 19<sup>th</sup> HRDWG meeting in January 1999.

The HRDWG agreed that one of its networks – the Labour Market Information (LMI) Group – would undertake this work. Australia (through the Department of Employment, Workplace Relations and Small Business) is currently the co-ordinator of the LMI Group and took responsibility for the preparation and co-ordination of the report.

The report contributes to the directive APEC Leaders set in Kuala Lumpur in November 1998 – including to strengthen social safety nets and human resource development towards a capacity for sustained growth in the economies of the Asia-Pacific into the 21<sup>st</sup> Century.

This report will be presented at the 3<sup>rd</sup> APEC HRD Ministerial meeting being held in Washington D.C., USA, in July 1999. It will also be presented to APEC Ministers and Leaders meeting in Auckland, New Zealand, in September 1999.

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# Part 1: Asian Economic Crisis: An Overview of Economic and Labour Market Developments

## 1. Brief Overview of the Crisis

The financial crisis which has hit several Asian economies began in June, 1997 when the Thai baht was forced to float and a dramatic depreciation followed. Subsequently, Hong Kong, China; Indonesia; Korea; and Malaysia experienced significant currency pressures. Within one year, not only economies in Asia, but also in North America and Europe were adversely affected by the crisis.

Table 1 presents the annual real Gross Domestic Product (GDP) growth rates for the 21 APEC economies for the 1994–98 period and, where available, forecasts for 1999. Since the beginning of the crisis, GDP growth rates have been falling in almost all APEC economies. In particular, Hong Kong, China; Indonesia; Japan; Korea; Malaysia; New Zealand; Russia; and Thailand experienced negative growth in 1998 (see Figure 1). In 1999, it is expected that GDP growth rates will improve for most economies affected by the crisis. The last column of Table 1 presents the forecasts of GDP growth rates for some member economies in 1999 by the *Asian Development Bank*, which indicates that of the economies experiencing negative growth in 1998 only three of them will have negative or no growth in 1999. They are Hong Kong, China; Indonesia; and Thailand. The improvement expected in Korea and Malaysia is particularly impressive.

**Table 1: Real GDP rates of growth for APEC economies, 1994–99**

	1994	1995	1996	1997	1998	1999*
Australia	5.14	4.24	3.61	3.62	5.10	n.a.
Brunei	1.80	2.00	3.50	4.00	1.80	n.a.
Canada	4.73	2.61	1.21	3.80	2.99	n.a.
Chile	5.71	10.63	7.37	7.06	3.30	n.a.
China	12.60	10.50	9.60	8.80	7.80	7.0
Hong Kong, China	5.40	3.89	4.50	5.28	-5.10	-0.5
Indonesia	7.54	8.22	7.98	4.65	-13.70	0.0
Japan	0.64	1.47	5.05	1.43	-2.82	n.a.
Korea	8.58	8.94	7.06	5.51	-5.50	2.0
Malaysia	9.30	9.36	8.60	7.70	-6.77	0.7
Mexico	4.42	-6.17	5.18	6.98	4.90	n.a.
New Zealand	5.96	4.00	3.12	2.11	-0.32	n.a.
Papua New Guinea	4.44	-2.92	3.47	-5.36	3.75	n.a.
Peru	13.10	7.34	2.49	7.16	1.53	n.a.
Philippines	4.39	4.68	5.85	5.17	-0.48	2.4
Russia	-12.60	-4.10	-3.50	0.80	-4.82	n.a.
Singapore	10.52	8.92	7.52	7.99	1.49	1.0
Chinese Taipei	6.54	6.03	5.67	6.76	4.90	4.9
Thailand	8.61	8.83	5.52	-0.43	-8.00	0.0
United States	3.46	2.28	3.45	3.93	3.88	n.a.
Viet Nam	8.84	9.54	9.34	8.80	3.50	3.7

Sources: All except Brunei; IMF World Economic Outlook database, April 1999; Brunei: APEC homepage - Member Economies.

\*The 1999 figures are from the *Asian Development Outlook*, 1999.

**Figure 1: APEC economies: GDP growth rates in 1998**

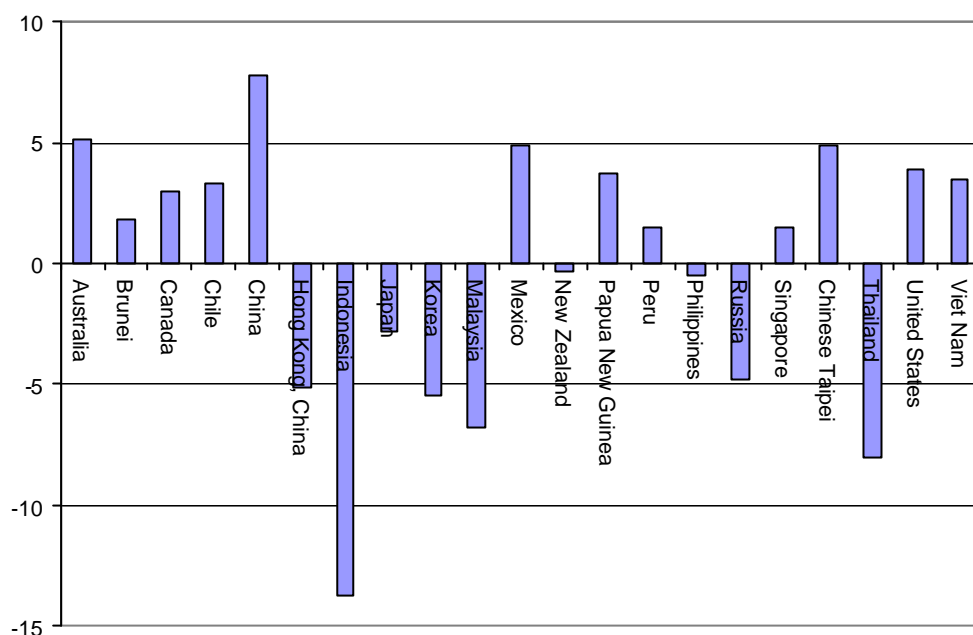
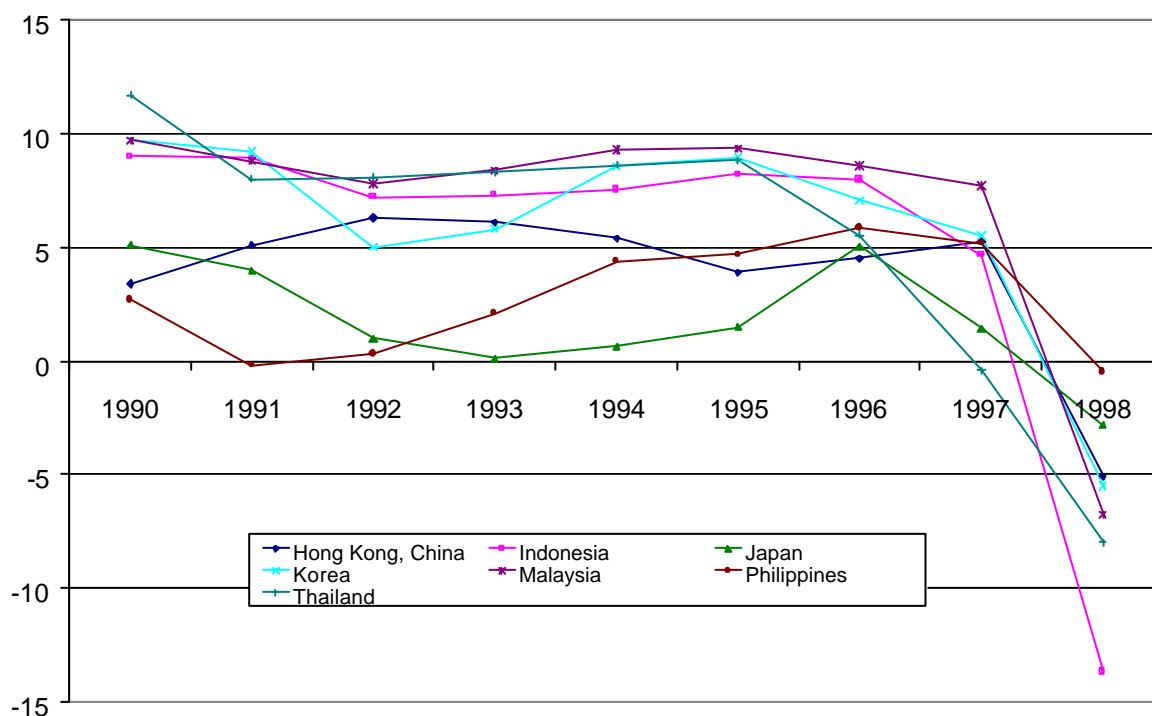


Figure 2 presents real GDP growth rates over the 1990–98 period for the seven Asian economies which experienced negative growth in 1998. Of the seven, Hong Kong, China; Indonesia; Korea; Malaysia; and Thailand experienced the most dramatic declines in GDP growth.

**Figure 2: Real GDP growth rates in seven Asian economies, 1990–98**



Sources: Data for 1990–93 are from Garnaut (1998); for 1994–98 the data sources are the same as for Table 1.

Figure 2 shows that these five economies had consistently fast economic growth for a long period before the Asian crisis. The average real GDP growth in the first half of

the 1990s for Indonesia; Korea; Malaysia; and Thailand was above 7.5 per cent, while Hong Kong, China, averaged 5 per cent growth. Even the Philippines, which previously experienced more modest growth, began to register reasonably strong growth from 1994 onwards, and by 1996 its real GDP growth reached 5.5 per cent. Japan is an exception among the seven economies with an average growth rate of 1.3 per cent over the period of 1990–95. The GDP growth for all seven economies, however, declined in 1997 and fell further in 1998.

One of the questions that arises in the aftermath of the crisis is the extent to which the crisis has affected the labour market situation—employment, unemployment, and earnings—and, in turn, how has it affected the social and economic well-being of the people in these economies. Although GDP growth in most crisis-affected economies is picking up in 1999, it may take a long time for the socioeconomic effects of the crisis to disappear.

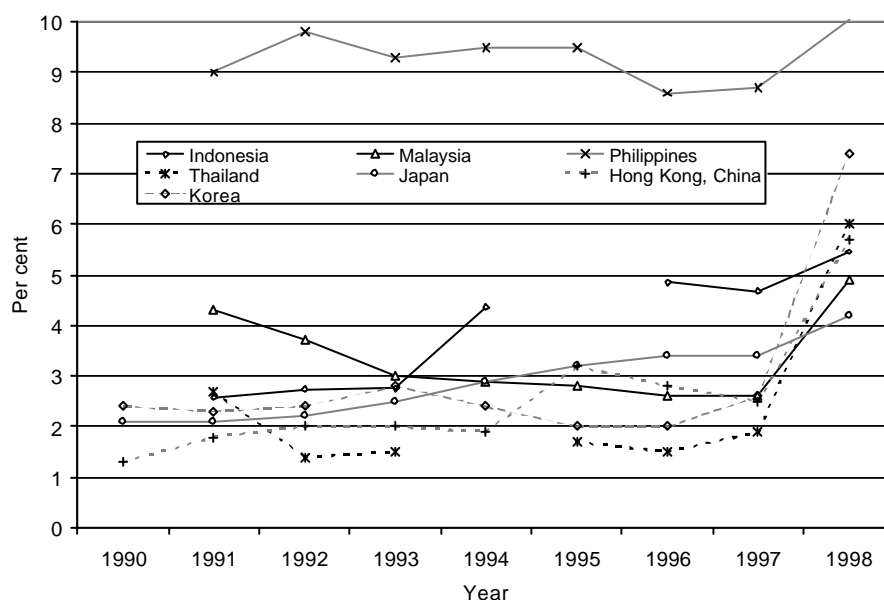
## 2. The Social Impacts of the Crisis and Labour Market Adjustment

The economic contraction provoked by the crisis has caused widespread social distress in the seven most badly affected economies.

### *Unemployment*

As a result of the declining economic growth, unemployment in all seven economies has increased sharply (see Figure 3). The reported changes in Hong Kong, China; Indonesia; Korea; and Thailand are very dramatic.

**Figure 3: Changes in the unemployment rate, 1990–98**



Sources (1) International Monetary Fund, *International Financial Statistics*, January and March 1999.  
 (2) Data for Hong Kong, China for 1997 and 1998 are from Hong Kong, China, Census and Statistic Department website.  
 (3) Data for Thailand for 1998 is from ILO (1998).

Note: The unemployment rates for Indonesia, Malaysia, and Thailand for September 1998 are estimates.



In Indonesia, the increase in unemployment is not only due to the shrinking domestic labour demand but also to the repatriation of Indonesians working in other parts of East Asia (EIU, 1998a).

Estimates of the unemployment rate in Thailand vary widely. The figure of 5.6 per cent used in Figure 3 is based on an International Labour Organisation (ILO) estimate. On any estimate, however, the number of Thailand's unemployed has increased sharply (EIU, 1998d).

According to the Korean Ministry of Labour, the unemployment rate in the first quarter of 1999 continued to rise to 8.5 per cent. The increase in the measured level of unemployment has been moderated by workers dropping out of the labour force, or working without pay in family businesses, and the incidence of casual workers who have not been paid for over a month. Even though the decline in GDP growth in Korea in 1998 was not as serious as in Indonesia and Thailand, the increase in unemployment was the highest of the seven Asian economies that experienced negative growth. This may be partly due to the relative inflexibility of its wage setting system (which is discussed later), and partly due to its industrial structure, as the urban informal and rural agricultural sectors are not able to absorb displaced workers (Manning, 1999).

While Malaysia's unemployment rate increased from 2.6 per cent in 1997 to 3.9 per cent in 1998, its rate is low compared to much of the rest of East Asia. Part of the reason is that before the crisis, Malaysia was experiencing a very tight job market. There are still shortages of labour within specific sectors.

In percentage terms, unemployment in the Philippines has risen the least of the seven economies in Figure 3. This is partly due to the Philippines being one of the last economies in East Asia to be affected by the financial crisis. It was only in the second quarter of 1998 that the Philippines recorded negative growth. And even so, this decline was seen by many to be the result of drought conditions brought on by *El Nino* and not the result of the financial crisis. Confirmation of this conclusion can be seen in the employment figures for the second half of 1998 when employment rebounded strongly in the agricultural sector, bringing the national unemployment level down from 13 per cent to around 10 per cent (EIU, 1998c).

In Hong Kong, China, the unemployment rate has continued to rise in 1999, increasing to 6.2 per cent in the first quarter (Hong Kong, China: Census and Statistics Department, 1999).

### ***Demographic characteristics of retrenched workers***

Because employment reductions are costly from the view point of the loss of human capital and social hardship, it is important to understand which groups of people have been most affected. Using 1998–99 World Bank survey data on the five most adversely affected Asian economies (Indonesia; Korea; Malaysia; Philippines; and Thailand), Meng and Duncan (1999) provide detailed analysis on the characteristics of the workers in the manufacturing sector who were retrenched during the crisis.

### *Age profile of workers who left firms*

With regard to the age profile of workers who were retrenched, the study found that the four economies other than Korea mainly retrenched 21 to 30 year old workers. Workers who became redundant in Korea were mainly in the age group of 31 to 40 years old. The four economies in which laid-off workers were mostly in the age group 21 to 30 years have the more labour intensive industries, and therefore the proportion of production labour is relatively high in these economies (see Table 2). Given that production workers are generally younger than managerial and technical workers, the fact that the 21 to 30 year age group was more likely to be retrenched also suggests that production workers are the ones who suffered the most from the crisis.

Another possible explanation for the predominance of younger workers among those who were laid off might be that many rural migrants are employed in the industrial sector. Rural migrants are often younger than local workers.

Korea has a somewhat different industrial structure than the other four economies. As seen in Table 2, production labour in Korean manufacturing firms accounted for a lower proportion of total labour. If the assumption made above also applies in Korea's case—that is, that production workers are relatively younger—it may be concluded that in Korea it is the relatively older and more skilled age groups that have suffered most from the employment reduction.

**Table 2: Occupational distribution in manufacturing firms, 1997 and 1998**

	Average number of employees		Percentage of managerial and technical staff		Percentage of production workers		Percentage of non-production workers	
	1997 (no)	1998 (no)	1997 (%)	1998 (%)	1997 (%)	1998 (%)	1997 (%)	1998 (%)
Indonesia	350	319	6.77	7.40	74.83	75.57	18.40	17.02
Korea	354	328	16.65	16.59	55.26	54.86	28.10	28.55
Malaysia	166	155	18.60	19.34	70.23	68.00	11.18	12.66
Philippines	421	386	8.69	8.56	81.84	82.40	9.47	9.05
Thailand	249	236	10.73	11.00	76.17	75.35	13.10	13.65
<b>Total</b>	<b>301</b>	<b>278</b>	<b>11.90</b>	<b>12.18</b>	<b>70.48</b>	<b>70.18</b>	<b>17.62</b>	<b>17.64</b>

*Source:* Meng and Duncan (1999).

Although the above reported age profile of retrenched workers is from a survey of manufacturing firms, it basically reflects the situation in these economies as a whole. According to these data, the unemployment rate of the youngest age group (15–24 years in 1998) is the highest in Indonesia at 17 per cent. The group with the second highest unemployment rate are those aged 25 to 39 years. Similarly, in Malaysia, the age group which suffered the most is the 20–24 year old group. In 1998, the total number of job seekers in this age group accounted for 48 per cent of total job seekers (Malaysia Ministry of Finance, Economic Report, 1998–99).

Given that in most of the crisis economies it was the younger workers who were more likely to lose their jobs, the following implications may be drawn. First, the younger people are likely to be the less skilled, especially where firm-specific skills are concerned. This implies that the impact of the employment reduction on human capital, from both the point of view of firms and society as a whole, will be limited in the short term. Second, younger people find it easier to learn new skills and hence have more flexibility in the labour market. Therefore, it will be easier for the government or industry to retrain them so that they can fit in with new trends in labour demand. Third, if the young workers are unemployed for a long period of time and do not undertake training during this time, it will have adverse long-term consequences for their future employment. Fourth, young people have fewer family responsibilities. Thus, their retrenchment may mean a lesser social burden and lesser social hardship than if older groups, such as those of ages 31 to 40, were mainly affected. From this point of view, however, it is worrisome that Korea's employment reduction mainly occurred among the 31 to 40 years age group.

### ***Tenure of workers who left firms***

Length of firm tenure is often seen as a measure of firm-specific skills. Thus, analysis of the tenure of retrenched workers may provide some indications of how much human capital loss may have occurred due to the crisis.

Meng and Duncan (1999) found that more than 70 per cent of firms in Indonesia, Malaysia and Thailand retrenched workers whose average length of firm tenure was less than three years. For the Philippines this figure was 45 per cent, and for Korea 57 per cent. In the Philippines and Korea more than 20 per cent of firms (in the case of Philippines it is 38 per cent) retrenched workers whose average firm tenure was more than six years. Another 20 per cent of firms in these two economies laid off workers whose average tenure was four to five years. These findings indicate that firm-specific human capital losses may have been more serious in Korea and the Philippines.

The data on firm tenure of retrenched workers only reflects part of the story on human capital losses. According to Indonesian data, among the total unemployed workers in 1998, those who have senior high school qualifications and those who have university degrees suffered the most from the crisis. The unemployment rates for these two groups are double the national average.

### ***Retrenchment of migrant workers***

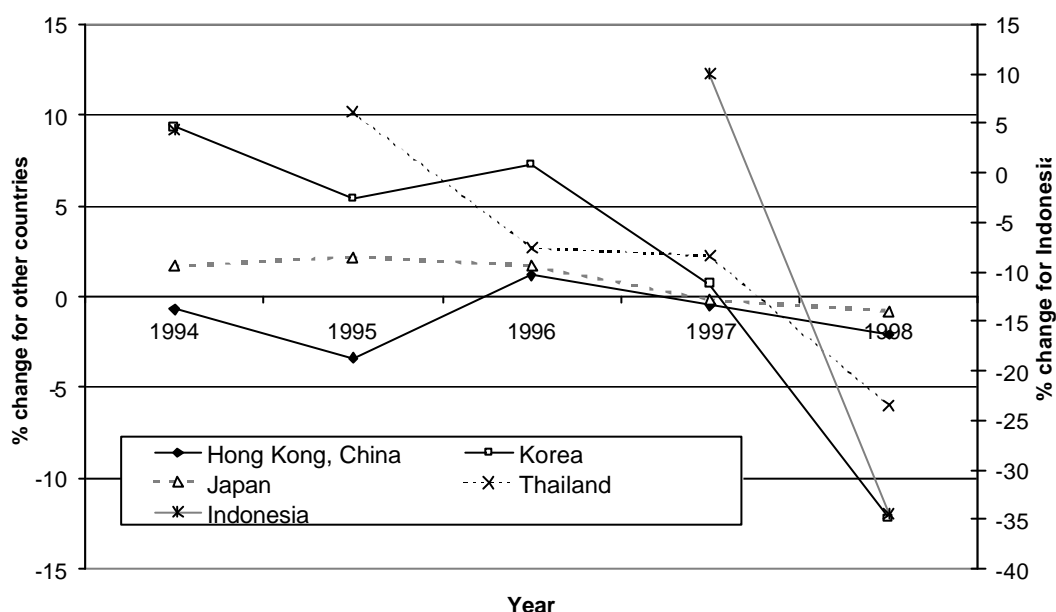
According to the ILO (1998), migrant workers may have suffered the most from retrenchment. Migrants are defined to include not only within-country, rural-urban migrants but also immigrant labourers.

In Indonesia, agricultural employment had been declining for a long period prior to the crisis. During the crisis, however, the total number employed in agriculture increased by 13 per cent in 1998 (Indonesia: Central Bureau of Statistics, National Labour Force Survey, August 1997 and August 1998). This phenomenon was also found in Thailand (Kakwani, 1998). These figures indicate that many retrenched migrant workers have returned to their rural home town and to the support of their families.

### Changes in real wages

The economic and social impact of the crisis is not only felt in the form of retrenchment, but also those who remain in employment may well have suffered reductions of real wages. Figure 4 presents real wage changes for five of the economies that suffered a decline in GDP in 1998. In 1998, all five economies experienced a decline in real wages. In particular, real wages in Indonesia fell by 35 per cent, mainly due to the sharp increase in inflation. Average nominal wages in Indonesia in 1998 increased by 17 per cent while the Consumer Price Index increased by 79 per cent.

**Figure 4: Real wage changes, 1994–98**



Source (1) IMF International Financial Statistics, March 1999.  
 (2) Data for Indonesia are from Labourers/Employees Situation in Indonesia, Biro Pusat Statistik, Jakarta, Indonesia, various years; and Monthly Statistical Bulletin, Biro Pusat Statistik, Jakarta, Indonesia, various years.  
 (3) Data for Thailand 1998 are from The World Bank "Thailand Social Monitor, January 1999".

According to the Thailand Labour Force Survey, although the average real wage reduction in Thailand in 1998 was around 6 per cent, the figure was much higher in urban areas than in rural areas (Shivakumar, 1999). Kakwani (1998) confirmed that the crisis adversely affected real incomes in Thailand and suggested that the reason real agricultural incomes did not decline as much as urban incomes was the sharp increases in agricultural prices. The study by Shivakumar (1999) also pointed out that among all workers the less educated suffered the largest decline in real income.

### Poverty

According to the ILO (1998), the crisis is likely to bring about a higher incidence of poverty in those economies which have been adversely affected, mainly due to the increased unemployment. The disproportionate rise in the price of food and other essential goods will also aggravate poverty. In Malaysia, for example, the total consumer price index increased by a little above 5.3 per cent in 1998, while the food price index increased by more than 8 per cent (Bank Negara Malaysia: Annual

Report, 1998). In Indonesia, the total inflation rate was 12.8 per cent, while the food price index increased at 16.1 per cent (ILO, 1998).

The incidence of poverty in Thailand has increased, although estimates of the extent of the increase vary.

The International Monetary Fund (IMF, 1998) provided forecasts of the changes in poverty incidence in Indonesia, Korea, and Thailand (Table 3).

**Table 3: Change in poverty due to the crisis (1998 forecasts)**

	<b>Increase in the number of poor</b>		<b>Due to unemployment</b>		<b>Due to inflation</b>	
	<b>Millions</b>	<b>% of population</b>	<b>Millions</b>	<b>% of total increase</b>	<b>Millions</b>	<b>% of total increase</b>
Indonesia	39.9	20	12.3	30.8	27.6	69.2
Korea	5.5	12	4.7	85.5	0.8	14.5
Thailand	6.7	12	5.4	80.6	1.3	19.4

As Lee (1998) pointed out, the interesting point made in the IMF projection is that inflation was expected to contribute about 70 per cent of the total increase in poverty incidence in Indonesia, whereas in the other two economies the major contributor was expected to be unemployment.

#### ***Impact of labour market institutions***

The change in employment and earnings during an economic upheaval is heavily influenced by labour market institutions. Hence, understanding the degree of flexibility of the labour markets may assist in understanding differences in the impact of the crisis in different member economies.

Korea has the strongest union movement of the five economies most adversely affected by the crisis. Even though on average across industries only 10 per cent of its labour force is unionised, a much higher unionisation rate is found in the manufacturing industry. Moreover, the unionisation rate is highly correlated with firm size. According to Lee and Kim (1997), while the unionisation rate in firms with less than 100 employees averages less than 5 per cent, it is 26 per cent in firms with 100–299 employees and 36 per cent in firms with 300–499 employees.

During the crisis, unions in Korea have once again demonstrated their power. For example, when the Hyundai automobile factory in Ulsan decided to implement a redundancy plan, workers took the factory over, causing US\$650 million in lost production and driving several suppliers to the edge of collapse. The end result was an agreement which allowed the company to lay off 1300 workers, mostly female cafeteria staff, and have another 1200 workers go on voluntary unpaid leave (EIU, 1998d). New legislation was implemented which allowed employers to lay off workers *en masse*. In the negotiations that led up to this change, labour won a promise from employers that workers would not be ‘recklessly’ laid off. In return, the unions agreed that they would work with management to adjust wages and working hours (Lee 1998:17).

Workers in Malaysia are allowed to form and join unions, and about 10 per cent of the workforce is unionised. During the crisis, unions have been supportive of the labour

adjustment measures adopted by the Government. The Confederation of Trade Unions is represented in the tripartite Consultative Forum for Retrenchment set up during the crisis to monitor lay-offs and resolve issues on retrenchment. In addition, the Industrial Relations Act, 1967, provides protection for workers against unfair dismissals.

Although unions are prevalent in Philippines and Thailand, they do not play as active a role as in some other economies.

On the minimum wage front, Indonesia, Philippines and Thailand all have minimum wage legislation. In some cases, however, there is a low incidence of wage earners at the minimum wage level, and in others, governments have no adequate method to reinforce the legislation (EIU, 1998a, c, e). Malaysia does not have minimum wage legislation (Athukorala, 1998). Korea introduced a minimum wage law in 1987 where it was initially applied to manufacturing enterprises employing over 10 workers. In 1990, it was extended to include all industries with over 10 workers. About 2.1 per cent of total workers were estimated to be covered by minimum wages (Kim, *et al* 1992).

Although minimum wages may have little application in Korea, the Labour Standard Law introduced in 1953 and reinforced in 1987 has played an important role in the Korean employment system. Employers were restricted from laying-off or dismissing workers unless they had "right causes". A 30-day advance notice was legally required. A mandatory employer-financed severance pay scheme was also required (Lee and Kim, 1997). In early 1998, the government legalised lay-offs to help employers cope with the pressure the crisis imposed (Veale, 1999).

The above-mentioned institutional differences among the crisis-affected economies may have resulted in differences in the severity of the socioeconomic impact of the crisis among these economies. For example, although Korea is not the worst affected economy in terms of the decline in GDP growth, its registered unemployment rate is the highest.

### **3. Conclusions**

Seven APEC members experienced significant declines in GDP in 1998, five of the Asian economies hit by the financial crisis (Hong Kong, China; Indonesia; Korea; Malaysia; and Thailand) as well as Japan and Russia. Reported changes in unemployment have been severe, especially in Hong Kong, China; Indonesia; Korea; and Thailand. Judging by forecasts of GDP, the worst of the crisis in Asia is over with most of the affected economies expected to record positive growth rates or small negative rates. Indonesia is the only member expected to have a large negative rate of GDP growth in 1999, although much improved on 1998.

From the information available, the unemployment impact of the Asian crisis has been concentrated among the younger workers and the less-skilled, as judged by their ages and firm tenure. The exception was Korea where the workers laid off were predominantly in older age groups, which suggests two conclusions: first the stronger unionisation in Korea, particularly in the larger size firms, has meant less labour market flexibility; second, there may be substantial industrial restructuring taking place in Korea, perhaps triggered by the crisis.

The concentration of unemployment among younger workers means that the loss of human capital and the social distress is not as great as it would be if the increased unemployment were concentrated among older workers. However, if the young workers are unemployed for a long period without training, their long-term employment prospects could be severely affected.

As a result of the increased unemployment and the reduction in real wages, the incidence of poverty has increased. However, it appears that the increase in poverty has not been as large as was expected initially. In those economies with a relatively large agricultural sector, agriculture seems to have played an important role as a safety net for the unemployed as they have returned to rural areas. The rural sector played a similar role in many economies during the Great Depression. Hopefully this will be a temporary setback in the industrial transformation of these economies.

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## **Part 2: An Overview of the Labour Market Adjustment Programmes of APEC Economies**

### **1. Introduction**

APEC economies were asked to share information about the labour market adjustment programs already in place or that they have adopted in response to the human resource development needs of the current financial and economic crisis. The reported responses of individual economies are summarised in Table 4 below. It is important to note that APEC member economies were not asked to provide an exhaustive list of programs. As a result, there are likely to be other policies in place within specific member economies that are not captured in the table. It is also important to note that some programs may be targeted towards meeting more than one objective.

### **2. Labour Market Systems: Programmes to Assist Dislocated Workers**

Improved employment opportunities for dislocated workers can be obtained either through:

- 1) policies that facilitate workers' ability to move into existing jobs; or
- 2) policies that generate new jobs.

Each of these provides an important avenue for dealing with the unemployment generated by the financial crisis and APEC economies have responded by developing a number of programs and policies along each dimension.

#### ***Policies to Match Unemployed Workers to Existing Jobs***

##### **Job Information and Job Matching**

There are several reasons why currently unemployed workers may not be able to fill existing job vacancies. These include, for example, a lack of information about job opportunities, a lack of relevant skills, or a geographical mismatch in the location of workers and the location of existing jobs. One of the most promising mechanisms for improving the information flow between employers and potential employees appears to be the Internet. Job seekers in the Philippines can find out about employment opportunities through "*Phil-JobNet*", while job seekers in the United States can utilise "*America's Job Bank*". Similarly, in Korea the *Work-Net* provides an on-line information service about job openings, vocational training, and vocational counselling. In Hong Kong, China, the *Job Matching Programme* uses the Internet to provide those individuals having difficulty finding a job with personalised and intensive employment services, while similar Internet employment services are provided in Chile through the *Infoljoven Project*. Finally, one of the services offered to job seekers by Australia's new *Job Network* system is Internet access to the National Vacancy Database. Some of these systems also allow workers to post information about their skills and talents to the Internet allowing employers to easily search for individuals who meet the requirements of their job vacancies.<sup>1</sup>

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<sup>1</sup> In addition, the U.S. system also provides information about trends in employment and earnings as well as Internet links to educational and training opportunities.



**Table 4: Labour Market Initiatives of APEC Economies**

	Australia	Canada	Chile	Hong Kong, China	Indonesia	Japan	Korea	Malaysia	Philippines	Singapore	Chinese Taipei	Thailand	USA	Viet Nam
<b>Labour Market Systems: (Programs to assist dislocated workers and improve employment)</b>														
<i>Policies to Match Workers to Existing Jobs</i>			X											
Job Information and Job Matching	X		X	X			X		X	X	X		X	
Job Search Assistance	X		X	X			X		X	X	X		X	
Job Training/Educational Subsidies	X		X	X	X	X	X	X	X	X	X	X	X	X
Policies to Relocate Workers														
<i>Policies to Create New Jobs</i>														
Public Sector Employment				X	X		X	X	X			X		X
Wage Subsidies/Employment Credits									X		X			
Fiscal and Monetary Policy			X					X				X		
Other Policies to Stimulate Private Sector Employment	X			X	X	X	X	X	X	X	X	X		X
<b>Social Safety Nets (Programs to provide for the needs of affected individuals)</b>														
Government Loans			X						X					
Employment Insurance			X	X			X				X			
Government Safety Net Programmes	X	X			X					X		X		
Community-Based Programmes					X									
<b>Workplace Practices (Programs to improve productivity, ease restructuring, and enhance stability)</b>		X	X											
Information Sharing		X	X	X				X	X	X				
Employer/Employee Relations	X			X					X	X				
Employment Alternatives to Retrenchment				X			X	X						X
Firm Exit Policies and Retrenched Workers								X						

## Employment Agencies

These Internet services are relatively inexpensive and complement the system of public employment offices that exist in many APEC economies. Many economies reported an expansion of public employment agencies. In the United States, the consolidation of several employment-related services into one location is likely to increase the role of public employment offices. Similarly, the Philippines reported that efforts are being made to institutionalise the *Public Employment Service Office* (PESO) through legislation, while Korea also reported an expansion of employment security agencies. In an effort to supplement the work being done by public employment agencies, private employment agencies in Chinese Taipei are being given bonuses for successful job placements that last more than three months. The services offered by the *Job Matching Programme* in Hong Kong, China, were expanded in March of 1998, and in addition two *Employment Guidance Centres for New Arrivals* were created to provide a comprehensive range of employment services for new arrivals.

The Australian Government has out-sourced to private, community and other government organisations most of the job matching, job training, and case management services previously provided through the central public employment service. *Job Network* thus provides a contestable framework for the delivery of employment services that is results oriented. In contrast, the *Municipal Offices of Occupational Information* are operated by the Chilean Government, though they have a similar goal of providing permanent, coordinated, public employment services.

## Job Training

Even if they know about job opportunities, currently unemployed or underemployed workers often have difficulty in filling job vacancies because their skills do not match the job requirements. Skills mismatch is an important feature of the financial crisis (Haworth 1998). Skill shortages exist in several areas which are important for continued growth and development—in particular, technology, marketing, and other “knowledge and information society” skills—in spite of large numbers of unemployed workers.

In light of this, Australia; Chile; Hong Kong, China; Indonesia; Japan; Korea; Malaysia; the Philippines; Chinese Taipei; the United States; and Viet Nam, all reported initiatives to improve the skills of dislocated workers. In the United States this has occurred primarily through the *Workforce Investment Act (WIA)* of 1998 which is designed to consolidate employment-related services, expand access to training opportunities, allow more choice among training opportunities, and provide a system of accountability.<sup>2</sup> One of the key features of the initiative is the *One-Stop Centres* that allow individuals to access various employment-related services—in particular, job and training information, skills assessment, and counselling services—at a single location.

Malaysia has allocated additional resources to worker training through an expansion of its *Human Resource Development Fund (HRDF)* and through the creation of the

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<sup>2</sup> The WIA replaces the *Job Training Partnership Act (JTPA)* which since 1983 had been the mechanism through which employment-related services were provided to disadvantaged individuals and dislocated workers in the United States.

*Workers' Retraining Programme (WRP)*. Employers pay one per cent of their total payroll into the HRDF and these funds are then used to reimburse the training expenses of contributors. In February of 1998, employers were allowed to stop their HRDF contributions temporarily, while at the same time additional money was allocated to the fund. Firms that have exhausted their contributions to HRDF can apply for financial assistance in retraining workers under the WRP. Public training centres and educational institutes offer training to new labour market entrants in addition to retrenched workers.

Before the financial crisis, the Department of Labour and Employment, the Philippines, established a number of measures to ease the impact of more intense economic competition as a result of the implementation of the World Trade Organisation (WTO) agreements. These measures include efforts to create new jobs as well as training workers for existing jobs and they are now being used to ease the labour market adjustment associated with the current financial crisis.

Korea has responded to the economic crisis by also expanding vocational training opportunities in a number of dimensions. Private sector institutions such as universities and private training centres are now able to provide government-authorized vocational training. Training programs have been targeted towards meeting specific needs within a region and some trainees are being given vouchers that allow them to choose between training institutions and programs. In addition, the minimum length of vocational training has been increased from two to four weeks.

Chinese Taipei has increased the incentives for workers to undertake training by offering unemployed workers a training allowance that allows them to cover their basic daily expenditures during their enrolment in a public, vocational training program. Unemployed workers who complete a training programme and register with a public employment agency are then entitled to a transportation allowance. Finally, when there is no long-term placement or vocational training opportunity available, workers who settle for a temporary job placement are also given an allowance.

Japan is supporting the re-employment of retrenched middle-aged (45 to 59 years) workers through its *Project for Counselling and Supporting of Human Resources Development*. In addition to counselling, the scheme provides vocational training at private educational and training facilities.

Under the *Intensive Assistance* service provided by *Job Network* centres in Australia, long-term unemployed can obtain individually tailored help to address any employment barrier. Also, the *Entry Level Training Support Services* provide integrated and streamlined apprenticeship and trainee services to new job seekers and employers.

Chile has promoted the training of workers through a number of measures. Firms with more fifteen or more workers (whether permanent or temporary) are required to have *Bipartite Training Committees* made up of employer and employee representatives.<sup>3</sup> These committees define the company training programs, assist in implementing the programs, and evaluate the programs. The firm is then entitled to a tax concession equal to 20 per cent of the training expenditure. Additional training programs are targeted towards vulnerable workers—specifically low-wage workers,

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<sup>3</sup> Smaller firms may also establish *Bipartite Training Committees* if they wish.

structurally unemployed workers<sup>4</sup>, young people aged 15 to 24 from low-income households, and female heads of households. Courses are free and a daily allowance is paid for food and travel, while child care is provided for female heads of households.

Retraining programs in Hong Kong, China, are largely administered by the *Employees Retraining Board* (ERB). The ERB will spend a total of HK\$430 million (US\$55.1 million) on retraining in 1999-2000 which represents an increase of 16 per cent over the previous year. Training courses have been targeted towards those occupations and industries in which longer-term vacancies exist. In addition, the *Vocational Training Council* will spend an additional HK\$2.26 billion (US\$291.8 million) on vocational training courses and technical education. The system of vocational training and retraining programs is constantly under review to ensure that it is cost-effective, responsive to the needs of employers, and of high quality.

Finally, the downturn in economic activity has not affected all economic sectors uniformly. The heaviest burden of the financial crisis has been borne by certain groups employed in specific sectors, in particular, women, younger workers, and older men (Haworth, 1998). Indonesia, for example, reported experiencing regional disparities between resource/export-rich provinces and the resource-poor provinces. Consequently, there may be some scope for economies to adopt policies that will facilitate the geographic response of retrenched workers in response to employment opportunities.<sup>5</sup>

### ***Policies to Create New Jobs***

#### **Public Sector Employment**

In addition to helping retrenched workers move into existing jobs, Chile, Hong Kong, China, Indonesia, Korea, Malaysia, the Philippines, and Viet Nam, also reported the use of public sector employment programs as a means of providing employment to retrenched workers. Both Malaysia and Viet Nam reported an expansion of employment opportunities through construction and infrastructure projects. The Philippines has also responded to the financial crisis by allocating funds to public projects in rural areas. These rural works projects include the construction of roads and canals, and because they are local government projects, employment opportunities can be targeted towards the local community. Similarly, Indonesia has expanded its programs to maintain or upgrade existing infrastructure such as irrigation networks, local schools, drainage systems, and roads in an effort to create employment for newly unemployed workers. In Korea low-income unemployed individuals are given priority employment in such projects as the construction of on-line library systems, the upgrading of public facilities (for example, old-aged homes and schools), and environmental projects. Finally, new job opportunities have been created in Hong Kong, China, through large-scale public works projects targeted towards new town development and the construction of roads, government buildings, and drainage and sewage systems.

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<sup>4</sup> These workers have developed special skills that are associated with an occupation or geographic area and which have become economically obsolete.

<sup>5</sup> None of the submissions reported any policies designed to facilitate the geographic relocation of workers in response to differential employment opportunities.

## Private Sector Initiatives

In addition, Chile; Hong Kong, China; Indonesia; Japan; Malaysia; the Philippines; Chinese Taipei; Thailand; and Viet Nam are working to promote additional employment growth in the private sector. These policies are generally directed towards enabling entrepreneurs to establish small- and medium-size businesses that will in turn provide additional employment growth through a multiplier effect.

To this end, Malaysia has attempted to increase employment opportunities by encouraging organised and systematic petty trading, agriculture, and the establishment of small businesses. The *Graduate Employment Scheme (GES)* provides basic entrepreneurial training for graduates generally and unemployed graduates in particular. GES funding is provided by the Malaysian Government, although participants are required to provide 20 per cent of the necessary start-up capital. The Development and Infrastructure Bank and National Corporation Ltd. have joined together to set up a fund to provide loans for the remainder of the working capital.<sup>6</sup> Chinese Taipei provides an allowance to unemployed workers wishing to start a business. This allowance covers part of the interest payment on a bank's start-up loan. Viet Nam is also making loans available to workers who wish to become self-employed. Further employment growth is expected through changes in laws and regulations that make it easier for Viet Nam to attract foreign and domestic investment.

Indonesia has also begun to implement programs designed to stimulate private sector employment growth and, like Malaysia and the Philippines, there is likely to be an emphasis on the agriculture and informal sectors. Retrenched skilled workers wishing to start new businesses are given in-kind assistance in the form of management training and start-up capital. Unemployed people in Australia with ideas for viable businesses can gain assistance to set up under the New Enterprise Incentive Scheme component of *Job Network*.

The Philippines is working to create private sector employment growth by using vocational training to develop skills-based small businesses in the informal sector. The *Integrated Entrepreneurship Development Programme (IEDP)* seeks first to organise operators and/or workers into "business teams" along product lines, areas of specialisation, and/or market differentiation. The second component of the programme involves support in the form of informal-sector specific materials targeted towards 1) assessment and analysis, 2) resource and employment mapping, 3) programmedevelopment, 4) training and 5) support services.

Japan is also supporting employment in small- and medium-sized enterprises by measures to improve employment management in these firms. Assistance is directed towards those small- and medium-sized enterprises that are new or those undertaking a different activity.

Chile has sought to increase private sector employment through a training program targeted towards young people who expect to be self-employed or start a small firm. The instructional stage involves both training in trades and in the operation of small businesses. The training institutions then provide technical

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<sup>6</sup> Large Malaysian corporations are participating in the program by providing some in-house training and a training allowance to participants.

assistance in developing a “concept for productive project”, after which the training institutions provide assistance in securing the necessary financing for the project.

Hong Kong, China, has worked to promote private sector employment growth through the *Special Finance Scheme for Small and Medium Enterprises*. This scheme was launched in August of 1998 and is designed to ease the liquidity problems faced by small- and medium-sized enterprises. Up to March 1999, some 1,300 such enterprises have benefited from the injection of HK\$1.6 billion (US\$200 million) into the capital market, allowing them to retain employees and even generate additional employment. Other programs such as the *Cyberport*<sup>7</sup> and the reduction in ship registration and related fees are also expected to give rise to new job creation in the near future.

Thailand was the only member economy to report that it had adopted an expansionary fiscal policy to stimulate domestic demand and employment, and to finance economic and financial restructuring.<sup>8</sup> Thailand’s public sector deficit for fiscal year 1998/99 was increased to 5 per cent of Gross Domestic Product (GDP), as compared with about 3 per cent in the previous year. Tax refunds were given to exporters and other corporations; there was postponement of corporate income tax and of remittances from state enterprise profits; and the removal of tax disincentives to corporate debt restructuring.

Thailand also supports employment through a number of measures including:

- 1) encouraging labour-intensive methods of farming;
- 2) reducing the employment of foreign workers, particularly in factories, and replacing them with Thai nationals (a goal of 300,000 jobs);
- 3) increasing overseas employment of Thai workers (a goal of 200,000 additional workers); and
- 4) promoting industrial employment in factories and homes through skills enhancement and improved working conditions.

Thailand is also providing opportunities for the unemployed to become entrepreneurs through expanding micro-credit programs.

Overall, most economies have attempted to create public sector employment through public works projects and to stimulate private sector employment through supporting the establishment of small businesses. Other policies, such as employment-tax credits and wage subsidies, are also being used to stimulate employment growth and create jobs in some members. Both Korea and Chinese Taipei reported offering wage subsidies to employers who hire new workers from the pool of unemployed. Korea’s “*bounty for active recruitment*” and Chinese Taipei’s *hiring allowance* pay part of the wages of new employees during the first six months of employment. Similarly, the Philippines has modified its *Special Project for the Employment of Students (SPES)* to reserve a certain number of positions for students whose parents are displaced workers. Under this program, students undertake employment at the minimum wage.

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<sup>7</sup> This is a development project involving HK\$13 billion (US\$1.7 billion) to provide the essential infrastructure for Hong Kong, China to become an international information services hub.

<sup>8</sup> Malaysia did note that the contraction in output and employment growth as a result of the financial crisis would have been even greater had the Government not adopted counter-cyclical monetary and fiscal policies.

Employers pay 60 per cent of the wage, while the Department of Labour and Employment pays the remaining 40 per cent.

### **3. Social Safety Nets: Programmes to Provide for the Needs of Affected Individuals**

Haworth (1998) notes that the heaviest burden of the crisis has been borne by women, young people trying to enter the labour market, and older men previously employed in certain industrial sectors. As a result of these disparities, it has been necessary for APEC economies to adopt flexible, complementary social safety net policies that can easily be targeted towards specific groups. These policies can loosely be classified into four groups:

- 1) direct government loans;
- 2) employment insurance;
- 3) expansion of government transfer programs; and
- 4) community-based programs.

#### ***Government Loans***

In order to support retrenched workers affected by the financial crisis, in 1997 the Philippines set aside several million pesos to be distributed through its insurance system in the form of loans. Displaced workers are able to borrow money from the system and repay it at a later date under a liberal repayment scheme. These loans are independent of other loan schemes for business capital and are intended to allow displaced workers to meet basic living expenses.

#### ***Employment Insurance***

In Chile, Korea and Chinese Taipei, national employment insurance systems provide the basis for the social support of unemployed workers. Chinese Taipei's *Labour Insurance Programme (LIP)* requires workers to contribute one per cent of their monthly wages into the fund. Workers who have contributed to the *LIP* for more than two years and become involuntarily laid-off are eligible to apply for benefits from the fund so long as they register with a public employment service agency or undertake vocational training. The length of benefit receipt depends on the length of time workers have contributed to the fund. Korea's *Employment Insurance System* operates similarly, although workers who become involuntarily unemployed are eligible for benefits after having been employed at workplaces that have been covered for the past six months. As of 1 April 1999, all Korean workers are eligible for benefits. The benefit period is typically from two to seven months, although benefits are extended in special cases. Finally, Chilean workers (and their employers) make monthly contributions into *Personal Unemployment Accounts (PUA)*. Workers are allowed to draw against their PUA whenever they become unemployed for any reason. Payments into the fund on behalf of low-wage workers are available from the Government in order to ensure that every worker receives benefits for at least four months. The regulatory framework used to manage this system is similar to that in force for pension funds.

In Hong Kong, China, and Thailand, certain workers are legally entitled to severance pay in the event of dismissal or lay-off due to redundancy. In Thailand, a public compensation fund is to be set up under the *Labour Protection Act* to provide for unpaid severance pay. It will be financed from fines for violations of the Act. In

addition, income tax on severance payments will be exempted. The *Labour Relations Service* (LRS) in Hong Kong, China, will assist employees seeking to claim severance pay from insolvent employers. Those who are owed wage or wages in lieu of severance pay can apply for payments from the *Protection of Wages on Insolvency Fund*. This fund, which is financed by a levy on business registration by employers, also provides quick financial relief to workers in the form of *ex-gratia* payments.

### ***Government Safety Net Programmes***

Indonesia reported that it had made a number of efforts to strengthen the social safety net in light of the currency crisis. Particular attention has been paid to the areas of health, education, and nutrition. In particular, efforts are being made to ensure a secure food source by intensifying food production and through subsidies for fertiliser and capital equipment. Additionally, food assistance is being provided, price subsidies exist for essential foods, and food reserves are being supplemented with assistance from the World Food Program and bilateral programs.

Indonesian education policy has been targeted toward maintaining 1) student enrolments, 2) the continuation rate, and 3) educational quality. At the same time, efforts are being made to maintain or improve the health of poor families through a variety of programs to provide financial support for basic health services, particularly for pregnant and nursing women and young children.

Concerned about the high dropout rate of students and the increase in child labour, Thailand has provided loans to families no longer able to afford tuition payments to assist in keeping children in secondary school. The school lunch programme has also been expanded in coverage from 30 per cent of all students to 35 per cent. These programs are being supported by loans from the World Bank, the Asian Development Bank, and the Overseas Economic Cooperation Fund. The loans are also being used to support programs of free medical treatment for the unemployed and improvement of rural health care facilities.

Australia's social security system of payments to the unemployed has been extended to incorporate *Mutual Obligation* principles which places more emphasis on individual responsibility. This program, begun in July 1998, obliges all unemployed people aged 18 to 24 years to undertake a self-funded activity if they are to receive payments for longer than six months. Such activities may include part-time work, voluntary work, education or training, or relocating to another area that has better employment prospects. Under this program, young unemployed can also improve their literacy and numeracy skills. From 1 July 1999, job seekers aged between 25 and 34 who have received unemployment benefits for 12 months will also be expected to satisfy their mutual obligation responsibilities. These initiatives for unemployed workers have recently been extended to require those students leaving school in Year 12 who have received a *Youth Allowance* for three months or more to participate in *Work for the Dole* projects.

An unemployment subsidy is being paid to Chilean workers who are dismissed for reasons beyond their control. The maximum benefit period is one year and the daily benefit is higher in the first 90 days than in the subsequent period. Along with the subsidy, workers are entitled to receive family allowances, maternal allowances, and medical care.



### ***Community-Based Programs***

In addition to programs operated directly by the Government, Indonesia has undertaken a number of new initiatives designed to extend and solidify community-based support programs. The *Kecamatan (sub-district) Development Programme*, the *Urban Poverty Programme*, and the *Community Recovery Programme* allow resources to be directly transferred to community organisations to be distributed. For example, the *Urban Poverty Programme* provides capital for community-selected basic infrastructure and related activities designed to generate employment in low-income urban areas. The *Community Recovery Programme* will serve to channel resources to support community-based organisations that desire to implement assistance programs.

#### **4. Workplace Practices: Programs to Improve Productivity, Ease Restructuring, and Enhance the Ability to Respond to Uncertainty**

Several APEC economies reported making efforts to institute workplace practices which improve productivity, ease the restructuring process, and enhance employers' and employees' ability to respond to economic uncertainty. The focus of these efforts have generally included:

- 1) improving the flow of information between affected firms and workers;
- 2) improving employer/employee relations;
- 3) making firms aware of alternatives to retrenchment; and
- 4) promoting exit policies designed to smooth the transition of retrenched workers back into unemployment.

### ***Information Sharing***

The Philippines has initiated two projects designed to improve information and raise productivity. Specifically, the *Work Improvement for Small Enterprises (WISE)* programme assists workers and employers in small enterprises in finding ways to improve productivity. Additionally, a national programme was launched in 1998 to instil productivity consciousness among workers and their employers.

Human Resources Development Canada (HRDC) has over the past decade been evaluating human resource development programs and policies. This information is then shared with a wide range of people through the *Lessons Learned* series. The *Lessons Learned* series incorporates documents and supporting videos synthesising the results of evaluation studies that assess the outcomes of human resource policy initiatives.

In Chile, the *Forum for Productive Development* is a relatively new institution (established in 1994) that encourages the discussion and exchange of ideas among workers, employers and government representatives. The goal is to promote Chile's productive development. It operates in each of the economy's 13 regions and has been an important mechanism for achieving basic consensus on economic, labour, and social issues. Subsequently, in 1995, the *National Productivity Quality Center* was established in Chile. It also encompasses workers, employers, and government officials and is concerned primarily with the diffusion of experiences, information and methods for enabling companies to increase productivity and enhance the quality of products and services. In addition, it conducts training programs that are specific to product development.

Finally, Hong Kong, China, created a *Task Force on Employment* (TFE) in June of 1998 which is composed of employer representatives, employees, academics, representatives of training institutions, and government officials. The goal is to use the collective wisdom from various sectors of society to formulate feasible, effective, pragmatic initiatives to tackle the unemployment problem and create job opportunities.

### ***Employer/Employee Relations***

Social accords between labour and employer organisations are being encouraged in the Philippines in an effort to maintain employment levels. These accords ask that strikes on the part of workers and layoffs on the part of firms be used only as a last resort. The objective is to encourage a dialog between management and workers in an effort to pursue common goals.

The principal objective of Australia's *Workplace Relations Act 1996* is to provide a framework for more cooperative workplace relations. The legislation ensures that primary responsibility for determining the relationship between employer and employees rests with the employer and employees at the workplace or enterprise level.

Canada's *Labour-Management Partnerships Program* (LMPP) promotes effective labour-management relations at the workplace and sector level by providing funding assistance and advice for joint labour-management initiatives that address workplace issues. The LMPP provides funding for pilot projects that are outside the scope of normal day-to-day operations, experiment with new approaches to work-related issues, and which might otherwise not be undertaken. The LMPP funding covers 50 per cent of the cost of the project and is available to union-only, employer-only, or joint labour-management committees.

In a similar vein, in April of 1998 the Labour Department in Hong Kong, China set up the *Workplace Consultation Promotion Unit* (WCPU) to promote effective communication, consultation, and voluntary negotiation between employers and employees at the enterprise level. The WCPU also organises promotional activities such as seminars, workshops, talks, and training courses for a larger number of employers, employees, management executives, and human resource managers. Through these activities, the WCPU seeks to promote effective communication between employers and employees in order to minimise conflicts and misunderstandings.

### ***Employment Alternatives to Retrenchment***

Firms needing to reduce the size of their workforces in the face of demand shocks have several alternatives to retrenchment. These include pay cuts, increased part-time work, job sharing, early retirement, and temporary or permanent lay-offs. Such measures may have advantages for both firms and workers relative to retrenchment, particularly if the downturn in aggregate demand is expected to be reversed in the near future. Malaysia through its Department of Labour has issued a *Guidelines on Retrenchment* in an effort to make firms aware of the alternatives. The Labour Department in Hong Kong, China, produces a similar publication entitled *Guidelines on What to Do If Wage Reductions and Retrenchments are Unavoidable*.

Korea provides assistance to employers who do not dismiss redundant workers. Through its “*support system for sustaining employment*”, wage and training subsidies are provided for six months to employers who retain workers made redundant as a result of downsizing, production decreases, or a fall in sales. In this way employers are encouraged to maintain full employment through the use of workforce redeployment, cuts in hours, vocational training, temporary leave, etc. Similarly, some firms in Viet Nam have been able to avoid making workers redundant by moving them to part-time employment.

### ***Firm Exit Policies and Retrenched Workers***

Retrenchment can be made somewhat easier for workers if firms adopt sensible exit policies. Policies such as advanced warning of retrenchment, financial, psychological, and career counselling, skills assessment, and job search assistance can smooth the transition into unemployment and leave workers better able to deal with economic uncertainty. Through the *Guidelines on Retrenchment* and *Guidelines on What to Do If Wage Reductions and Retrenchments are Unavoidable* both Malaysia and Hong Kong, China, encourage firms to adopt these types of policies when retrenchments must occur.

## **5. Conclusions**

Because the economic crisis has not affected all labour market groups equally, APEC economies have adopted a variety of strategies for assisting dislocated workers and increasing employment, providing a social safety net for affected individuals, and improving productivity and easing the restructuring process. Various policy responses have been developed to meet the needs of many different individuals across a number of labour market sectors. In particular, it has been important to address the needs of new labour market entrants or others outside the labour market as well as those of retrenched workers.

Some of the interesting developments observed are:

- 1) the “bundling” of employment services—such as skills assessment, counselling, and job and training information—so that these are available to the unemployed at “one stop shops”;
- 2) the use of the Internet to create databases on job vacancies and the unemployed that are easily available to employees and employers; and
- 3) the focus on the problems of particular categories of the unemployed, for example, long-term, unskilled youth, older workers, and workers in particular regions.

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## **Part 3: APEC Member Economies' Policies and Programmes**

### **AUSTRALIA**

#### **Environment**

The Australian economy remains strong despite the weakness of a number of Australia's major Asian trading partners and uncertainty in global financial markets, reflecting the sound fundamentals underpinning domestic spending.

Inflation remains low and interest rates are at historically low levels. The CPI fell by 0.08 per cent during the March quarter 1999 but rose by 1.6 per cent over the year to the March quarter 1999 (in original terms). The Reserve Bank reduced official interest rates from 5.0 per cent to 4.75 per cent on 2 December 1998. This has brought the total reduction in interest rates to 2.75 percentage points since June 1996. Variable home mortgage interest rates are now at their lowest level for around three decades.

The outlook for future employment growth is positive. Employment rose by 2.1 per cent in seasonally adjusted terms in the year to June 1999. The seasonally adjusted unemployment rate has fallen from 8.2 to 7.2 per cent over the last twelve months. Economic indicators support an outlook of continued employment growth. The economy grew by 4.8 per cent in the year to the March quarter of 1999. In seasonally adjusted terms, the number of long-term unemployed (those unemployed for longer than twelve months) rose by 3.1 per cent in May 1999 to 219,400. This compares with long-term unemployed in May 1998 of 237,100.

These fundamentals are, in turn, underpinned by sound macroeconomic policies which have concentrated on fiscal consolidation and the maintenance of low inflation in a credible monetary policy framework. The relatively modest slowdown in export volume growth to date also reflects the more responsive and flexible nature of the Australian economy. As the IMF noted at the conclusion of its examination of the Australian economy in October 1998:

- Growth has been underpinned by an improved policy framework and regulatory reforms that have promoted investment and boosted productivity.

One feature of the recent strength of the Australian economy is the rise in measured labour productivity. Measured labour productivity in Australia has grown strongly in recent years, increasing on average by around 4 per cent per annum since late 1995, compared with an average productivity performance of around 2 per cent per annum over the last 20 years.

The benefits to the economy of the recent strong productivity performance are widespread. The strong growth in labour productivity over the last two years in particular, coupled with moderate growth in nominal wages, has contributed to the maintenance of low inflation, providing a direct benefit to consumers and business.

Real wages have increased relatively strongly during the 1990s, without putting significant upward pressure on real unit labour costs. This, in turn, has contributed to the strong growth in corporate profitability over this period. Increases in real wages

have also supported growth in household income, which has contributed to ongoing growth in consumption spending.

Over recent years the Government has also carried out significant workplace relations reforms throughout the economy. This has created a system with an effective safety net protecting the low paid whilst encouraging, at a local level, high labour productivity, higher wages, workplace choices and individual freedoms.

Ongoing reform in the labour market should reinforce the improvement in productivity. However, some cyclical slowing in productivity growth is expected in 1998–99 as employment continues to grow solidly in response to the stronger activity in 1997–98, and output growth slows as a result of the Asian crisis.

## **Policies in Place**

The Australian Government has recently implemented a number of reforms and initiatives to improve the performance of the labour market. These are part of a programme of ongoing economic reform across a broad front—building on reforms undertaken over the past two decades.

### ***Employment of Workers***

On 1 May 1998 the Australian Government introduced Job Network to replace the Commonwealth Employment Service and most labour market programmes. The Australian Government previously provided assistance for job matching, job training and a range of labour market programmes covering vocational training and work experience placements for long term unemployed people via the public provider, the Commonwealth Employment Service (CES).

#### Rationale

Experience in Australia and overseas shows that many disadvantaged job seekers, especially long term unemployed people, are ill-equipped to compete for jobs even in periods of strong economic growth. Well targeted and well designed employment assistance can play an important role in giving people a clear pathway to employment. The introduction of the competitive employment services market, Job Network, on 1 May 1998, was designed to assist in this process.

The Government's key considerations in reforming the employment services market were:

- to deliver a better quality of assistance;
- to ensure better and more lasting employment outcomes for job seekers;
- to achieve better value for money in the expenditure of taxpayers' funds;
- to give clients (job seekers and employers) a greater choice of service provider; and
- to ensure clients have easier access to services.

### **Job Network**

Job Network is a national network of around 300 private, community and government organisations which have been contracted by the Government to find jobs for unemployed people, particularly those who are long term unemployed. Job Network organisations offer flexible and tailored assistance to job seekers depending on their

level of need. Job Network members operate from more than 1400 outlets across Australia.

There are currently six employment services available under Job Network:

- *Job Matching*—involves canvassing employers for vacancies and matching and referring suitable unemployed people to these vacancies.
- *Job Search Training*—providing training in job search techniques (resumes, interview techniques, presentation) to prepare unemployed people to apply for jobs and give them the skills and confidence to perform well when speaking to employers.
- *Intensive Assistance*—individually tailored help for long term unemployed and other disadvantaged job seekers to address any employment barriers and place them in jobs.
- *New Enterprise Incentive Scheme (NEIS)*—assistance for eligible job seekers with a viable idea for a new small business to establish the business.
- *Project contracting (Harvest Labour Services)*—supplies labour in regions that require considerable numbers of out-of-area workers to supplement the local labour force in order to harvest crops.
- *New Apprenticeship Centres*—provide integrated and streamlined apprenticeship and traineeship services to employers and job seekers.

### Objective

The objective of the employment services market is to tailor assistance to the needs of individual job seekers and to ensure that this assistance is focussed on getting people jobs as efficiently and effectively as possible. The Government's aim is to make employment services more effective, focussing on results—getting unemployed people into jobs—and providing help that genuinely makes a difference to those who need it.

Job Network members providing Intensive Assistance have the flexibility to decide with the job seeker the best form of assistance to get them a job and may provide this assistance themselves or pay other organisations to provide it. This may include using their fees to provide personal development, job search training, relocation assistance, vocational training, language and literacy training, or other assistance such as work place adjustments or wage subsidies.

Underpinning the model is a strong focus on outcomes; the role of government changing to that of a purchaser rather than a provider of assistance; and the use of competition to drive greater efficiency and increased choice for consumers.

### Target group

Eligibility for Job Network services varies depending on job seeker need. Generally, eligible job seekers are:

- recipients of unemployment allowances or other forms of qualifying Government income support, excluding Age Pension and Mature Age Allowance;
- young people aged 15–20 years registered as unemployed and not in full-time education or training, irrespective of income support; and/or

- Aboriginal peoples and Torres Strait Islanders participating in the Community Employment Development Projects (CDEP) Scheme.

Other job seekers not in receipt of income support and working less than 15 hours a week are eligible for Job Matching services.

Job seeker access to Intensive Assistance is determined by Centrelink, a government run authority, through the application of the Job Seeker Classification Instrument (JSCI). The JSCI identifies those job seekers whose personal circumstances and labour market skills suggest that they could have barriers to attaining employment. The JSCI is a computer-based device providing a relative and not an absolute measure of job seeker disadvantage in the labour market. Based on reference to their JSCI score, job seekers will be able to access more intensive forms of assistance available through Job Network.

In some cases, the JSCI may indicate the existence of potentially severe personal barriers which make it unlikely that the job seeker will be able to benefit from employment assistance. This may lead to further testing to assess the job seeker's employment barriers. If the test reveals that a job seeker is *not ready* to benefit from employment assistance, the job seeker may volunteer for assistance under the Community Support Programme (CSP).

#### Organisation(s) responsible for its operation

The Australian Government, through the Department of Employment, Workplace Relations and Small Business (DEWRSB), is the purchaser of Job Network services. Organisations contracted to provide employment services range from small not-for-profit community organisations, to local governments, and to large national organisations.

#### Financial support

Job Network was funded by "cashing out" most of the funding previously provided for labour market programmes and case management. Over the next three years (1999–2002), the Government will provide A\$3.6 billion to help more Australians find jobs and boost employment growth through Job Network and Mutual Obligation (refer to sub-theme 2: social safety nets). About A\$3 billion of this funding will be for employment assistance through Job Network.

#### Delivery system

In designing its reforms the Government closely examined the full range of labour market services traditionally provided by the public sector, with a view to identifying those which should remain the province of the public sector alone and those which would better be delivered under contestable market arrangements. The factors weighed in this assessment included considerations of national consistency, client privacy and accountability for the commitment of public funds.

The Government concluded that the public sector should continue to provide a uniform national service for the registration of job seekers; for the administration of unemployment benefits; for the assessment of job seekers' eligibility for labour market assistance; for the referral of clients to assistance in the employment services market; and for administering the activity test and enforcing compliance with conditions of assistance.



As such, a new Commonwealth statutory authority, known as Centrelink was established as the key point of public contact for people seeking integrated access to the income support facilities of the Department of Social Security, some of the functions of the CES, and other Government services. The key objectives of this integration of services was to remove duplication of work, increase access and simplify processes for clients, and to offer the highest possible standards of quality and consistency of service. There are around 290 Centrelink Customer Service Centres across Australia.

Part of the infrastructure for Job Network is the National Vacancy Database. It provides job seekers with immediate access to thousands of vacancies which have been lodged by employers Australia-wide. Job seekers can access jobs entered on the database via the Australian Job Search (AJS) Service which is available through the Internet, through touch screens located in all Centrelink offices and also located in some shopping centres and airports. This service is free of charge.

All job seekers can also access free of charge the job search facilities provided through Job Network Access which is being implemented progressively in Centrelink Customer Service Centres. Through Job Network Access, job seekers can use job vacancy touch screen units, personal computers and printers, photocopiers, facsimile machines, telephones and relevant newspapers as well as obtain information on local Job Network members.

#### Organisational participation

The Employment Services tender process was highly competitive with more than 1,000 organisations tendering to become part of Job Network. The process was underpinned by a Probity Plan, released with the Request for Tender, to ensure that all tenders were assessed objectively and consistently. Over 300 organisations received contracts.

Under Job Network, the public sector continues to play a role in the delivery of employment services through the corporatised entity Employment National. In the interests of a fully contestable market for the delivery of employment services, Employment National is required to operate on exactly the same terms and conditions as its private and community sector competitors.

#### Measurement and evaluation

Job seekers assisted under Job Network are protected by a Code of Conduct. The Code aims to ensure the best possible results for job seekers and employers by encouraging Job Network members to deliver a quality service. Compliance with the code is continually monitored, and, if a breach occurs, sanctions are applied.

DEWRSB has also developed a programme of customer satisfaction surveys to monitor services delivered by Job Network members and by Centrelink. The service arrangement between Centrelink and DEWRSB and all contracts between DEWRSB and Job Network members include explicit Key Performance Indicators of service quality and customer satisfaction.

This is part of an ongoing programme of monitoring and evaluation of the employment services market. A large sample of job seekers will be selected and invited to complete a questionnaire or participate in a focus group. Data will be collected at provider level and will enable DEWRSB to:

- obtain information on job seeker satisfaction with access to and quality of assistance;
- assess the effectiveness of services and customer satisfaction levels delivered;
- provide information against the Key Performance Indicators in the service contracts;
- ensure that the department receives value for money in purchasing these services; and
- provide feedback to Job Network members to facilitate their ongoing processes of improvement.

In 1999 DEWRSB will report to the Government on the implementation of Job Network and on issues arising from the implementation. A comprehensive evaluation will be completed by December 2001 and there will also be an independent review of the policy framework in 2001 which will examine the role of DEWRSB and Job Network members in Job Network. Data collections for the evaluation will measure the effectiveness of Job Network in terms of the type, level and quality of assistance being provided to all job seekers.

### ***Social Safety Nets to Alleviate Poverty***

Australia has in place a comprehensive social security system that provides a safety net for the Australian population. It provides income support that does not have any time limit but is heavily means tested and therefore targeted to those most in need. The funds for this income support are provided out of general revenue and not by an insurance system. A major component of the system is extensive income support for unemployed persons.

### **Mutual Obligation**

#### Objective

The Government's principle of mutual obligation is based on the simple proposition that unemployed job seekers, supported financially by the community, should actively seek work, constantly strive to improve their competitiveness in the labour market and give something back to the community that supports them.

The aim is to provide more long-term unemployed people with the opportunity to enhance their job prospects and competitiveness in the labour market and encourage their involvement with the community which supports them. The initiative imposes additional obligations for the receipt of unemployment allowances to encourage young people to look for work more actively and to participate in activities which will improve their skills and work habits.

#### Date of implementation and target group

From 1 July 1998, mutual obligation arrangements were applied to 18 to 24 year old job seekers who had been on unemployment payments for six months or more.

From April 1999, Year 12 school leavers who have been receiving Youth Allowance as a job seeker for three months or more are required to participate in Work for the Dole projects. This initiative was implemented in April 1999 so that 1998 Year 12 school leavers could have the opportunity to participate.

From 1 July 1999, job seekers aged between 25 and 34 who reach 12 months on unemployment payments will also be expected to satisfy their side of mutual obligation.

#### Organisation(s) responsible for its operation

The Commonwealth Government, through the Department of Employment, Workplace Relations and Small Business, the Department of Education, Training and Youth Affairs, and the Department of Family and Community Services, is responsible for the purchasing and management of mutual obligation.

#### Financial support

In the 1999 Budget, the Government has allocated A\$228 million over the next four years to fund a broad and phased expansion of existing mutual obligation arrangements. The key element of this expansion is a doubling of Work for the Dole places from 25 000 in 1998–99 to 50 000 places per year from 2000–01.

#### Delivery systems

All job seekers who become eligible for mutual obligation are interviewed by Centrelink to discuss their options for satisfying their mutual obligation and to allow them to make their own arrangements for part-time or voluntary work or to obtain an education or training place. Those who are unable to meet their mutual obligation in other ways will be required to participate for six months in a Work for the Dole project. Examples of some options available to meet mutual obligation include:

##### *Work for the Dole*

The aim of the initiative is to provide work experience that will foster work habits and attitudes; improve participants' self esteem; and contribute to local communities by the establishment of projects of value to the community. Work for the Dole projects are primarily located in areas of high youth unemployment across Australia.

##### *Literacy and Numeracy Training*

The aim of the initiative is to improve the literacy and numeracy competency for unemployed people who have been formally assessed as having poor literacy and numeracy competency, thus improving their chances of obtaining sustainable employment. Many training providers will offer conventional classroom-based literacy and numeracy training. Others will use distance education packages to assist young people in rural and remote areas of Australia. This could involve the use of computers, video or cassette tapes, or other training material provided by the contracted trainer.

##### *Job Search Training*

Job Network members provide training in job search techniques to prepare unemployed job seekers to apply for jobs and give them the skills and confidence to perform well when speaking to employers. Assistance includes access to telephones, computers and newspapers and a range of activities which may include training in interview techniques, resume writing and job search skills.

##### *Intensive Assistance*

Intensive assistance provides individually tailored help to eligible job seekers who are long term unemployed or are otherwise disadvantaged in the labour market. Job Network members providing intensive assistance can arrange counseling, vocational

training, work experience, help in job search techniques and support after job placement to job seekers.

### *Job Placement, Employment and Training*

Job Placement, Employment and Training (JPET) provides a holistic approach to assisting young people overcome problems preventing them from maintaining stable accommodation and entering into full-time education, training or employment. JPET offers ongoing support and referral services to young people to help overcome a range of problems, including housing, substance abuse, family difficulties, sexual or other abuse, lack of self esteem, income support, and other barriers to participation in employment, education or training.

### *Green Corps*

Green Corps undertakes priority environment and heritage conservation projects developed in conjunction with non-government conservation organisations, community groups and local, State and Territory Governments across Australia.

### Organisational participation

The community, business and private sector are actively involved in mutual obligation. A national competitive tender process is conducted for the implementation of both Work for the Dole and Literacy and Numeracy Training initiatives. Submissions from community, government and professional literacy and numeracy assessment and training providers are received.

### Measurement and evaluation

An evaluation methodology for the mutual obligation arrangements is currently being finalised.

In May 1999 the Department of Employment, Workplace Relations and Small Business released an evaluation of the Work for the Dole Pilot Programme. The evaluation:

- examined how selected projects performed against the initiative's objectives (fostering appropriate work habits, involving the community, providing projects of value);
- examined other impacts of the initiative such as changes in participant self esteem;
- assisted in any future implementation of the initiative by identifying best practices and successful models; and
- reported on implementation.

The evaluation combines qualitative and quantitative methods. Focus groups, in-depth interviews, administrative records and questionnaires were used. Expert advice was sought to help choose measures and analytic techniques available for estimating changes in work habits and self esteem and the value of projects to the community.

The key findings of the report were:

- three months after leaving their placement, 34 per cent of participants were working (excluding those who go on to further employment assistance). A further 8 per cent were participating in education or training;

- there is strong support from all stakeholders for the Work for the Dole programme;
- the majority of participants would strongly recommend Work for the Dole to other job seekers and they appreciate the opportunity to gain valuable experience in a work environment; and
- Work for the Dole is meeting its objectives of developing work habits in young people and involving the community in quality projects.

### ***Workplace Practices that Contribute to Enhanced Productivity and Greater Stability***

Australia has in place a comprehensive workplace relations system that provides a basis for competitive and flexible workplaces as well as an effective safety net for low-paid employees. Major components of this system include a minimum pay award system—including junior wage rates and a focus on workplace agreements in determining actual wages and conditions of employment.

#### **Workplace Relations Act 1996**

##### Objective

The principle objective of the *Workplace Relations Act 1996* is to provide a framework for cooperative workplace relations which promotes the economic prosperity and welfare of the people of Australia.

##### Target group

All Australians in the labour market.

##### Implementation date

Major changes to the Australian workplace relations system have been delivered since early 1997 with the replacement of the *Industrial Relations Act 1988* with the *Workplace Relations Act 1996*. The Government's current priority is to implement its 1998 election programme in which it foreshadowed further evolutionary improvements to workplace relations arrangements.

##### Organisation(s) responsible for its operation

The Government through the Department of Employment, Workplace Relations and Small Business is responsible for the operation of the Workplace Relations Act, including the Australian Industrial Relations Commission and the Office of Employment Advocate.

##### Delivery systems

###### *Workplace Agreements*

Workplace agreement-making is the primary focus of the reformed workplace relations system. Workplace agreements are seen to deliver genuine and lasting improvements to living standards and business productivity by ensuring that the primary responsibility for determining matters affecting the relationship between employers and employees rests with the employer and employees at the workplace or enterprise level. The Act provides a framework of rights and responsibilities for employers and employees, and their organisations, which supports fair and effective agreement—making and ensures that they abide by awards and agreements applying to them.

Australian Workplace Agreements (AWAs) and Certified Agreements (CAs) are available with:

- a no disadvantage test so that, when considered as a whole, no worker making an agreement will be worse off than the relevant award and any relevant laws;
- effective laws ensuring that agreements are made without duress or coercion, and that employers and employees have the free opportunity to take full advantage of all agreement-making options to meet their particular needs and circumstances; and
- a right to take limited protected industrial action in relation to agreements.

#### *Awards and the Australian Industrial Relations Commission (AIRC)*

Australia has an award system which, through the no-disadvantage test, provides a foundation of minimum standards for agreements at the workplace or enterprise level. The AIRC is required to establish and maintain a safety net of fair minimum wages and conditions, having regard to several considerations including economic factors and, when adjusting the safety net, the needs of the low-paid.

#### *Voluntary Mediation*

The Government intends to give formal legislative recognition to mediation services in industrial disputes, for use on a voluntary basis as an alternative or supplement to the AIRC. These services are likely to be particularly useful for small business and for resolving disputes in the agreement-making process, during periods of serious or protracted industrial action, or as a substitute for tribunal-based involvement.

#### *Compliance*

The Act provides for fair and effective agreement-making through requirements for employee consultation and genuine consent to agreements, and ensures employers and employees abide by awards and agreements applying to them. The AIRC encourages agreement-making through conciliation and can make recommendations at the request of the parties who must agree to comply with the recommendations. The Office of the Employment Advocate provides assistance and advice to employees and employers as well as investigating alleged breaches or contraventions of particular provisions of the Act.

#### *Unfair Dismissals*

The Government is seeking to remove legal uncertainty and promote job creation, by introducing new unfair dismissal provisions which will require new workers to have worked for six months with their employer before being eligible to lodge an unfair dismissal claim. The new provisions will permanently exempt small businesses employing fewer than 15 employees from unfair dismissal claims by newly-employed workers.

#### *Small Business*

Decentralisation of the workplace relations system, together with proposed reforms to ensure streamlined agreement-making processes and improved service delivery by industrial tribunals, will enable small businesses to fully participate in the system with a minimum of cost and red tape.

### *Young Australians*

The Government is seeking to permanently retain age-based youth wages in awards, and to make the reduction of youth unemployment and the protection of their competitive position in the labour market a specific object of the *Workplace Relations Act 1996*.

### *Women*

The workplace relations system will continue to protect women's workforce entry, participation and choices, without discrimination, and according to merit and equal opportunity. The Government has retained the role of the Affirmative Action Agency (which will be renamed the Equal Opportunity for Women in the Workplace Agency) but will seek to improve its operation with stronger workplace links and an incentive-based, educational and conciliatory approach to compliance.

### *Families*

Policies promoting the better integration of work and family responsibilities, including improved access to employment options (such as regular part-time work) and arrangements for flexible participation in the workforce will continue with proposed changes to advance award simplification and streamline the workplace agreement-making process.

### *Registered Organisations*

The Act ensures freedom of association and ensures that employers, employees and independent contractors are free to join or not join appropriate industrial associations of their choice. The Government also intends to introduce changes to ensure increased accountability of employer and employee associations to their members in financial and decision-making matters.

### *State Workplace Relations Systems*

The Government is continuing to work co-operatively with the States to harmonise the operation of Federal and State workplace relations systems, to retain workplace choice over the preferred agreement-making jurisdiction and to reduce duplication, red-tape and cost in the provision of workplace services.

# CANADA

## Policies in Place

### *Social Safety Nets to Alleviate Poverty*

#### **Canada's Pension System**

Canada's system of pensions and retirement income consists of a mixture of public and private elements. The system aims at assuring a basic amount of assured income to all retirees and a minimum of replacement of wages at retirement, while at the same time relying to a considerable extent on the savings initiatives of individuals and their employers, particularly in the middle and upper income ranges.

The public pension elements consist of:

- The federal Old Age Security programme. This scheme incorporates both a basic, residence-based pension financed from general federal government revenues for persons over age 65 and an income-tested Guaranteed Income Supplement that is targeted to lower-income seniors. (An income-tested allowance is also provided to spouses of low-income pensioners and to widows and widowers as early as age 60). The basic pension is about 15 per cent of the current average wage in Canada. Approximately 5 per cent of pensioners—those with incomes above an income threshold of \$53,215 in 1999—are required to repay all or part of their basic pension through the tax system.
- The Canada Pension Plan, and its counterpart the Quebec Pension Plan in the province of Quebec. These are compulsory, contributory social insurance schemes designed to provide a measure of earnings replacement for employed and self-employed persons and their families in the event of the retirement, death or disablement of the wage-earner. The Plans are entirely self-financed through the premiums paid by workers and employers and the investment earnings on Plan reserves. Protection is limited to earnings up to a ceiling that is about 115 per cent of the average wage, and is intended to replace about 25 per cent of average lifetime wages (adjusted for wage growth) up to the ceiling. Retirement benefits are available at age 65, but may be paid on an actuarially-reduced basis as early as age 60, subject to a retirement test. Contributions are paid on earnings above \$3,500 annually up to the earnings ceiling, at a rate of 3.5 per cent each for employer and employee. Self-employed persons pay both employer and employee shares. The employer/employee contribution rate is scheduled to rise to 4.95 per cent each—a combined 9.9 per cent by 2003 and to remain fixed thereafter.

The private elements consist of self-financing, employment-based Registered Pension Plans and individual Registered Retirement Savings Plans. The federal and provincial governments encourage and regulate these plans through tax sheltering and through rules governing the benefit standards and allowed types and amounts of investments. Plans are not legally compulsory but membership in a Registered Pension Plan may be a condition of employment with a particular employer.

In addition to these formal programmes, Canadians make provision for retirement through general savings and investments such as home ownership.



## **Context in which the Canadian System was Developed**

The Canadian retirement income system largely developed over a period of approximately 50 years covering the middle part of the 20<sup>th</sup> century. Before that time, some benefits had been provided for war veterans and through individual large employers such as governments, banks and railways. Public pension responsibilities were seen as a provincial responsibility. Beginning in 1927, the federal government established an Old Age Pension scheme, whereby the federal government would pay half the cost of provincially-delivered pensions. The benefits were low, available only at age 70 and subject to a means test that looked at income, assets and family capacity to support the senior.

During and immediately after World War II, occupational pension schemes began to expand. As well, government interest in providing pensions grew after studies in Canada and abroad recommended major expansion of the government's role in social programmes, fuelled by both optimism about economic growth and determination to avoid the hardships that had characterised the pre-war period. The universal Old Age Security pension was initiated in 1952 following a constitutional amendment that gave the federal government authority to operate such a scheme. The key difference from the previous scheme was the elimination of the means test, so that benefits were available universally at age 70. Means-tested benefits were offered at age 65. Registered Retirement Savings Plans were also instituted in the 1950s to give broader savings opportunities to persons who did not have an occupational plan.

In the mid-1960s, as good economic growth continued, further major expansion of the public system was undertaken. The age of eligibility for the universal pension was lowered to 65 and the Canada and Quebec Pension Plans were introduced to provide a measure of earnings replacement to all workers, particularly the roughly 60 per cent who did not have occupational plans. A temporary supplement to the universal scheme was created to help persons who would be too old to participate fully in the Canada and Quebec Plans. This supplement was revised and expanded in the 1970s and early 1980s to provide a guaranteed minimum income to virtually all seniors.

The past 20 years have seen efforts focussing more on assuring long-term stability in the public pension system in the face of lower economic growth and changing demographics. Efforts have also been made to improve the standards governing occupational plans and in ensuring fairness in the savings opportunities between occupational schemes and Registered Retirement Savings Plans.

## **Assessment of the System**

While no two economies have identical retirement income approaches, recent international studies have tended to favour systems that (like Canada's) rely on a mixture of public and private elements. For example, the recent OECD document "Maintaining Prosperity in an Aging Society" (1998) suggest that "A system of retirement provision that is based on many elements has the potential to reduce the risk by diversifying across producers....Indeed, each of the elements of the system has its own strengths and weaknesses and a flexible balance among them not only diversifies risk but also offers a better balance of burden-sharing between generations and gives individuals more flexibility over their retirement decision". The same study ranks Canada highest in a comparison of overall adequacy and equity of retirement income in a number of European and North American economies.

## ***Workplace Practices that Contribute to Enhanced Productivity and Greater Stability***

The Labour-Management Partnerships Programme (LMPP) promotes effective labour-management relations at the workplace and sectoral level by providing funding assistance and advice for joint labour-management initiatives that address workplace and sectoral issues.

In an era when changes in the global economy are redefining the whole concept of work, Canadian workplaces are finding more and more that traditional approaches to work-related issues no longer fit their needs. LMPP funding allows them to experiment with new ideas through pilot projects that are outside the scope of normal day-to-day operations, and which might not otherwise have been undertaken.

Since 1991, the Programme has supported a wide range of joint initiatives such as pilot workplace restructuring projects, research projects on workplace, sectoral or industrial relations issues, alternate approaches to traditional collective bargaining, joint labour-management training in labour relations, conferences and studies. In many cases, the knowledge gained has provided a solid foundation for implementing workplace change that benefits both sides. Almost invariably, the process had led to a more positive labour-management working relationship.

### **Funding eligibility**

- Unions and employers in federally-regulated workplaces (excluding federal government departments and agencies)
- Unions and employers in provincially-regulated workplaces, if the proposed projects address significant national or regional issues
- Union-only or employer-only, provided the project engages the other side in meaningful interaction or dialogue
- Joint labour-management committees or organisations

### **Funding availability**

LMPP funding covers up to half of the costs associated with the project, with some exceptions such as replacement wages for workers attending meetings or training sessions, and travel outside Canada. Applicants may, however, consider such costs as part of their contribution, which must at least equal LMPP's, and may be measured either in cash or in kind. The LMPP contribution is limited to C\$100,000 per project over a period not exceeding two years. Average contributions range from C\$10,000 to C\$50,000.

### **Project assessment**

Projects are assessed against specific programme criteria and priorities which emphasise new learning and its application to joint development of new approaches to work and work-related issues. Projects should demonstrate the potential to produce tools—a report, course modules, a video, for example—which would be useful to other workplaces considering similar initiatives. To reflect the fact that successful projects tend to demonstrate a high level of jointness, priority is given to proposals that are submitted jointly by labour and management and that involve unionised workplaces. Projects that meet the priorities and criteria would therefore be potentially successful initiatives whose results would contribute to knowledge in the industrial relations field.

### Dissemination of results

Clients are expected to publicise project results widely in both official languages, and to make them available on request. The costs associated with dissemination of results may be incorporated in the funding allocation, since this sharing of knowledge helps the Programme to achieve its objective.

### Ministerial responsibility

The Programme falls under the mandate of the Minister of Labour, and is part of the Federal Mediation and Conciliation Service in the Labour Programme of Human Resources Development Canada.

# **CHILE\***

## **Policies in Place**

### ***Employment of Workers***

#### **Labour Market Guidance Services**

The National Training Employment Service (SENCE) seeks to develop and promote programmes, projects and mechanisms aimed at labour market guidance and counseling services to contribute to an adequate employment level and mobility of workers.

In more specific terms, this is reflected in the following general objectives:

- promote a more smoothly operating labour market through informational, guidance, training and occupational placement activities;
- articulate and administer an array of guidance services that encourage the best possible match between the competencies of the workers and the type of human resources required by employers; and
- meet the demands for reemployment in economic sectors that are experiencing a crisis.

Specific objectives include:

- design, implement and monitor actions aimed at strengthening the operation and coverage given by Municipal Offices of Occupational Information (OMIL), so as to consolidate efficient placement and labour market guidance services;
- manage a Programme of Labour Market Relocation, aimed at supporting the relocation of displaced workers or workers who are exposed to an effective risk of being displaced and belonging to sectors or activities in a situation of crisis as identified by the Decree on Retraining and Labour Market Relocation for a specific economic sector or activity;
- design and manage the Retraining Programme for Workers on Wages Close to the Minimum Wage in order to give them effective labour mobility, by placing them in a new job or by improving the wage conditions of the current job; and
- design occupational instructional and training programmes aimed at improving work competencies and the possibilities for the placing and relocating of workers, whether employed or unemployed.

#### **Retraining Programme for Workers on Wages Close to the Minimum Wage**

##### Objective

The objective of the Programme is to attain effective labour mobility, of a stable nature, in a new job, or to improve the wage conditions of the recipients in the current job. Beneficiaries participate in a personalised programme, designed to match their abilities, skills and competencies in order to secure an effective increase in productivity and a significant increase in the level of earnings.

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\* Prepared by the Ministry of Labour: National Training and Employment Service, Planning and Studies Department.

### Target population

Men and women, dependent workers receiving a base monthly wage close to the minimum wage and a total monthly take-home pay under 120,000 Chilean pesos, and who have been in that situation for at least six months, and preferably in the age group 25 to 45.

### Expected results

It is expected that through the programme, the beneficiaries will obtain a better wage at their current job or at a different job. It is also expected that the set of services planned for each beneficiary will enable him/her to effectively and permanently improve his/her ability to move within the labour market, through the acquisition of suitable competencies.

## **Labour Market Relocation Programme**

### Objectives

The general objective of the programme is to relocate displaced or at-risk workers, by obtaining a new job, either under a labour contract or as a self-employed worker, leading to a steady and permanent income.

The labour market relocation programme includes a coherent set of services that are made available to beneficiaries and are aimed at:

- improving workers' abilities to move autonomously in the labour market;
- generating earnings, through placement under a labour contract or as a self-employed worker.

The beneficiaries are to receive basic, complementary and support services:

*Basic services:* to include at least: design of individual plans, construction of labour profiles, training to develop general competencies at work, labour guidance, and counseling.

*Complementary services:* defined in keeping with the characteristics of each beneficiary (to fit their individual plans) and which are deemed necessary to obtain the expected results.

*Support services:* monetary resources provided as support mechanisms oriented to avoid drop-outs. These services may include: transport and food allowances, child care, relocation, tools, equipment and insurance.

### Target Population

Men and women who have developed special skills associated with an occupation or geographic area that have become or will become economically obsolete are considered beneficiaries pursuant to the Decree on Retraining and Labour Market Relocation.

Eligibility for this programme is as follows:

- belong to a sector in crisis considered within the frame of the Relocation Plans;
- aged between 25 and 50;
- net take-home pay the last month under 250,000 Chilean pesos; and
- no post-secondary schooling, except for training courses.

It is expected that the set of services planned for each beneficiary will simultaneously enable them to effectively and permanently improve their ability to move in the labour market through the acquisition of skills needed in the labour market.

It is expected that during the implementation of the programme, beneficiaries will be relocated in new jobs, either under a labour contract or as a self-employed worker.

### **SENCE-OMIL Guidance and Counseling Programme**

This is a permanent line of work aimed at operating and coordinating a public employment system which, by providing guidance and counseling mechanisms and instruments, will contribute to mobility in the labour market of active and/or unemployed workers and support their placement or relocation in productive jobs, particularly those groups featuring lower employment rates.

#### Objectives

Improve placement and relocation prospects for all people needing it, by integrating a set of labour informational, guidance services and placement activities and services that consider both the potentials and expectations on the supply side, as well as the competencies and skills required on the demand side, and their availability in the labour market.

The National Training and Employment Service (SENCE) designs and conducts activities aimed at strengthening the concerted action of the Municipal Offices of Occupational Information (OMIL), through technical support to improve their operation, train their staff and expand their coverage.

#### Target population of the Municipal Placement Offices

- Active workers who want to change their job or occupational sector.
- Unemployed workers.
- People looking for work for the first time.
- Inactive workers that need to participate in the labour market.
- People who apply for training courses.
- Groups who are difficult to relocate in the labour market (workers covered by a labour market relocation programme, workers unemployed for a long period; female workers who are the heads of low income households; unqualified youths; disabled people).

#### Expected results

- Facilitate the processes of guidance and counseling by improving the mechanisms for the operation of the placement services.
- Shorten the time required for a job search through the support of an interconnected municipal network that links the supply and demand for labour.
- Greater opportunities and access of people to training and guidance programmes geared to the labour market.
- Occupational information and guidance programmes to allow adjustment between workers' skills and the needs of the productive sectors.
- Sustain an active employment policy within a frame of economic growth with equal opportunities for all.

- Encourage higher labour force employability levels, allowing for a more dynamic labour market and reducing unemployment problems.

## **INFOLJOVEN Project**

### General objective

Develop a system of information on the labour market such that it will bridge the gap between the supply and demand for jobs. This electronic placement clearing house operates on a Web site available to workers and businessmen at the address [www.sence.cl](http://www.sence.cl). Unemployed workers or workers who are looking for a job for the first time and who do not have access to the Internet may file an application with the Municipal Offices of Occupational Information in the municipal district where they live.

Infoljoven is an innovative labour information tool that is useful in looking for a job and offering a job in an expedient and efficient manner. It is a placement clearing house which, operating on Internet, becomes a permanent channel of information on aspects related to job searches, labour market information and opportunities for training.

### Target population

Infoljoven, though designed to cover a wide sector of workers, places a special emphasis on the unemployed population and young people looking for a job. Beneficiaries are all those who—with the ability and determination to obtain a job—contact the Municipal Office of Labour Market Information or resort to any computer connected to the Internet, and enter their curriculum vitae. Furthermore, firms may directly input their job openings through the Internet.

## **Chile Joven Programme**

The Chile Joven Programme is aimed at increasing the possibilities for labour market participation of young people from low income families, who face problems of economic and social integration, by providing them with the training they need in order to work, that is, training in trades and work experience.

### Target population

- Male and female youths, from low income families, preferably in the age group between 15 and 24.
- Youths not enrolled in the formal educational system, with the exception of evening and night schools.
- Youths graduated from secondary education or drop-outs.
- Youths currently unemployed, under-employed or inactive and who are willing to work.

### Courses taught

Courses aimed at providing training in trades, for those activities in which firms have a demand for semi-skilled workers.

Courses are taught within the frame of three Training Modes or Lines:

- Training and Experience in Firms.

- Qualifying them to set up small businesses in the agriculture, livestock and forestry sectors.
- Dual Learning.

#### Benefits

- Courses are free of cost.
- A daily allowance for food and travel.
- Insurance against personal accidents.
- Set of tools and/or materials.
- Effective experience at work.
- Opportunity to obtain a labour contract.
- Final certification by SENCE and the Training Institution.

#### Application to the programme

Those who wish to participate in the programme must enrol at the Municipal Placement Offices (OMC) in the municipal districts of their residence. The respective Municipal Placement Offices counsel youths on possible fields of specialisation, refer them to the training institution offering the course, where the applicant will be accepted on an interim basis and submitted to a screening process for final enrolment in the course as an official student.

#### *Training and Experience at Work in Firms*

This course combines training at a basic or semi-skilled level lasting 250 chronological hours on average, with a maximum enrolment of 25 students, followed by experience at work for a period of three months.

The classroom instruction stage (includes two components):

1. Training for work: the objective is to help young people to develop basic competencies for work. Attitudinal aspects are emphasised with a view to make placement and the continuity of young people in the firms easier.
2. Training in a trade: the process in which the youth acquires the everyday competencies for a trade at a semi-skilled level.

Experience at work stage

Youths participate in the firms through an internship or an individual labour contract, for a fixed period of time, lasting three months at a minimum on a full-time basis.

#### Benefits

- Courses are free of cost.
- Travel and food allowance is provided by the firm during the training programme and the internship at the firm.
- Insurance against personal accidents.

#### *Training to set up small business firms in the agriculture, livestock and forestry sectors*

An instructional programme for youths who expect to be self-employed or form a small firm. The instructional stage, involving training in trades, lasts a minimum of



80 chronological hours, and the training in the operation of a small business firm lasts 100 hours at a minimum. After each participant or group of participants has developed a “concept for a productive project”, the Training Institution will establish contact with a credit support network to obtain the financing required by the project. The project is to be developed within a term of three to four months and will have technical assistance provided by the Training Institution until such time as the first products or services are marketed.

Courses have a maximum enrolment of 20 students and are open to young adults up to 30 years of age.

#### Benefits

- Courses are free of cost.
- Travel and food allowance during the instructional programme and while implementing the project.
- Insurance against personal accidents.

#### *Dual Instructional Programmes*

In this mode, formal class-room instruction at a Training Institution is combined with practical training at a firm. Youths join the firm under an apprenticeship contract or under a fixed-term labour contract.

The course includes a related instructional plan, conducted by the Training Institution and lasting between 240 and 420 chronological hours, and a training programme at the firm, lasting between 6 and 12 months.

#### Benefits

- Courses are free of cost.
- Travel and food allowance during the instructional programme and while implementing the project.

#### **Training Programme for Female Heads of Households**

The Training Programme for Female Households Heads is carried out by SENCE under an agreement with the Woman’s National Agency (SERNAM) and the Municipalities.

Its objective is to develop abilities, skills, and the knowledge needed to enable women who are heads of households to have greater possibilities of labour market participation in a more stable manner.

#### Target population

Any needy woman who has filed a registration statement with the Woman’s Municipal Office, in the Municipal district of her residence, and who qualifies as follows:

- Preferably in the age group between 17 and 50.
- Heads of households.
- Know how to read and write.
- Health compatible with the trade.
- Unemployed, under-employed or looking for a job for the first time.

- Resident in the municipal district, location or sector where the Programme is conducted.
- CAS II status.
- Participant in the programme “Female Heads of Households” implemented by the Municipalities under an agreement with the Woman’s National Agency.

#### Structure of the programme

The Training Programme for Female Household Heads has two stages:

##### *Instructional Stage*

- Training in the trade: consisting of courses offered by training institutions, which may not last more than 300 chronological hours.
- Training module: aimed at developing the skills needed by the recipients in order to perform in the labour market.

##### *Experience at Work Stage*

- conducted on completion of the above stage, at a firm or at a mock work-shop, lasting one month.

##### *Courses taught*

- workshops: to reinforce self-esteem and the sense of identity, to enable them to more assertively cope with the world of work.
- training courses: in traditional and non traditional trades.

#### Benefits

- Courses are free of cost.
- Travel and food allowance.
- Insurance against personal accidents financed by SENCE, in effect as long as the course lasts.
- During the instructional stage, the training institution includes child care for dependent children up to ten years old.

### ***Social Safety Nets to Alleviate Poverty***

#### **Social Insurance for Unemployed Workers**

The Chilean Government has designed a new social insurance system for unemployed workers, as a part of an active market policy labour seeking to contribute to the mobility of the unemployed by supporting their job-search efforts and their reinsertion into productive activities.

This system is based on creating Personal Unemployment Accounts which are owned by each worker. Monthly contributions to these accounts are to be made both by the employer, equivalent to 3.6 per cent of the wage, and the worker, 0.8 per cent of the wage.

As soon as workers become unemployed, regardless of the cause originating the event, they will be able to draw monthly from the funds accumulated in such accounts. If the worker obtains a job before depleting the funds available, they may withdraw at their discretion.

For lower-income workers, the new system provides for a subsidy to be paid by the State, to ensure that every laid-off worker receives benefits for a period of four months.

The system shall be managed by *sociedades anónimas* (listed joint stock companies), governed by a regulatory framework similar to that in force for the pension funds system and to be overseen by the Superintendency of Pension Funds Management Companies.

The implementation of this system will cover all wage-earners in the private sector, who will further benefit from the services of the informational and labour guidance systems and have preferential access to on-going training programmes.

### **Unemployment Subsidy**

This system establishes that workers dismissed for reasons that are beyond their control shall be eligible to receive a monetary benefit paid by the State, over a maximum 12-month period.

The maximum period during which a worker may receive the subsidy is 360 days, involving decreasing amounts in time: approximately US\$43.30 for the first 90 days, US\$28.90 for the following 90 days and US\$21.70 for the remaining 180 days. Simultaneously with the subsidy, the worker is still entitled to receive family allowances, maternal allowances and medical care.

### ***Workplace Practices that Contribute to Enhanced Productivity and Greater Stability***

#### **Forum for Productive Development**

This is a relatively new institution in Chile, set up in 1994 with the participation of workers, employers (represented by their most important organisations) and Government representatives and is intended to foster discussion and the exchange of ideas between all parties involved, in relation to the priority issues for the economy's productive development.

It operates in each one of the 13 regions in the economy and has been an important meeting place to make headway in arriving at a basic consensus on economic, labour and social matters.

#### **National Productivity and Quality Centre**

Immediately after the Forum for Productive Development was set up, the National Productivity and Quality Center was created in 1995. It is also a three-fold organisation in nature, involving workers, employers, and government, oriented to supporting all efforts aimed at increasing the economy's productivity.

This institution is concerned primarily with the diffusion of experiences, information and methodologies that will enable companies to increase productivity standards and the quality of products and services. Its activities are supported by research programmes and it has instituted a National Award for Quality to further stimulate companies.

It also conducts training programmes for workers and businessmen in matters that are specific to productive development, so as to create autonomous abilities that will allow firms throughout the economy to make the best of successful experiences.

## **Bipartite Training Committees**

Bipartite Training Committees were set up within firms to meet the increasing need for cooperative efforts between workers and management, with a view to increasing their productivity and competitiveness, in an economy which is increasingly more dynamic and global.

The law establishes functions for the Bipartite Training Committee, as follows:

- define the training programme or programmes in the company;
- evaluate such programmes; and
- assist upper management in training-specific matters.

The legal framework distinguishes between companies that are bound by law to set up Bipartite Training Committees and companies for which it is optional. The Law mandates that all companies with equal to or over 15 workers, regardless of whether they are permanent or temporary workers, are to have Bipartite Training Committees, whereas companies with fewer workers may choose whether or not to set up a Bipartite Training Committee.

The Committee is made up of three company representatives and three representatives on behalf of the workers.

The decisions of the Bipartite Training Committee are adopted by majority vote of the representatives, and they are executed through a training programme that entitles the company to an additional 20 per cent discount on taxes for the amount of the expenditure imputable to training by the companies.

# HONG KONG, CHINA

## Environment

The impact of the recent financial upheavals in Asia has been much more widespread and protracted than anyone could have expected. It is no longer simply a regional crisis, but one which has global economic implications. With a highly open and externally-oriented economy, Hong Kong, China, could not be immune from the turmoil. It is still undergoing a painful but necessary economic adjustment period. In the present economic climate, employers are under immense pressure to reduce their business overheads, cut operating costs and increase productivity by means of lay-offs, downsizing or wage reductions. An increasing number of companies have had to close down or become insolvent.

Slower growth in new job opportunities as against a continuing increase in the number of retrenched workers, coupled with the steady growth in labour supply, notably due to returnees<sup>1</sup> and new arrivals<sup>2</sup>, have led to rising unemployment in Hong Kong, China, since the latter half of 1998. The seasonally adjusted unemployment rate jumped from a low of 2.2 per cent in the third quarter of 1997 to 6.2 per cent<sup>3</sup> in the first quarter of 1999. In absolute terms, the number of unemployed persons trebled to 214,000<sup>4</sup> during the same period. The size of the workforce now stands at around 3,445,000.

In 1997, less than 60 per cent of the previously-employed unemployed persons were dismissed or laid off by their employers. The remaining unemployed persons left their jobs on their own accord. However, the proportion of unemployed persons who were dismissed/laid-off workers increased rapidly to 79 per cent in the last quarter of 1998. In absolute terms, their number increased from less than 40,000 in 1997 to around 142,000 by the end of 1998. It is apparent that retrenchment has become an increasingly important reason for job losses.

The Government of Hong Kong, China, is very concerned about the spate of retrenchments arising from the Asian financial crisis. The Labour Department actively encourages employers and employees to work in partnership and resolve any problems in a positive and pragmatic manner so as to tide over the present economic adversities. It closely monitors all major retrenchment cases with a view to settling any disagreement between the employers and employees concerned.

To alleviate the hardship brought on by job losses, the Government has been making sustained efforts to help the retrenched workers rejoin the workforce as soon as possible. In June 1998, it set up a high-level Task Force on Employment (TFE) under the chairmanship of the Financial Secretary. With representatives from employers, employees, academics, training bodies and the Government, the TFE aims to tap the collective wisdom from various sectors in its endeavours to formulate feasible and effective initiatives in a pragmatic manner to tackle the unemployment problem and create job opportunities. Since then, a wide range of measures has been implemented, and with good results.

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<sup>1</sup> Returnees are former Hong Kong, China, residents who have emigrated earlier.

<sup>2</sup> New arrivals are persons from Mainland China who settle in Hong Kong, China, for family reunion. There is a daily quota of 150 for these new arrivals.

<sup>3</sup> Provisional figure only.

<sup>4</sup> Provisional figure only.

## **Policies in Place**

### ***Employment of Workers***

#### **Local Employment Service and Job Matching Programme**

The Local Employment Service of the Labour Department provides job-seekers with free public employment-placement services. Job seekers select vacancies on display and seek assistance from counter staff for referrals to job interviews. A Job Matching Programme was launched in 1995 to provide a more customised service for job seekers. Placement officers will identify suitable jobs for those persons joining the Programme according to their academic qualifications, job skills, work experience and job expectations. This service is very popular, and was expanded in March 1998.

#### **Employment Services for New Arrivals**

Two Employment and Guidance Centres for New Arrivals were set up in September 1997 and March 1999, to provide a comprehensive range of employment and guidance services, especially for new arrivals from the Mainland. The services provided include intensive job-matching and job referrals, provision of labour market information, employment counseling, and briefings on job interview skills and working conditions in Hong Kong, China.

#### **Outreaching Placement Service**

Since 1995, the Labour Department has operated an Outreaching Placement Service to help those workers who are affected by major retrenchment exercises obtain employment assistance. Once the Labour Department becomes aware of a retrenchment that affects a significant number of workers, its placement officers will visit the workplace to offer employment assistance to those who are displaced; and to provide them with job-matching opportunities to help them secure new employment.

Since February 1999, the Labour Department has provided a special counter in its Local Employment Services offices to assist those persons seeking to work as domestic helpers. A placement officer will concentrate on this specialised subject, and referrals will be made on a district basis to avoid the need to commute. Where necessary, applicants will be referred to relevant retraining courses for domestic helpers organised through the Employees Retraining Board.

The target groups for the above services are essentially the unemployed, with special services being provided in respect of the two groups stated. Retraining courses are arranged through the Employees Retraining Board (ERB) which is a statutory body, and its associated training bodies. They are funded through the ERB, which obtains part of its income through a levy on imported labour, and the remainder through capital grants from the government. Programmes provided by the Labour Department are funded through the usual government budgetary mechanism.

## **Delivery**

As indicated above, the Labour Department provides services for the unemployed, primarily through its Local Employment Services Offices. Retraining programmes are provided by the statutory Employees Retraining Board, which will contract out its courses to appropriate training bodies, for example, NGOs. The business sector and the community are involved in the Labour Advisory Board, the Employees Retraining Board, as well as the Task Force on Employment.

# INDONESIA

## Environment

Within one year the Indonesian economic situation has changed dramatically. Broader implications of the economic crisis include: (a) recession is deep and widespread, despite some pockets of success in exportable resources-based commodities; (b) regional disparities will likely increase between resource/export-rich provinces and the resource-poor provinces, the latter mainly in the east; and (c) imbalances and breakdowns in economic activity among interdependent sectors (for example, agriculture and fertiliser or manufacturing industries dependent on imports) will impede recovery and growth. In any case, the basic results of the economic crisis are clear: unemployment and poverty have increased significantly over the past 18 months.

The crisis has had the negative impacts on Indonesia's economic performance as presented in Table 1 on page 54. Economic growth, which was previously stable, has dropped drastically from 4.6 per cent in 1997 to minus 13.6 per cent in 1998. The first casualties of the currency crisis were among the real estate and related property and construction businesses. The next in line was manufacturing, which is heavily dependent on imported inputs. In the meantime the service sector too started to suffer from declining demand. Agriculture, on the other hand, was adversely affected by the crisis as prices of agricultural inputs, including imported fertiliser and seeds, soared. On the other hand, some export-oriented agricultural products, especially plantation commodities, seem to be profitable. The tourism industry has also suffered in line with political unrest and other events such as forest fires.

The contraction of the economy is expected to slow during 1999 to less than minus 5.0 per cent. By the first quarter of year 2000, the Government expects the start of recovery. It is expected that it will take around five years to bring the economy back to its pre-crisis level. Some local businessmen are gearing up to start investing again by next year in preparation for the expected turnaround the following year. Foreign investment will grow in line with the improving political situation and return of international trust.

Indonesia's labour force is characterised by its relative youthfulness, as depicted in Table 2 on page 54. It is seen that the labour force is steadily increasing. Between 1994 and 1998, the labour force grew by 2.7 per cent per year, increasing from 83.7 million to 92.7 million, of which in 1998 some 60 per cent were below 39 years old. However, future growth will be slower because government intervention through the family planning programme has lowered the fertility rate.

The quality of the labour force remains very low with predominantly junior high school graduates and below. The crisis has brought additional youths into the labour force as the number of students leaving school to seek work has increased due to the financial constraints.

There was also a substantial increase in the number of females in the labour force between 1994 and 1998. However, males are still dominant with a ratio of 63 females to 100 males.

Because of the economic crisis many sectors are experiencing drastically reduced labour demand. Lay-offs have been mostly in the construction, manufacturing and

service sectors, commonly concentrated in urban areas (see Table 3). These workers are mostly migrants and not residents of the cities surrounding the industrial areas. A recent study has shown that a substantial and disproportionate number of women workers have been affected by retrenchments, as the high rate of inflation and the unavailability of raw materials accompanied the drastic demand decline.

The sectoral distribution of the labour force indicates sex segregation, whereby women tend to cluster in the jobs and sectors with the lower levels of wages. Women constitute 46 per cent of the total labour force above age 15, and the overall female labour participation rate is 44.1 per cent, compared to 72.3 per cent for men. The unemployment rate is slightly higher among female workers at 5.6 per cent (4.1 per cent for men), while among the educated youth the rate is much higher at 27.4 per cent (21.2 per cent for men). This indicates a big problem for the Indonesian human resource planners, especially for the Ministry of Manpower.

### **Policies in Place**

The prognosis for the short to medium term is for zero growth in 1999 and slow recovery in 2000 and 2001. This situation has dictated the need for dramatic shifts in policy with regard to the short-term labour market. The focus of policy development will need to shift to protecting the livelihood and sustaining the incomes of those members of society who are most in need of assistance. An important part of this process will include a renewed emphasis on agriculture and informal sector activity. Structural economic policy changes, including the disassembly of commodity monopolies will create an economic environment conducive to renewed development and growth in the agricultural sector.

### ***Social Safety Net Programmes***

In the meantime, the government's attention is understandably focussed on the social safety nets due to resource constraints. Sector-based programmes have been designed using external financial assistance. Two programmes have been provided to alleviate unemployment, particularly among retrenched workers. These are designed to improve the purchasing power of unskilled workers and to assist those terminated skilled workers wishing to open new businesses. In coordination with productive economic institutions, they are expected to be able to manage their own businesses, creating jobs for new entrants. In-kind assistance is being given in the form of training in management skills and initial capital to run a small business. This is a more appropriate response to the changed economic circumstances than assisting large enterprises. Training priorities are limited to those included in this programme.

Recently, the Government of Indonesia has devised and implemented a number of social safety net policies and programmes designed to ameliorate problems caused by the crisis. The Government of Indonesia has attempted to choose and design these programmes based on considerations of state-of-the-art principles and local conditions. The impact of the crisis in Indonesia has been widely but differently felt and, as examples from the rest of the world suggest, Indonesia has employed different kinds of responses for different kinds of impacts. Thus, Indonesia has, for example, developed: food subsidy and transfer programmes for the most vulnerable and severely affected parts of the population, in both rural and urban areas; basic nutritional assistance and support for continuing education of those negatively impacted families with small children; public works programmes for the rural landless, small holders, and the urban poor (especially) who have lost their main



sources of income due to the crisis; and micro-finance schemes for small and medium sized businesses which have temporarily lost access to standard credit facilities, while the banking system undergoes a major restructuring.

Indonesia is a large and heterogeneous economy in the midst of far-reaching political and economic transition and, as a result, the government has stressed the importance of “covering” as much of the affected population by social safety net efforts. Overall, the “participation rates” of the poor in the programmes are therefore quite high.

The social safety net programmes that Indonesia has designed and implemented fall into four broad categories: food security, public health and education, employment and income generation, and the promotion of small- and medium-scale enterprises. Food security programmes attempt to provide an ample level of security upon the provision of basic necessity goods at reachable prices. Social protection activities help ensure the supply of important services in the area of public health and education, particularly for women and children, to protect further deterioration of the following generation. Employment and income generation efforts provide extensive support for the recently unemployed through the implementation of labour intensive works. And small and medium enterprise support focuses on engendering a productive environment for community-based economic activities through the use of co-operative principles.

### **Present Activities**

Food Security. This programme is implemented through four schemes: food reserves, the food assistance programme of Special Market Operations, a crash programme on food production intensification, and fertiliser and capital subsidies. The food reserve scheme consists of (a) essential food price subsidies and (b) food procured with assistance from the World Food Programme and bilateral programmes.

Social Protection (education and health and nutrition). Social safety net programmes in the field of education are based on three principles: (i) maintaining the level of student enrolment and preventing dropouts; (ii) maintaining the continuation rate; and (iii) maintaining the quality of teaching and learning. The general objective of the health and nutrition sectors programmes is to maintain or improve the status of health and nutrition among poor families through: (i) providing financial support for basic health and referral services; (ii) nursery referral services free of charge for pregnant mothers, delivering mothers, and nursing-mothers; (iii) providing supplementary food for pregnant mothers, nursing mothers, babies (6–11 months) and children (12–23 months); and (iv) consolidating food and nutrition watch systems.

### **New Activities**

Employment Generation: *Padat Karya 2 (PK2)*. *Padat Karya (PK)*, or labour intensive, projects have long been part of Government efforts to stimulate employment and income during tough economic times. Traditionally, PK was administrated by the Ministry of Manpower and applied to socially useful projects with intensive use of labour inputs at wages not exceeding the market rates for unskilled labour. In 1994 the central government ended all its PK efforts. The Government has re-introduced and substantially expanded its PK programmes which are aimed at maintaining or upgrading existing infrastructure such as tertiary irrigation networks, local schools, drainage systems, and local roads in both rural and urban areas as well as encouraging small businesses to start-up and (re-) hire as many of the newly unemployed as possible. Special concern is being placed on

environmental rehabilitation to support food security (for example, labour intensive programme in forestry), the development of local “people economies” in both urban and rural areas, and re-training of recently unemployed skilled workers; in addition to the traditional labour intensive efforts in public works (for human settlements, roads, and irrigation).

Small and Medium-Scale Enterprises. In the area of development of small and medium enterprise development, the Government has initiated various activities to ensure the creation of a fair and productive business environment. This programme is far more complicated than others, especially given that the role of SME’s had been systematically overlooked for quite sometime. Moreover, it also touches on very critical issues related to the enhancement of basic micro-economic principles.

Kecamatan (sub-district) Development Programme. This programme has concentrated on addressing the needs of rural communities in combating poverty. It has developed approaches for providing support to both private sector economic activities as well as public infrastructure development. It was among the first efforts to directly finance activities of local communities and incorporate the participation of the poor themselves. It was initiated before the crisis and programmed to mitigate impacts of the crisis in rural areas.

Urban Poverty Programme. The project’s objective, broadly speaking, is to empower local communities to help residents overcome poverty in urban areas. The project will provide capital to revolve within the community for sustainable income generation by groups within the jurisdictions and the individual urban poor. It will also fund development of community-selected basic infrastructure and related employment generation activities in low-income urban areas.

Community Recovery Programme (CRP). The CRP is an innovative civil society-led mechanism aimed at strengthening the coping capacities of vulnerable segments of the population, especially those most severely affected in the recent crisis. It will do this by channelling resources to support local community-based organisations implementing assistance activities. Programmes funded under the CRP primarily focus on enabling and empowering local communities and beneficiaries to help themselves. The objective of the CPR is to establish an effective non-government mechanism, which can in a rapid, transparent and inclusive manner respond to the needs as identified by the poor communities themselves. The CRP will work across a variety of substantive areas: food security, basic and social services, and jobs creation and income generation.

## **Implementation**

### **The Future of Social Safety Net Programmes**

In the future, Indonesia would like to synthesise its approaches to social safety net programme development. One possible way of synthesising various approaches might be PDM-DKE (*Pemberdayaan Daerah dalam Mengatasi Dampak Krisis Ekonomi*—EROIC—the Empowerment of Regions to Overcome the Impact of Economic Crisis). A programme would use the community-based approach, that is, transferring community funds directly to the people affected by the crisis. The main goal of the EROIC programme is to alleviate the negative impacts of the economic crisis. More specifically, the programme seeks to: generate employment and income among those hardest hit by the crisis and improve the overall functioning of social and economic infrastructure with a view to reinvigorating local economies across the

entire economy. This programme may well serve as the model for the vast bulk of Indonesia's future social safety net programmes. Its potential as a model for the future rests on five basic principles: (i) targeting accuracy; (ii) speed in disbursement of funds and project implementation; (iii) sustainability; (iv) accountability; and (v) transparency.

**Table 1: Annual Growth Rate of Gross Domestic Product at Constant 1993 Market Prices by Industrial Origin (Rp. billion)**

Main Industry	1994	1995	1996	1997	1998
Agriculture	0.6	4.4	3.0	0.6	0.3
Mining and Quarrying	5.6	6.7	5.8	1.6	-6.9
Manufacturing Industries	12.4	10.9	11.6	6.2	-12.0
Electricity, Gas and Water	12.5	15.9	12.8	11.9	-2.2
Construction	14.9	12.9	12.8	6.4	-35.4
Trade, Hotel and Restaurant	7.6	7.9	8.0	5.5	-21.4
Transportation and Communication	8.3	8.5	8.7	8.4	-11.6
Financial, Ownership and Business Service	10.2	11.0	9.0	4.8	-18.6
Other Services	2.8	3.3	3.4	3.0	-5.2
<b>Total</b>	<b>2.8</b>	<b>8.2</b>	<b>8.0</b>	<b>4.6</b>	<b>-13.1</b>

**Table 2: Indonesia: Characteristics of the Labour Force, 1994 and 1998**

	1994 (mill.)	%	1998 (mill.)	%
<b>AGE GROUP</b>				
15-24	19.23	23.0	19.73	21.3
25-39	33.51	40.0	36.34	39.2
40-54	20.98	25.1	24.66	26.6
55-64	7.11	8.5	8.24	8.9
65+	2.87	3.4	3.76	4.1
<b>LEVEL OF EDUCATION</b>				
Primary and Less	58.60	70.0	58.62	63.2
Junior High	9.95	11.9	13.18	14.2
Senior High	12.63	15.1	17.02	18.4
Dip I/II/III	1.36	1.6	1.83	2.0
University	1.16	1.4	2.08	2.2
<b>SEX</b>				
Male	51.12	61.1	56.76	61.2
Female	32.58	38.9	35.97	38.8
<b>URBAN-RURAL</b>				
Urban	26.19	31.3	33.41	36.0
Rural	57.51	68.7	59.33	64.0
<b>Total</b>	<b>83.70</b>	<b>100.0</b>	<b>92.73</b>	<b>100.0</b>

**Table 3: Indonesia: Characteristics of Employment, 1997 and 1998**

	<b>1997</b> <b>(mill.)</b>	<b>%</b>	<b>1998</b> <b>(mill.)</b>	<b>%</b>	<b>% change</b> <b>1997-98</b>
<b>AGE GROUP</b>					
15-24	16.26	19.0	16.35	18.7	0.6
25-39	34.25	40.1	34.92	39.8	2.0
40-54	23.45	27.5	24.44	27.9	4.2
55-64	7.88	9.2	8.20	9.4	4.1
65+	3.56	4.2	3.76	4.3	5.6
<b>LEVEL OF EDUCATION</b>					
Primary and less	56.49	66.1	57.45	65.5	1.7
Junior High School	11.57	13.5	12.20	13.9	5.4
Senior High School	14.09	16.5	14.54	16.6	3.2
Dip I/II/III	1.49	1.7	1.65	1.9	11.1
University	1.77	2.1	1.83	2.1	3.0
<b>MAIN INDUSTRY</b>					
Agriculture	35.17	41.2	39.41	45.0	12.1
Mining and Quarrying	0.88	1.0	0.67	0.8	-23.3
Manufacturing Industries	11.00	12.9	9.93	11.3	-9.7
Electricity, Gas and Water	0.23	0.3	0.15	0.2	-35.4
Construction	4.12	4.8	3.52	4.0	-14.5
Trade	16.90	19.8	16.81	19.2	-0.5
Transportation	4.06	4.8	4.15	4.7	2.3
Finance	0.64	0.8	0.62	0.7	-4.1
Social Service	12.40	14.5	12.39	14.1	0.0
<b>EMPLOYMENT STATUS</b>					
Self Employed	19.60	23.0	20.52	23.4	4.7
Self Employed assisted by family member	17.71	20.7	19.69	22.5	11.2
Employer	1.45	1.7	1.53	1.7	5.1
Employee	29.91	35.0	28.81	32.9	-3.7
Family Worker	16.73	19.6	17.13	19.5	2.4
<b>SEX</b>					
Male	52.95	62.0	53.90	61.5	1.8
Female	32.45	38.0	33.77	38.5	4.1
<b>URBAN-RURAL</b>					
Urban	29.02	34.0	30.30	34.6	4.4
Rural	56.40	66.0	57.37	65.4	1.7
<b>Total</b>	<b>85.41</b>	<b>100.0</b>	<b>87.67</b>	<b>100.0</b>	<b>2.7</b>

# Japan

## Environment

### *Factors driving Labour Market Adjustment Policies*

#### The condition of economy

- negative economic growth for five quarters
- development of projected growth rate
- unemployment due to the shortage of job offers
- surplus of employment in enterprises

#### The change of labour supply

- the decline in the number of children per family and the aging society
  - the decline of labour participation rate due to aging
  - reconsideration of the wage system based seniority system and of the retirement allowance
- women's progress to the workplace
- the increase of the number of highly-educated people
- changes in the employment consciousness and behaviour of workers

#### The change of labour supply and demand

- internationalisation
  - the change of trade structure (globalisation of business, overseas production and the increase of import)
- changes of economic structure
- the growth of tertiary industry in the structure of employment
- technical innovation
- information revolution
  - the increased number of people who work in the area of information processing
  - the strategic and high-level use of female employees in unskilled work – shift from regular worker to non-regular worker in unskilled work.

#### Changes in policies

- deregulation
  - the expansion of the area of new business and the promotion of new comers
  - if the price slash caused by competition increase consumer demand, it will lead to the increase of employment.

## **Policies in place**

### ***The Projects for Counselling and Supporting of Human Resources Development***

#### Purpose of the Scheme

To support re-employment of middle-aged (45 years of age to 59) workers who quitted job by involuntary reason, by means of counselling of human resources development and providing vocational training at private educational and training facilities

#### Target Group

Job Seekers at the age of 45 to 59 who quitted job by involuntary reason.

#### Date of Implementation and Termination

January 1999 to March 2000

#### Sectors Responsible for the Operation

Ministry of Labour, Prefectures and Employment Promotion Corporation

#### Sources

Government Budget (the General Account and the Workers' Insurance Special Account)

### ***Measures for Job Creation in small and medium-sized enterprises (SMEs)***

#### Purpose of the Scheme

Considering severe employment environment, structural changes in industry and internationalisation of economic activity, to maintain employment stability, creating new employment opportunity is important. So Japan takes supporting measures to create good employment opportunity through improving employment management in SMEs.

#### Target Group

SMEs who start up business or enter into different business fields

#### Date of Implementation and Termination

January 1999

#### Sectors Responsible for the Operation

Ministry of Labour and Employment Promotion Corporation

#### Sources

Government Budget (Workers' Insurance Special Account)

## **Implementation**

- In Japan, the Government's adjustment of labour supply-demand conditions through the Public Employment Security Offices is supplemented by private-sector activities carried out in a regulatory framework protecting workers.
- In line with rapid changes both on the supply side and the demand side, there have been improvements on the systems relating to the private sector's adjustment of labour supply-demand conditions. In this way, efforts are being made to develop a situation in which labour supply-demand conditions are adjusted smoothly by joint efforts of the public and private sectors. Private sector activities to adjust labour supply-demand conditions include the following:
  - Worker dispatching undertakings
  - Private employment placement projects
  - Labor supply projects
  - Labor recruitment



# REPUBLIC OF KOREA

## Environment

In late 1997 the structural weaknesses of the Korean economy became obvious with the surfacing of factors such as rapidly growing foreign debts, bankruptcy of large corporations, and the financial crisis of neighbouring economies. The financial ratings of the Korean economy plummeted in the international financial market. Foreign financial institutions began to indiscriminately recall loans to Korea, which subsequently contributed to the accelerated depletion of Korea's foreign capital reserves. As a consequence, Korea was forced to turn to the IMF for a bailout loan.

Since the IMF bailout programme was introduced, employment conditions have worsened significantly. The Korean economy had grown at a high growth rate for the previous 30 years and had recorded a near-perfect employment rate since 1980. Except for the period between 1985 and 1987, during which the unemployment rate reached 3.5 per cent on average, the unemployed rate had remained below 3 per cent until 1997; it was as low as 2.0 per cent in 1995 and 1996. In 1997 it soared to 6.8 per cent (1,463,000 persons).

The number of employed was 20.68 million in December 1997 after the beginnings of the financial crisis, but it fell to 19.52 million (-5.6 per cent) in December 1998, a reduction of 1.16 million jobs over a year. The number of female workers suffered a larger decline than that of male workers. By age group, the number of workers in their twenties (-715,000 or -15.3 per cent) and fifties (-266,000 or 8.6 per cent) decreased significantly. The continuation of the economic recession led to a drop in the number of employed in the construction and manufacturing sectors, while the number of self-employed workers or workers employed in the public services sector increased. Jobs such as skilled work, machine operation, simple manual labour and office work declined, whereas professional, technical and administrative jobs increased.

The number of unemployed increased by 1,010,000 (153 per cent) in the 12 months from December 1997 (660,000 unemployed at an unemployment rate of 3.1 per cent) to 1,670,000 (at an unemployment rate of 7.9 per cent) in December 1998.

As regards the gender composition of the unemployed, the numbers of unemployed male and female workers increased 2.6-fold and 2.4-fold on a year-over-year basis, respectively. Male workers account for approximately two-thirds of the total unemployed (this indicates a larger 'discouraged worker' effect among females than males). By age, the unemployed rate increased faster for people in their forties (increasing by 220,000 or 256 per cent) and fifties (increasing by 152,000 or 323 per cent). By educational level, more workers with a poor educational background, below middle-school and high-school, became unemployed.

In light of the rapidly changing labour market, the Government prepared and implemented the 1998 Comprehensive Unemployment Policy, which focused on: (i) support for managerial stabilisation for the minimisation of unemployment; (ii) job creation; (iii) job placement and vocational training; and (iv) support for livelihood security. The Government has also significantly increased the budget for labour market policy measures, allocating an additional amount from the supplementary budget.

## **Policies in Place**

The Korean Government is determined to achieve the early completion of restructuring in all sectors, focusing on job creation based on enhanced competitiveness, and helping unemployed workers make best use of their unemployment period as an opportunity for their vocational development to prepare themselves for the information- and knowledge-based 21<sup>st</sup> century society.

The unemployment policy is divided into two large sections, active policy measures and measures for the re-employment and protection of the unemployed. The active policy measures include: (i) support for job-keeping efforts through managerial stabilisation; and (ii) job creation. The measures for the re-employment and protection of the unemployed include: (i) job placement and vocational training; and (ii) social care.

An increasing number of jobs have been created through public works projects, SOC investment, and the stimulation of the regional economy. The Government now provides stronger support for businesses which make efforts to avoid dismissal and other support for employment security, such as extension of credit guarantees. In preparation for the prolonged unemployment period, employment insurance has been extended to cover workplaces of all sizes, and the social safety net has been enhanced to secure the basic living of the low-income unemployed and workers unemployed from bankrupt businesses. Concurrently, improved vocational training programmes have been designed and implemented to help unemployed workers acquire vocational abilities for re-employment.

## ***Employment of Workers***

### **Public Works Projects**

Public works projects have been designed to create jobs for unemployed people. These projects benefited about 440,000 people in 1998, involving a budget of 1,044.4 billion won. Job creation in the public sector is particularly effective at the time of sudden, massive unemployment, and has been practised by other economies on a large scale.

The selection of people qualified for public works projects is made from those unemployed people who have registered with the job information centre at regional labour authorities and local governments. Priority is given to unemployed people with low or very little income.

The public works programme consists of projects with high productivity, such as the computerisation project that supports the training of computerisation personnel, the computerisation of public facilities, and the construction of on-line library systems; the social welfare project that improves and repairs social welfare facilities like homes for old-age people, orphaned children and disabled people, and schools; public projects like forest planning and internships at research institutes; and environmental protection projects like water pollution prevention and recycling.

After the year 1999 during which unemployment is expected to peak and a total of 2.55 trillion won is allocated to the programme, the size of public works projects will be adjusted according to changes in the labour market. Public works projects after 1999 will mainly focus on long-term unemployed people, the on-site training and voluntary works of unemployed youths, and manpower supply for the so-called 3-D sectors (dirty, dangerous, and difficult) which suffer severe manpower shortages.

Public works projects were originally designed to secure a minimum standard of living for unemployed workers by providing jobs, though temporary. But more productive projects are being developed by local governments and the Government is encouraging private-sector non-profit organisations to become involved in public works projects; for example, by allocating public works participants to these organisations as voluntary workers, thereby expanding community-oriented projects like environmental protection and consumer protection.

### **Enhancement of Vocational Training**

The number of unemployed workers who received vocational training in 1998, when massive increases in unemployment took place, increased 8-fold over 1997 to 360,000. This was largely due to government efforts to encourage unemployed workers to make use of their unemployment period as an opportunity to improve their employability when the economy picks up. Furthermore, the private sector, such as universities and private vocational training facilities, was allowed to provide government-authorised vocational training, which has only previously been available at public vocational training institutes.

In order to re-organise the vocational training structure into a customer-oriented system, regional demand has been studied and demand-oriented training programmes have been developed. Other matters, such as training instructors, training materials and curricula, have also been adjusted to meet demand, and training institutes have been granted greater autonomy. New prospective subjects include the training of Y2K bug specialists and patent managers. Since September 1998, the training voucher system has been introduced in certain selective areas, which allows trainees to choose training institutes and programmes.

For the enhanced efficiency of vocational training, the minimum length of vocational training has been increased from two weeks to four weeks, and the link between vocational training and employment has been strengthened through the assessment of and incentives for post-training job placement.

Vocational training, which has focused on the manufacturing sector in the past, is gradually transforming into a programme focusing on information- and knowledge-based industries to prepare workers for the upcoming information- and knowledge-based society of the 21st century. For this, the development of vocational training programmes for new industries, based on the analysis of manpower supply and demand and future prospects, are called for and accordingly courses leading to qualifications for new industries will be developed. For highly-qualified unemployed people, training courses for knowledge-based service industries, such as international finance, culture, tourism, Internet, and visual art, will be developed, and more instructors trained in new technologies will be recruited. Through these programmes, the unemployment period will be effectively used as an opportunity for vocational ability development.

### **Establishment of a Service Network**

Korea has expanded the job security net, which provides employment-related services such as job placement, unemployment benefits, and guidance on unemployment policy measures. The network of employment security agencies has also been expanded to a total of 99 places (79 job security centres and 20 human resource banks) in late 1998 from 53 places (46 centres at local labour offices and 7 human resource banks) before 1998. Through the expansion of job security agencies, the

Government has laid a foundation for the implementation of more active labour-market policies in job placement, unemployment benefits and vocational training. Also, the number of vocational counsellors recruited from the private sector in order to raise the quality of job security services has increased from 107 in January 1998 to 1,367 at end-1998. As a result, a total of 130,000 unemployed people were re-employed in 1998, a four-fold increase from 30,000 in 1997.

Legal requirements for the establishment and management of private-sector job security centres have been relaxed to promote participation of the private sector. Through the expansion of the job security network and the more systematic management of unemployed people, Korea has made efforts to improve the quality of job security services and the effectiveness of the unemployment policy measures. As a part of this effort, the Work-Net, a cyber job security centre, has been set up to provide on-line information services for jobs offered and wanted, vocational training, and vocational counseling. A database profiling unemployed workers, such as their income levels and family members, is currently under construction.

### ***Social Safety Nets to Alleviate Poverty***

#### **Employment Insurance**

The building-up of the social safety net, which initially aims to stabilise the livelihood of unemployed people, is under way. It focuses on providing opportunities to regain self-independence for unemployed people, rather than a mere income source, in order to prevent the wasting away of their will to work and the continuation of their financial hardships.

With employment insurance as a primary social safety net and strengthened public works and vocational training programmes as a supplementary safety net, extended livelihood protection support, including living costs, free schooling of children, and medical expenses, will be provided for long-term unemployed people with low incomes.

Korea introduced the Employment Insurance System in July 1995, which is the basis of the social safety net. Employment insurance is not only an insurance business which provides unemployment benefits for unemployed workers, but also part of the social security system and labour market policy, which simultaneously promotes re-employment through vocational guidance, job placement, and job security through vocational ability training.

Employment insurance was first applied to workplaces with 30 employees or more until 1997, but was extended to workplaces with 10 employees or more in January 1998 and to workplaces with five employees or more in the following March. In October 1998, it was further extended to workplaces with four employees or less, effectively covering all workers.

Unemployment benefits are provided for workers who have worked at workplaces covered by employment insurance for six months or longer and become unemployed non-voluntarily. The benefit period varies between two and seven months. From 1 April 1999, all workers will be eligible for unemployment benefits. Korea is currently implementing the special extended benefit system, which provides extended unemployment benefits for a maximum of 60 days in special cases like a sharp increase in unemployment. This system has been in operation since July 1998 when the unemployment situation became acutely serious.

The Korean Government, clearly aware of the importance of job-keeping efforts, is enforcing the "support system for sustaining employment", which subsidises one-half to two-thirds of the wages and training expenses for six months for employers who do not dismiss workers made redundant for managerial reasons such as business downsizing, reduced production, sluggish sales, and stockpiling, and maintain full employment through workforce redeployment, work-hour cutbacks, vocational training, temporary leave, and dispatch outside the company.

Another incentive, the "bounty for active recruitment", is available to employers who hire five workers or more per quarter or 5 per cent of their average monthly workforce from workers displaced due to employment adjustment. These employers will be provided with one-third to one-half of the wages paid to new recruits for six months.

Korea is also trying to ensure the flexibility of its employment security measures. For example, the "subsidy for sustaining employment" and "bounty for active recruitment" will be further extended, with an increased support amount and relaxed eligibility requirements, in the first half of 1999 when the worst unemployment situation is expected.

### ***Implementation and Evaluation***

#### **Implementation of Unemployment Measures**

Korea has set up an unemployment measures committee, chaired by the Prime Minister and composed of related cabinet ministers, which regulates mid- and short-term unemployment measures, monitors the implementation of these measures, and oversees the process of unemployment measure development.

Unemployment measures formulated by the committee are implemented by relevant government authorities, depending on the nature of the measures. Unemployed workers can receive guidance on unemployment measures and participate in public projects through a nationwide network of 119 job security agencies nationwide and also job information centres set up under local governments.

For information on unemployment measures and labour market policies, such as employment insurance and vocational training, people need to dial 1588-1919 and they will be put through to the nearest job security centre.

Those seeking jobs can also access, from home through the Internet and the Work-Net, information on jobs offered and available vocational training programmes and even receive vocational counseling and take vocational aptitude tests.

#### **The Assessment of Labour Market Policies**

For the effective assessment of labour market policies, the "Unemployment Measure Monitoring Centre" has been established under the Korea Labour Institute, which periodically monitors and assesses unemployment measures and advises on improvements.

A window appropriately titled "Unemployment Measures by the People" has opened on the Internet homepage of the government to gather opinions and suggestions of the people. The Government is also consulting academia, the press, and private organisations about unemployment policies.

The Ministry of Labour and the Ministry of Government Administration and Home Affairs have set up separate divisions for unemployment measures to monitor the progress of and supplement unemployment policy measures. Local governments have

also set up a special office to monitor unemployment measures and regional trends in employment.

### **Performance of Unemployment Measures**

To cope with the massive unemployment resulting from the financial crisis, the "Comprehensive Unemployment Policy", which focuses on: (i) job creation; (ii) employment stabilisation; (iii) vocational training and job placement; and (iv) livelihood protection for unemployed people, was established to benefit approximately 3 million unemployed people through public works projects, vocational training and unemployment benefits between April and December 1998.

In 1998, the social safety net was extensively strengthened to address sudden, high unemployment. Employment insurance has been extended to cover workplaces of all sizes. Vocational training courses were given to a total 360,000 unemployed persons (an 8-fold increase over 1997), to help them make best of their unemployment period as an opportunity for vocational ability development.

The Government has also promoted employment stabilisation at small and medium companies through active economic policies, support for corporate job-retention efforts, early government purchases from small and medium companies, and credit guarantee extensions. Employment security centres and private-sector vocational counsellors have been expanded to cope with increasing demands for job-placement services and unemployment benefits.

Unemployment, which had increased since the financial crisis, began to decrease in August 1998 and fell for the following three consecutive months and has stabilised at 1.5 million in the fourth quarter, 1998, thereby greatly contributing to social stabilisation and also supporting the efficient restructuring of the public, corporate, financial, and labour sectors.

# **MALAYSIA**

## **Environment**

The economic growth of Malaysia has been robust over the past decade, averaging nearly 9 per cent per annum, and inflation has been maintained at below 4 per cent. Employment growth during the period 1990–95 averaged 3.4 per cent. With the unemployment rate declining to 2.8 per cent in 1995 and to 2.5 per cent in 1996, Malaysia has been experiencing near to full employment since the end of 1990. This has resulted in a tight labour market with labour and skill shortages in all sectors of the economy.

The economic and financial crisis in 1998 set the labour market in reverse as the crisis affected adversely the performance of the Malaysian economy. As a result, in 1998, Malaysia's real Gross Domestic Product (GDP) contracted for the first time since 1985, declining by 6.7 per cent, compared to growth of 7.8 per cent in 1997 and 8.6 per cent in 1996.

The contraction of the real economy affected the pace of job creation and led to an increase in unemployment. Total employment declined by 3 per cent to 8.54 million in 1998 and unemployment increased to about 4 per cent. There was an increase in the number of workers retrenched from 19,000 in 1997 to 83,865 in 1998.

The contraction in output and employment growth would have been more severe if not for the counter cyclical measures taken by the government, which included the implementation of the National Economic Recovery Plan, the easing of monetary policy and the injection of fiscal stimulus.

## **Policies in Place**

The Government not only monitored the labour market situation closely but also implemented various labour market adjustment measures to improve the functioning of the labour market and create employment. The following are some of the key measures implemented.

### ***Employment of Workers***

Measures to increase employment opportunities include the encouragement of organised and systematic petty trading, farming (for example, vegetable cultivation and livestock rearing) and setting up of small businesses; instituting and providing training schemes for newcomers in petty trading and agricultural activities; as well as revitalising construction and infrastructure projects with multiplier employment effects.

A Graduate Entrepreneur Scheme has also been set up to provide basic training in entrepreneurship and develop entrepreneurs among graduates, especially unemployed graduates. The Government provided RM2 million to finance this scheme while the Development and Infrastructure Bank and National Corporation Ltd. (*Perbadanan Nasional Berhad*) set up a loan fund of RM10 million and RM5 million, respectively, to provide loans as working capital. Loans ranging between RM20,000 and RM100,000, with an interest rate of 8 per cent per annum, will be given out to graduates interested in setting up businesses. However, these graduates must provide 20 per cent of the cost of the business they intend to start. Besides providing the financial support, this scheme provides basic training in entrepreneurship and

attachment training in large corporations. Graduates who do not require training could start their businesses immediately without training. While the Government will subsidise part of the training cost, the trainee is encouraged to pay for part of the cost. The company in which the trainee is undergoing training will also be encouraged to pay allowances during the attachment period. While the Ministry of Entrepreneur Development is responsible for managing this Scheme, the Development and Infrastructure Bank and the National Corporation will be administering the loans.

### ***Workplace Practices to Enhance Productivity and Promote Greater Stability***

Realising the importance of training to increasing labour productivity and as an alternative to retrenchment, measures were implemented to encourage firms to continue training their workers even during the economic slowdown. In 1993 Malaysia set up a levy-grant scheme whereby employers contribute an amount, equivalent to 1 per cent of the total payroll, to a fund the Human Resource Development Fund (HRDF), which reimburses the training expenses of employer contributors. In view of the economic downturn, employers were given a temporary exemption from paying the levy to the HRDF for a six-month period beginning February 1998 and later extended to another 6 months for some industries, while RM66 million was re-credited to the employers' accounts to be utilised in retraining their workers. In addition to this, a Workers Retraining Programme was implemented in March 1998 with an initial allocation of RM5 million. Under this programme, firms are allowed to seek financial assistance for retraining workers. A fund of RM40 million will also be set up in 1999 to provide initial funding to firms which have exhausted their contributions to HRDF, to assist them to defray the costs of training. The public training and education institutes/centres will also be providing facilities for training retrenched workers and new labour market entrants.

The Government, through the Department of Labour, issued *Guidelines of Retrenchment* in August 1998 to guide employers and workers on alternatives to retrenchment, and if retrenchment is unavoidable the procedures to be followed. Employers were encouraged to adopt more flexible management practices such as part-time work, reduction of working hours, work shifts, pay cuts, and temporary or voluntary lay-offs instead of retrenchment. They were also encouraged to provide exit services such as counselling and career guidance to assist those retrenched to find new jobs.



# **REPUBLIC OF THE PHILIPPINES**

## **Environment**

The year 1997 saw several events that had significant implications for the Philippines' labour market. In that year the number of workers in the services sector surpassed those in the agricultural sector. Also in that year the Philippines, together with several other economies in the region, were hit by the Asian financial crisis. As well, the lingering effect of the infamous El Nino took a great toll, felt in several parts of the economy, particularly in the agricultural sector.

Beginning in the second half of 1997, a significant number of workers has been permanently laid-off and a large number of permanent closures of firms occurred, especially towards the latter part of the year. Worker lay-offs and firm closures continued during 1998, as the economy entered the most turbulent period of the financial crisis and the most devastating period of the El Nino.

## **Policies in Place**

Given the above situation, Philippines strengthened several of its existing programmes that are meant to provide assistance to adversely affected workers, and put in place several new programmes urgently needed to further strengthen the economy. The programmes were crafted to assist displaced workers, maintain industrial peace and harmony, and improve the timeliness, adequacy and accuracy of labour market information.

### ***Employment of Workers***

A crucial concern needing immediate attention that emerged during the crises is the maintenance or provision of employment to the fast growing labour force. As the Philippines entered different phases of the crisis, many firms began to downsize, eliminating the jobs of many workers in the process. A number of firms had to close permanently; thus, cutting off the economic lifelines of their workers.

### **Comprehensive Employment Plan, 1999–2004**

To systematically and effectively approach the tasks of preserving jobs, supporting the generation, facilitation, and enhancement of employment in the economy, the Philippine Medium Term Comprehensive Employment Plan was agreed upon by the tripartite constituents and presented to the President early this year for attestation. The plan identifies the key approaches and employment strategies for the period 1999–2004 that arose from extensive consultations with the various stakeholders in the industries/sectors and in the regions to ensure their acceptability and support.

### **Public Employment Service Office**

For quite some time now, efforts to institutionalise the Public Employment Service Office (PESO)—the main nation-wide network for employment facilitation—have been pursued by several sectors, particularly by the public sector through the Department of Labour and Employment. The network is meant to more efficiently facilitate the placement of workers who are seeking jobs. It also assists employers to find workers with skills suitable to their requirements from nearby communities.

A number of key cities and municipalities have already set up PESO offices, but in some cases only on a temporary or contractual basis. The institutionalisation of the

PESOs, through legislation, should address concerns over the temporary or contractual nature of their services.

### **Phil-JobNet**

In November of 1998, the Philippine President launched Phil-JobNet. This is an Internet-based system of employment facilitation capable of automatically matching job seekers with currently available job vacancies. System-users as job seekers and employers can access the Phil-JobNet, free of charge through the Internet, to look for employment opportunities that will remain posted for 30 days, unless filled.

Job seekers enter their characteristics using a template. Employers, similarly, enter the description of and requirements for job vacancies. Both jobseekers and employers can do on-line matching. Matching jobs, together with the name of the contact persons and institutions, are given to jobseekers during the job matching sequence. Similarly, names, addresses and other pertinent information about jobseekers that match the job requirements are provided to employers.

### **Integrated Entrepreneurship Development Programme (IEDP)**

This programme is aimed at developing skills-based micro-enterprises in the informal sector through vocational training.

The IEDP has two major components:

1. Organising skills-based informal sector operators and/or workers into business teams, formed along the concept of product or business specialisation and/or market differentiation; and
2. Developing informal sector-specific materials to respond to needs for assessment and analysis, resource and employment mapping, programme development, design and implementation of training programmes, and provision of support services for the sector, which can be used for introducing sustainable changes in both operators and workers.

### **Social Accords**

Social accords between labour organisations and employer organisations to preserve jobs are actively promoted. Such accords include provisions that strikes will only be utilised by workers as a last resort and that lay-offs of workers to save enterprises will likewise be resorted to by employers only as a last resort. The social accords also encourage continuing dialogue between management and workers to pursue common goals and to effectively address employment-related problems.

### ***Social Safety Nets to Alleviate Poverty***

#### **GATT Adjustment Measures**

Even before the financial crisis the Department of Labour and Employment (DOLE) had already set in place GATT adjustment measures to ease the impact of the more intense economic competition due to the implementation of WTO agreements. Through this assistance, efforts on job generation, livelihood, training and strengthening of training institution projects are supported.

#### **Special Loan Windows**

For the purposes of supporting displaced workers affected by the financial crisis, the Government, in 1997, through its insurance system, set aside several million pesos.

The fund allows displaced workers to borrow money for several months, repayable under liberal terms.

### **Temporary Employment Project**

As a response to the financial crisis, several projects were modified to assist the displaced workers. In 1998, the Special Project for the Employment of Students (SPES) was modified to allocate a number of slots for students that are children of displaced workers. These students are given work paid at minimum wages. Payments are made by employer (at 60 per cent of the minimum wage) and the Department of Labour and Employment (the balance of 40 per cent).

### **Rural Works Project**

To initiate new economic activities in 1998, DOLE allots funds for rural works activities. These rural works projects include construction of feeder roads, canals, and the like. As these are local government projects, project workers come from the community, thereby giving the latter income opportunities.

### ***Workplace Practices to Improve Productivity***

#### **Work Improvement for Small Enterprises (WISE)**

This project of the DOLE assists workers and entrepreneurs in small enterprises to increase their productivity, and therefore their competitiveness. Such improvements include workplace improvements, better ways of doing things, or adoption of improved technology.

#### **ISTIV**

The ISTIV is a national programme that was launched in 1998 to instil productivity consciousness among workers and employers. ISTIV stands for Industrious, Systematic, Time-conscious, and Innovative workers with strong work Values. The programme enlists the cooperation of workers and employers organisations.

### **Implementation**

The programmes described above are basically the responsibility of the Department of Labour and Employment, in close coordination with other relevant government agencies. Cooperation of workers and employer organisations is sought to ensure their involvement and commitment. Where these are necessary, the cooperation of non-government organisations (NGOs) is also sought.

# **SINGAPORE**

## **Environment**

In 1998, Singapore plunged into its first recession since 1985/86. Arising from this economic downturn, many industries took the option to downsize in order to survive. Private sector establishments with at least 25 employees retrenched a total of 29,098 workers in 1998, nearly three times the 9,784 retrenched in the previous year and surpassing the 19,529 retrenched during the 1985/86 recession. Manufacturing accounted for the majority (65 per cent) of the workers retrenched, services accounted for another 31 per cent, the remaining 4 per cent came from the construction sector.

In addition to retrenchments, there were also cut-backs in hiring due to the uncertain economic outlook. Job vacancies declined from 42,065 in 1997 to 18,342 in 1998. The job vacancy rate (vacancies expressed as a percentage of total staff demand) in 1998 averaged 1.9 per cent, a significant decline from 4.4 per cent in 1997. This decline was experienced across all sectors.

For the whole of 1998, overall unemployment averaged 3.2 per cent, a sharp rise from 1.8 per cent in 1997. The average number of unemployed persons in 1998 was 62,700 compared to 34,800 in 1997. The unemployed were also taking a longer time to secure employment. The median duration of unemployment was 12.3 weeks in December 1998 compared with 7.2 weeks in December 1997.

## **Policies in Place**

To tackle the unemployment situation, the Singapore Government, through its Ministry of Manpower has adopted a holistic approach to deal with the current employment situation. Termed the 4R Strategy, it is a comprehensive plan which aims to:

1. Redeploy displaced workers
2. Renew the workforce
3. Revitalise employment through seeding new jobs
4. Realign work processes and employment practices

Complementing the 4R strategy were the recommendations made by the Committee on Singapore's Competitiveness (CSC). CSC was formed in November 1996 to conduct a review of Singapore's economic competitiveness over the next ten years. In response to the economic decline, CSC recommended a cost/tax cutting package to help companies compete during the difficult period and minimise further job losses.

Apart from these two mainly reactive strategies to tackle the employment situation, the Central Provident Fund (CPF) also provides some form of social security for the unemployed. This fund which comes from employers' contributions to the workers' salaries is available for withdrawal for housing, healthcare and education.

## *Employment of Workers*

### **Employment Facilitation Team (EFT)**

The EFT is a key programme for the re-deployment thrust of the 4R strategy. It is characterised by the following action plans:

- Job sourcing – networking with industries and companies to identify recruitment opportunities and maintaining a sectoral database of job vacancies.
- Counseling – site visits to groups of to-be-retrenched workers and re-employment preparation workshops for job seekers.
- Industry job fairs – bringing together job seekers and prospective employers.

#### Objective

The objective of the EFT is to assist in the active re-deployment and hence re-employment of displaced workers across all sectors.

#### Target group

The target groups for the EFT are the to-be-displaced and displaced workers.

#### Date of implementation

The EFT was set up and operational with effect from 1 September 1998.

#### Organisation responsible for EFTs operation

The Ministry of Manpower, through the Manpower Development Division, is responsible for the operation of the EFT.

#### Delivery system

The EFT organised an industry job fair “Career Cleanroom 99” in collaboration with cleanroom environment industries, the National Trade Union Congress (NTUC), Economic Development Board (EDB) and Singapore National Employers Federation (SNEF) to increase awareness and facilitate recruitment into cleanroom environment industries. More industry job fairs are being planned.

An Employment Facilitation Workshop was also organised jointly with Community Development Councils (CDC). The workshop consisted of training and interview sessions between job seekers and prospective employers. The employers were mainly from the service industry.

In addition, a computer job matching service was set up in 1 April 99 to make job matching available on the Internet. With this system, job seekers and providers will no longer need to visit the Ministry of Manpower to seek employment and recruitment opportunities.

#### Measurement and evaluation

- Industry fair – 87 per cent of visitors agreed that they had developed a better understanding of cleanroom work. 73 per cent realised they were suitable for such work. 1,100 job seekers applied for the 490 job vacancies.
- Employment Facilitation Workshop – 22 per cent of job seekers at the workshop were placed with jobs.

## **Skills Redevelopment Programme (SRP)**

The SRP is the key programme in the renewal of the Singapore workforce. It has been in place since December 1996 and some of the role it has been playing is in the training of in-employment workers. Work is now being undertaken to make it more comprehensive. Improvements to the programme include:

- Addressing Training Needs – determine areas where training is lacking and reasons for deficiencies, drawing up new training curricula for emerging industries, providing training facilities.
- Promoting SRP – working with industries, economic agencies and community self-help groups to assist in the promotion of continuous employment training (CET).

### Objective

The objective of the SRP is to minimise incidences of structural unemployment, and enhance the employability of workers by providing comprehensive training curriculum and facilities for jobs in the manufacturing and services sectors.

### Target group

The target groups for the SRP are in-employment workers from the manufacturing and services sectors.

### Date of implementation

September 1998.

### Organisation responsible for SRP's operation

The National Trade Union Congress (NTUC) is responsible for the SRP.

### Delivery system

A one stop Skills Redevelopment Centre (SDC) was opened on 11 February 1999. Three new industrial sectors, namely telecommunications, chemical processes and disk drive announced their participation in the SRP.

### Measurement and evaluation

The programme is still in the process of implementation.

## **Sectoral Employment Review**

The sectoral employment review is the key programme for the revitalisation of employment. The action plans associated with it are:

- Identifying new growth sectors – to channel retrenched workers to take on jobs in these sectors.
- Identifying new skills requirements – to train workers to be re-channeled into new growth sectors.
- Monthly updates on company recruitment needs – to maintain responsiveness to sectoral growth and new skills requirements.

### Objective

The objective of the Sectoral Employment Review is to effectively manage the demand and supply in the labour market by identifying areas of employment growth,

to assist workers in moving from declining to growing sectors as the economy revitalises.

Target group

Displaced workers or potential displaced workers in all industries.

Date of implementation

September 1998

Organisation responsible for Sectoral Employment Review

The Ministry of Manpower is responsible for the implementation of this programme.

Delivery system

The cleaning industry has been identified as an industry which can be re-vitalised through job re-design and an establishing of an industry standard. Work is being done on these aspects of the industry to re-vitalise jobs in it.

Measurement and evaluation

Work is still in progress on the cleaning industry revitalisation programme and evaluation is still taking place.

***Social Safety Nets to Alleviate Poverty***

**Central Provident Fund (CPF)**

The CPF is a social security savings scheme jointly supported by employees, employers and the government.

Objective

The objective of the CPF is to meet primary needs like shelter, food, clothing and health services. Benefits offered are to help meet one or more needs of the CPF Member in his retirement. They include withdrawals by members for retirement, permanent disablement, home ownership, healthcare and education. The amounts available depend on how much the Member has saved in the CPF.

Target group

All Singaporean and Permanent Resident Employees.

Organisation responsible for CPF

The CPF Board, which is a Statutory Board under the purview of the Ministry of Manpower is responsible for the implementation of the CPF.

Date of Implementation

The CPF Board was set up in 1955.

Delivery System

The CPF account of every Singaporean and PR employee gets a contribution from the employer monthly as a percentage of his wages. This account acts like a savings account for the worker. However, withdrawal from this account can only be made upon retirement, permanent disability, housing, healthcare and education.

## ***Workplace Practices that Contribute to Enhanced Productivity and Greater Stability***

### **Retrenchment Advisory Programme**

The Retrenchment Advisory Programme is the key programme for the realignment of employment practices. The action plans associated with it are:

- Advice on cost-cutting alternatives to retrenchment – shorter work-week, temporary lay-off.
- Conciliatory assistance to resolve disputes – cutting down processing time of employment claims, intervention at work sites to prevent disputes and preserve industrial harmony.

#### Objectives

The objective of the Retrenchment Advisory Programme is to provide timely and comprehensive advice to companies on various cost-cutting measures as alternatives to retrenching excess manpower.

#### Target group

Companies considering retrenchment as an option to cut business costs.

#### Date of implementation

The Retrenchment Advisory Programme was started in July 1998.

#### Organisation responsible for implementation

The Ministry of Manpower is responsible for the implementation of the programme.

#### Delivery system

This programme was implemented through phone call-in services advising on matters related to alternatives in retrenchments and organising meetings explaining alternatives to retrenchment. The meetings were conducted with organisations seeking advice, HR practitioners and also members of the public through co-ordination with community partners like Community Clubs. Where necessary, more meetings will be planned.

#### Measurement and evaluation

- 40 meetings were organised at the request of companies. The number of companies which had adopted alternatives to retrenchments increased from 38 in mid-1998 to 80 by the end of 1998.

### **Cost/Tax Cutting Package**

This recommendation was put forward by the CSC. The package included the reducing the following:

- Total wage cost – reducing employer's Central Provident Fund (CPF) contribution rate
- Levy for foreign workers – for manufacturing, services and construction industry
- Land and factory rentals
- Charges for services – electricity, telecommunications, port services



- Vehicle related overhead costs – customs duty, petrol/diesel duty
- Government taxes – corporate and personal income taxes.

#### Objective

The objective of the cost/tax cutting package is to help companies compete during the difficult period and minimise further job losses.

#### Target group

All businesses in Singapore.

#### Date of implementation

November 1998.

#### Organisation responsible for implementation

Government.

#### Delivery system

The package was projected to reduce business costs by about S\$10 billion a year, which will be equivalent to about 7 per cent of Singapore's GDP. Using the electronics sector as an indication, the CSC estimated that this will reduce business costs by about 15 per cent.

The Singapore Government accepted the CSC report and announced a S\$10.5 billion cost cutting package. The package included substantial reduction in wages, land rentals and electricity charges.

#### Measurement and evaluation

The cost cutting package amounted to reduction of S\$7.5 billion in labour costs, S\$1.2 billion in taxes, including corporate taxes and property tax and S\$306 million in industrial land rentals. The rest of the cost cutting measures were in the form of transport duties and utilities.

# CHINESE TAIPEI

## Environment

Under Chinese Taipei's current laws and systems, unemployment benefits for workers are covered by the comprehensive Labour Insurance Programme (LIP), which also offers other benefits such as childbirth, injury, sickness, disability, retirement and death. However, as the nature of unemployment benefit is quite different from these benefits, the Labour Insurance Act has a special provision that mandates the labour authorities to stipulate separate measures for unemployment benefit such as implementation details and dates.

In recent years, employment and unemployment issues have drawn greater public attention due to the liberalisation and globalisation of the economy and the transformation of the industrial structures. Although the Asian financial crisis did not have a major impact on Chinese Taipei, some workers lost their jobs as many businesses were forced to shut down, suspend operation temporarily, reduce the scope of business or adjust their production technology. As a result of these changes, the general public has called for the earlier implementation of an unemployment benefit scheme as a measure to ensure social stability and the basic living necessities of unemployed workers.

## Policies in Place

### Unemployment Benefit Measures (UBM)

In light of this social appeal, Chinese Taipei has enacted the Unemployment Benefit Measures (UBM), which came into effect on 1<sup>st</sup> January 1999. Now, with certain conditions attached, workers covered by LIP are entitled to unemployment benefits to cover basic living costs if they are involuntarily laid off due to a business closure, suspended operation, or reduced business scope.

The provisions of UBM are as follows:

The Insured. Native and employed workers covered by LIP.

Premium Rate. 1 per cent of the insured's monthly wage.

Qualifications. Workers may apply for unemployment benefits if they are involuntarily laid off by the insurer (employer) due to its business closure, suspension, termination, transference, disbandment, bankruptcy, reduction, or adjustment of manufacturing technology resulting in incompetence of the position holders, with the following applicable conditions:

- workers who have the ability and willingness to work but are involuntarily laid off;
- workers who have been enrolled in LIP for over two years; and
- workers who have registered with public employment service agencies for over 14 days without any job referral or assisted enrolment in a vocational training programme, and are issued a written Confirmation of Unemployment (CU).

Benefit Payment. 50 per cent of the averaged monthly wage of the insured; benefit is paid every half month.

Terms of Coverage. Different terms of benefit apply in accordance with the duration of premium paid by the insured. Workers who have paid premiums for less than five years are eligible to receive unemployment benefits for a maximum of three months in each application, with a total of six months of benefits over five years.

Proportionate increases in benefits are paid to unemployed workers who have paid premiums for over five years.

Reconfirmation of Unemployment Status and Mandatory Reporting of Re-employment by the Benefit Recipient. Recipients of unemployment benefits are required to report in person to the public employment service agency (by which the CU is issued) every 15 days to have their unemployment status reconfirmed, in order to continue receiving the unemployment benefits. Public employment service agencies, from time to time, are responsible for recommending suitable jobs to the benefit recipients or arranging for them to participate in a vocational training programme. Benefit recipients who are re-employed should report such status to the original public employment service agency within three days of their re-employment.

Although the unemployment benefit is provided as an interim and relief measure, its ultimate and positive purpose is to encourage immediate re-employment of the unemployed workers. Unemployment benefits, therefore, must be offered with other measures such as vocational training and employment service—all of which constitute an integrated system of employment security.

### **Employment Promotion Allowance Programme**

Also in response to the financial crisis, Chinese Taipei has made greater efforts to strengthen its vocational training and employment services. In addition, the Employment Promotion Allowance Programme, effective 1<sup>st</sup> July 1998, has been launched to meet the basic living needs of the unemployed workers, encouraging and helping them to return to the job market as soon as possible. There are three major categories of allowance under the Programme—the Job Seeking Allowance, the Hiring Allowance, and the Referral Allowance.

#### Job Seeking Allowance

Recipients: unemployed workers

Types of Allowance:

1. *Transportation Allowance:* Unemployed workers are entitled to apply for this allowance when they complete a public vocational training programme and register for a job referral, or when they register with a public employment agency for job placement.
2. *Temporary Job Allowance:* The purpose of this allowance is to encourage unemployed workers to settle for temporary jobs when there is no long-term placement or vocational training opportunity available.
3. *Training Allowance:* This allowance is for unemployed workers to cover their basic daily expenditures during their enrolment in a public vocational training programme.
4. *Interest Allowance for Start-up Loan:* When an unemployed worker decides to start his or her own business, this allowance will be granted upon application to cover part of the interest payment for a bank's start-up loan.

### Hiring Allowance

Recipients: employers who hire unemployed workers.

Employers hiring unemployed workers referred by public employment agencies for over three months are eligible for this allowance for a maximum of six months on a headcount basis. Higher allowances will be granted if more positions are open to the under-privileged groups such as women, mentally and physically handicapped or aborigines.

### Referral Allowance

Recipients: private employment service organisations.

Successful job placements for over three months by private employment service organisations or other job referral organisations contracted with the public sector are entitled to this allowance on a headcount basis.

# THAILAND

## Environment

Since the crisis broke in mid-1997 in Thailand and spread across the region, market confidence in the baht and in the Thai economy more generally was badly damaged, directly and indirectly affecting the economy's human resources. The economic restructuring programmes to deal with the crisis, must be strong and comprehensive.

Thailand has introduced a series of measures, with support from the International Monetary Fund, the World Bank, the Asian Development Bank, the International Labour Organisation, and bilateral sources including the Japanese Government to overcome its currency and financial crisis, and to build strong fundamentals for the resumption of growth in 1999. To date, many encouraging signs of stability have emerged, reflecting stronger market conditions.

### *Macroeconomic Framework and Policy*

After having enjoyed a real compound annual growth rate of 9.6 per cent between 1986 and 1996, Thailand suffered a sharp economic downturn with the combination of currency and financial crises in 1997 as a result of the unsuccessful defense of the currency and the weak banking system. Thailand faced four major macroeconomic problems:

1. Net international reserves were depleted because of the unsuccessful defence of the Thai baht.
2. There were systemic problems in the financial sector.
3. The real sector faced a serious liquidity shortage.
4. Regional economic turmoil was a significant constraint in the economy's ability to resolve its economic difficulties.

Therefore, the Government has taken a systematic but flexible approach in addressing these problems and strictly adhered to the economic programme agreed with the International Monetary Fund. To date, Thailand has made steady progress in resolving its problems.

The economy has been weaker than anticipated, with a decline in real GDP of 0.4 per cent and 8 per cent in 1997 and 1998, respectively. A number of external and domestic factors have contributed to this performance. The continued unsettled conditions in the region are a key factor, reducing export values below previous projections, and delaying recovery in private capital flows. Domestically, both consumption and investment demand have been weaker than previously expected.

Nevertheless, in recent months financial conditions have improved. The strengthening of market confidence has extended beyond the exchange rate to declining inflation and interest rates, a rise in the stock market, and a leveling off in indicators of production and demand.

Under the momentum of the policy initiatives, output could begin rising steadily during 1999. Although growth for the year as a whole is likely to be about 1 per cent, this implies a fairly rigorous rebound, reaching 3–4 per cent in the fourth quarter of 1999 relative to the fourth quarter of 1998. The external reserves position will be further strengthened, while inflation will be further reduced.

## ***Fiscal Policy***

Thailand adopted an expansionary fiscal policy for fiscal year 1998/99 to stimulate domestic demand and employment and to finance economic and financial restructuring. The overall public sector deficit for fiscal year 1998/99 was increased to 5 per cent of GDP, compared to about 3 per cent in the previous fiscal year. Note that these deficit targets do not include the fiscal cost of financial restructuring.

In order to achieve its targets, Thailand has implemented various revenue and expenditure measures including tax refunds to exporters and corporations, postponement of both the payment of corporate income tax and the remittance of state enterprises' profits, and removal of tax disincentives to corporate debt restructuring. Furthermore, as for fiscal year 1998/99, Thailand plans to use foreign financing, about 1 per cent of GDP, to support specific spending projects directed toward social safety net and related labour-intensive investment projects. Thailand will also continue to accelerate the disbursement of budgetary and non-budgetary expenditures.

The two major measures to restructure the financial system that have incurred fiscal costs include: (1) the restructuring of the debt of the Financial Institution Development Fund (FIDF); and (2) the 14<sup>th</sup> August 1998 Financial Restructuring Package. Such fiscal costs include the principal and interest payments of government bonds issued for the purposes of restructuring.

The total value of the bonds issued for the restructuring of the FIDF is 500 billion baht. The issuance of all the FIDF's bonds will be completed within fiscal year 1998/99. The total value of the bonds for the 14<sup>th</sup> August package is 300 billion baht, and they will be issued in fiscal years 1998/99 and 1999/2000.

As noted above, the deficit targets do not include the fiscal costs of financial restructuring. Such restructuring tasks will involve fiscal burdens for the central government in the national budget each year until the debts are fully amortized. In fiscal year 1998/99, the government will fiscalise financial restructuring costs of around 1.5 per cent of GDP. Preliminary estimates suggest that the interest costs associated with all restructuring operations could average around 3–4 per cent of GDP on an annual basis over the next few years.

## ***Monetary and Exchange Rate Policy***

When the magnitude of the net official reserves was disclosed for the first time in August 1997, showing the steep decline from over US\$33 billion at the end of 1996 to less than US\$1 billion at end-August 1997, as a result of the unsuccessful defense of the baht, the market panicked. Even though the government came up with a strong stabilization programme, supported by the IMF, to regain international confidence, the baht continued to lose value.

Thailand set the highest priority on regaining market confidence and stabilising the currency value by implementing a tight and prudent monetary policy, which so far has delivered very positive outcomes in terms of controlling inflation, stabilising the exchange rate, and lowering interest rates. The increase in international confidence is reflected in the appreciation of the baht from 53.7 baht to the US dollar in January 1998 to around 36 baht to the US dollar in December. Thailand has also been able to reduce interest rates without sacrificing exchange rate stability. The money market rates are now in the 4–6 per cent range, below those prevailing prior to the crisis. Bank lending rates have also started to decline, allowing for emerging recovery.

In view of weak bank lending, Thailand is now improving terms and mechanisms underlying loans for export financing, supported by the ADB and the Export-Import Bank of Japan, to remove bottlenecks in the expansion of credit to viable firms. Moreover, with the cooperation of the World Bank, a programme has been adopted to recapitalise and strengthen the operation of the specialized financial institutions and their regulatory framework, in order to expand their operations to sectors such as low-income housing and small borrowers.

### ***External Sector***

The balance of payment's position of Thailand since the crisis broke has been mixed with rapid adjustments in both the current and capital accounts. The deteriorating international situation and falling export prices have dampened export values for Thai goods and services and resulted in higher volatility in the rollover rate of maturing liabilities. Nevertheless, the current account balance of 1998 is estimated at US\$13.5 billion in surplus or about 11 per cent of GDP, with adjustment coming mostly from the import side. With falling export prices from weaker overseas demand offsetting the relatively slight increase in export volume, the export value in dollar terms decreased by -3.1 per cent this year. On the import side, the ongoing recession sharply reduced the value of imports, down 32 per cent in 1998. The current account balance is expected to record a surplus of about US\$11 billion or 8.5 per cent of GDP in 1999, based on continued strength in export volumes and a possible rebound in import demand.

The capital account balance position in 1998 is expected to record a larger deficit despite an increase of FDI and a recent rebound in the stock market. Regarding the capital account in 1999, the deficit is likely to decrease, as the large stock of offshore forward and swap obligations should have been settled by end-1998 and the ongoing corporate debt restructuring package from 1998 will stimulate significant inflow of foreign direct investment. Reserves will continue to provide more than full coverage of short-term debt and are projected to reach US\$32 to 34 billion at the end of 1999.

Thailand's total external debt at end 1998 is around US\$86 billion. Although the total sum of external debt has not changed much, its composition has changed markedly. Short-term private debt decreased by 25 per cent (from US\$34.3 billion to US\$25.9 billion). The reserves/private short-term debt ratio has increased from 0.79 in 1997 to 1.1 in 1998. External debt of the public sector includes use of credit of the IMF and other monetary authorities.

### ***Corporate Debt Restructuring***

The process of corporate debt restructuring is an integral part of the restructuring of the non-performing loans, and hence of the overall financial system. To this end, the Bank of Thailand, in cooperation with the five associations, namely the Board of Trade, Federation of Thai Industries (representing debtor companies) and the Thai Bankers' Association, Association of Finance Companies, and the Foreign Banks' Association (representing the creditor groups) have set up a Corporate Debt Restructuring Advisory Committee (CDRAC). On 3<sup>rd</sup> August 1998, these associations signed on to a Framework for Corporate Debt Restructuring—the so-called Bangkok Approach, modelled along the London Approach.

## **Progress of CDRAC**

On 13<sup>th</sup> October 1998, the CDRAC accepted 200 target cases of debt workouts proposed by the member associations. These target cases involve 353 companies with debt and overdue obligations totaling 674,326 million baht. The cases have been proposed and accepted as they involve complicated multicreditor-types of debt restructuring that require an outside mediator role. As of 15<sup>th</sup> December, 1998, five cases have successfully agreed on the terms of the restructuring: a local cement company, two steel companies, a mining company, and a telecommunications firm. The Committee is also closely monitoring the progress on the amendments of the various tax and fee structures for the transfer of ownership of assets (underlying collateral) that would facilitate the process of debt restructuring. Subsequently, the Joint Public-Private Sector Committee established a debt restructuring forum at the provincial level to be chaired by provincial governors.

Separately, financial institution creditors and debtors are also negotiating simpler debt restructuring cases and are required to report the results to the authorities. As of end-October 1998, financial institutions had completed 660 cases of debt restructuring, totaling 36,557 million baht (comprising of 9,707 million baht in the manufacturing sector; 3,355 million baht in construction; 6,189 million baht in real estate; 361 million baht in the export sector; and 16,945 million baht in other sectors). There are 2,390 other cases still in the process of restructuring, totaling 569,484 million baht.

## **Elimination of Tax Disincentives**

Thailand is committed to facilitating the process of corporate debt restructuring through tax and legal reforms. Toward this end, the Government has eliminated impediments to restructuring by removing tax disincentives, with appropriate safeguards and applicable only to restructuring plans consistent with the Bank of Thailand regulations. These apply to all creditors who participate in a restructuring agreement with a financial institution.

## **Legal Amendments**

The market-based strategy to corporate debt restructuring can only succeed if the incentive structure drives both debtors and creditors to accelerated negotiation and resolution. Thus, it remains crucial to strengthen bankruptcy legislation and to reform judicial foreclosure proceedings and secured lending legislation as much as possible. Legislative action has been taken on bankruptcy, enforcement of mortgages and broadening the range of assets that can serve as collateral.

## ***Market Opening Policy***

Privatization of state enterprises remains the Government's intention, in order to increase the role of the private sector in the economy which can make a significant contribution to solving the crisis, increasing efficiency in the use of resources, and improving the welfare of all Thai citizens.

Legislative action has been taken to improve transparency in the process of approving foreign investment in land and businesses.

## ***The Labour Market and Wage Employment***

In 1998, total employment stood at 30.8 million, reflecting a decline of 812,000, or 2.6 per cent, from the previous year. The number of workers outside the agricultural sector fell by 618,000, a 3.6 per cent reduction, while in the agricultural sector



employment declined by 194,000. As consequence, the number of unemployed workers stood at 1.3 million, representing a 4 per cent unemployment rate, a sharp increase from the previous year's figure of 1.9 per cent. The unemployment rate did not increase substantially as the number of underemployed (that is, workers who work less than 35 hours per week and are available for work) rose significantly, and is estimated at 885,000 in the year 1998. The sectors in which there were large layoffs included construction, restaurants and hotels, small retail shops and electrical appliance repair.

Job terminations in the month of August 1998, rose sharply as a consequence of the amended labour law and the contribution schemes for old age pensions and child care allowances under the Social Security Act, which prompted decisions to lay off workers before the Acts became effective in December 1998.

The minimum wage rate was raised by approximately 3 per cent, effective 1<sup>st</sup> January 1999, as a result of the agreement made at the end of the previous year. There was no adjustment in the minimum wage rate during 1998, despite the acceleration in inflation.

## **Policies in Place**

### ***Employment of Workers***

In Thailand, 80 per cent of the labour force is in the agricultural sector. After the harvest season, 40 per cent of the workers in this sector usually move to work in the industrial sector for a short period of 3–5 months. Therefore, the emergency policy is to speed up the rate of growth of employment, both in agriculture and outside of the agricultural sector.

In implementing its policy, the Government is keen on sustaining the existing jobs by giving assistance to maintain enterprises. In the meantime, working groups have been set up to warn and monitor in case any enterprise is going to lay off their workers. Generally, training measures are being improved to ensure that labour is competitive in the world market.

Following an assessment of the likely unemployment situation, the cabinet formulated policies which were declared to the Parliament on 20<sup>th</sup> November 1997. The unemployment alleviation plan, as a measure to support the economic stability and reliability of the economy, has three pressing policies as follows:

1. Request governmental organisations to adjust their budgets to increase employment.
2. Maintain employment.
3. Accelerate new placements.

The Ministry of Labour and Social Welfare formulated the unemployment alleviation operation plan which the cabinet voted on 9<sup>th</sup> December and 23<sup>rd</sup> December, 1997. It comprises seven measures but there are only four measures directly related to employment as follows:

1. Creation of employment in rural areas to assist the unemployed with non-permanent work by adjusting project budgets to replace machines with labour-intensive methods to employ 300,000 persons (each province is to cater for

around 5,000 persons). In this way each person was expected to receive income of about 3,000 baht per month through the year 1998

2. Reduction in the number of foreign workers within 6 months by 300,000 persons (with the focus on those who work in factories) and try to replace them with an equivalent number of Thai workers
3. Promoting overseas remittances by providing information on job vacancies and thereby increase the number of Thai workers working overseas by not less than 200,000 persons. Including workers already working overseas, it is expected that remittances will be not less than 100,000 million baht.
4. Industrial Employment Promotion measure to ensure employment of workers by methods such as improvement of job conditions, outsourcing of factories' distribution or production processes to villages in the form of home-workers, up-grading skills and new placements. Not less than 500,000 persons were expected to be employed through these measures.

The Ministry of Labour and Social Welfare expects that the goal of these four measures, of assisting not less than 1,000,000 persons, will be met.

### ***Social Safety Nets to Alleviate Poverty***

With the depth of the recession more severe and prolonged than anticipated, the development of an adequate social safety net to minimise the impact of the crisis on the most vulnerable remains a key priority.

The bulk of the additional fiscal stimulus in 1998/99 focuses on the social safety net, including job training and labour intensive projects. This programme has been carefully designed in consultation with major non-governmental organisations and labour leaders, to avoid distortions of Thailand's relatively free and well functioning labour market.

The social safety net regime is being implemented, with the support of the World Bank, the ADB, and the Overseas Economic Cooperation Fund (OECF), to provide two years of employment to a significant proportion of those who have become unemployed during the crisis and to provide free medical treatment and the improvement of rural health-care facilities.

The Government has also decided to enhance opportunities for the unemployed to become entrepreneurs through expanded micro-credit programmes and training programmes and to upgrade skills of the target group of new entrants into the labour market.

In addition, since the reduction in incomes has resulted in a sharp rise in the drop-out rate of students and an increase in child labour, the Government has provided additional budgetary allocations for the secondary education loan programme to students whose families can no longer afford tuition payments. This programme will supplement an existing grant programme for primary education financed by the ADB. The school lunch programme is also being expanded in its coverage from 30 per cent of all students to 35 per cent.

Furthermore, provisions under the Labour Protection Act will soon be implemented to provide a public compensation fund for unpaid severance payments. It will be financed by fines from violations of the Labour Protection Act while severance payments will be exempted from income tax.

Besides the above additional national spending to alleviate social impacts during this major recession, the government has also externally financed an independent project to further strengthen the social safety net. The Social Investment Programme (SIP) is aimed to help protect the unemployed, the underprivileged, and the poor from the emerging adverse social impacts. The SIP is funded by a project loan from the World Bank and the OECF that finances 90 per cent from loan disbursement and 10 per cent as the counterpart funds from the national budget. The project's management activities are also financed by grants from the UNDP and AusAID. The total cost of the SIP is approximately 22 billion baht. The activities and disbursements were expected to start in January 1999.

# UNITED STATES

## Environment

In the face of a rapidly changing economy and the increased rewards to more highly skilled workers, the United States sought to strengthen its workforce development system and to promote lifelong learning. The Workforce Investment Act (WIA) was signed into law in August 1998, representing the first major reform of the United States job training system in over 15 years. The WIA provides the framework for a unique national workforce preparation and employment system.

The reform comes at a time when the American economy is stronger than it has been in a generation, and is increasingly driven by innovation and technology. New high-skills jobs are growing at nearly three times the rate of other jobs. Many employers are finding it difficult to locate and attract qualified workers for high-skilled, high-paying jobs, as well as workers for entry-level jobs. At the same time, millions of workers with few skills or with obsolete skills feel trapped in low-wage, dead-end jobs. Youth minority unemployment rates have dropped but are still intolerably high; earnings of high school graduates have been falling relative to earnings of individuals with higher education.

WIA will build a workforce development system in which any adult interested in advancing his or her career can keep on learning, and where all job seekers, such as low-income adults, welfare parents, disadvantaged youth, individuals seeking non-traditional training, unemployed or displaced workers, including displaced homemakers, can access high quality information and services. This delivery system is being designed with the participation of employers, labour organisations, education and training providers, and community groups that have a large stake in its success.

The WIA replaces the current Job Training Partnership Act (JTPA). Since 1983, JTPA has been the mechanism through which job-training services were provided for economically disadvantaged adults and youth, dislocated workers and others who faced significant barriers to employment. The pre-WIA patchwork of federal job training programmes was characterised by limited choice, lack of quality information, splintered and disorganised programmes, and the absence of accountability. The WIA integrates and builds on individual successful elements of previous federal legislation related to job training, and employment services. The WIA:

- establishes Individual Training Accounts—self-directed accounts that allow workers more choice over their own training;
- establishes universal access to core employment services such as skills assessment, career counseling, labour market information, and job search assistance (previously available only to displaced workers);
- provides greater local flexibility of design;
- streamlines employment services through consolidation of services and programmes under one roof; and,
- provides accountability for States, localities and training providers.

The federal role in the new workforce development system will be one of a leader and enabler—with a focus on ensuring results rather than adherence to administrative process. The Federal Government will focus on strategic planning and knowledge

development and the provision of technical assistance and prototype information systems to the States.

Funding for workforce investment programmes is appropriated to the Secretary of Labour who distributes the funds to States by formula allocations. States, in turn, distribute funds to local areas based on statutory formula. The WIA authorises three funding streams: programmes for adults, for dislocated workers, and for youth. Twenty per cent of total dislocated worker funding is reserved for the Secretary of Labour for National Emergency Grants, dislocated worker demonstration efforts, and technical assistance. National programmes, such as Jobs Corps, are funded separately. The Unemployment Insurance system is financed by a payroll tax on employers, with some states also assessing small employee payments.

## **Policies in Place**

### ***Employment of Workers***

#### **One-Stop Centres**

##### Programme Objective

One-Stop Centres are the cornerstone of the new workforce development system. One-Stop Centres are designed to transform a fragmented array of employment and training programmes into an integrated customer-friendly system of information about and access to job training, education, and employment services. One-Stops will offer a wide spectrum of services—ranging from using a computer to get information from America’s Job Bank, to intensive staff-assisted services such as group counseling—to meet the needs of a variety of customers, both employers and job seekers. Individuals with special needs, for example, persons with disabilities, non-English speaking persons, or those who lack computer skills, will be accommodated. One-Stop is planned as a community resource that all Americans can use throughout their lives to enhance their job skills as they move up the career ladder—rather than just a place to go during times of crisis.

There are three levels of services which are to be accessed sequentially (more extensive services are provided when an individual is unable to find employment with the more basic services): core services, intensive services, and training.

##### Core services

- Determination of eligibility requirements
- Outreach, profiling
- Initial assessment
- Job search and placement assistance and career counseling
- Provision of labour market information and information on training providers, local performance outcomes, filing claims for Unemployment Insurance, supportive services
- Follow-up services.

##### Intensive services

- Comprehensive and specialised assessments of skill levels
- Development of an individual employment plan

- Group Counseling
- Individual counseling and career planning
- Short-term prevocational services.

### Training services

Training services are available to individuals who have been unable to obtain employment through intensive services. Training services must be directly linked to occupations that are in demand in the local area or in another area to which the individual is willing to relocate. The underlying principle is customer choice. One-Stop centres will provide access to information relating to skills in demand and training providers that can assist the individual in gaining relevant skills—including information on the performance of the provider in placing graduates in employment. Participants will determine which training they are interested in obtaining. With limited exceptions, training will be provided through the use of Individual Training Accounts (ITAs). An ITA may be a training voucher, a debit card, or a repository for training funds, depending on how the local system is structured.

One-Stop Centres will also serve as a point of access to the Federal-State Unemployment Insurance system (UI). UI will continue to offer the first economic line of defence against the effects of unemployment for workers who lose their jobs through no fault of their own, including dislocated workers. By providing payment to unemployed workers, UI ensures that at least a significant portion of the necessities of life (food, clothing, shelter) can be obtained while a search for work takes place.

### Target group

Under the WIA, all adults (with no eligibility requirements) are eligible for core services. Intensive services will be available for unemployed individuals who have been unable to obtain jobs through core services. Priority for intensive services must be given to recipients of public assistance and other low-income individuals. Under JTPA, services were available to disadvantaged adults and youth, dislocated workers and others who faced significant employment barriers.

### Date of implementation

According to the provisions of the WIA, all local areas are required to have at least one physical full service centre by July 2000. A number of States have already established One-Stop Centres pursuant to DOL implementation grants, beginning in 1994. As of November 1998, over 1,000 centres were in operation.

### Organisations responsible for operation

Reforms under WIA to ensure full involvement of business, labour, and community organisations in design and quality assurance include provision for State and local workforce investment boards, local youth councils, and long-term State strategic planning. Each State will establish both State and local workforce investment boards. The State board will help the Governor develop a five-year strategic plan and will advise the governor on ways to develop the statewide workforce investment system and labour market information system. Local boards, in partnership with local elected officials, will plan and oversee the local system. Representatives of these boards will be drawn from the business community, labour organisations, education providers, economic development agencies, and community-based organisations, as well as

elected officials. Youth Councils will be established as a subgroup of the local boards to develop parts of the plan related to youth programmes.

The operators of Centres are to be selected by the local workforce development board through a competitive process. Local boards also will identify providers of training services, monitor system performance against established measures and help develop the labour market information system.

A website has been established to serve as a forum for dialogue regarding all aspects of WIA implementation between federal and state governments, local partners, stakeholders, and other interested individuals and organisations. The website will enable implementation plans to be shared as they are developed, questions to be raised, issues to surface, and solutions to be proposed.

### Evaluation

The WIA establishes core indicators of performance for all adult, dislocated worker, and youth services available at One-Stops. Indicators include measures such as entry into unsubsidised employment; retention in employment for six months; and earnings. In addition, a customer satisfaction indicator must be established that measures employers' and participants' satisfaction with services received. Each State will establish its expected levels of performance, in negotiation with the Department of Labour, taking into account specific economic conditions, demographics, and other characteristics of the area.

In general, the United States Department of Labour's Employment and Training Administration ensures accountability by collecting data on programme participants through a management information system; on-site visits that focus on performance management; evaluating programmes through impact studies; and providing feedback to state and local partners, such as annual reports to each State Governor.

The following data are taken from JTPA Standardised Programme Information Reports.

#### **Participants in the JTPA programmes for dislocated workers:**

	<b>Programme Year 93</b>	<b>PY94</b>	<b>PY95</b>	<b>PY96</b>
Entered employment at programme termination	66%	68%	68%	68%
Employed at 3 month follow-up	72%	74%	74%	73%
Wage placement greater than 75% of previous wage	64%	65%	65%	69%

#### **Participants in the JTPA programmes for youth:**

	<b>Programme Year 93</b>	<b>PY94</b>	<b>PY95</b>	<b>PY96</b>
Entered employment at programme termination	34%	37%	38%	45%
Obtained employability enhancements (additional education)	53%	54%	55%	55%

## **America's Career Kit**

### Programme Objective

A key component of One-Stop Centres, America's Career Kit is an electronic labour market information resource. There are three pieces: America's Job Bank and America's Talent Bank ([www.ajb.dni.us](http://www.ajb.dni.us)); Career InfoNet ([www.acinet.org](http://www.acinet.org)); and Learning eXchange ([www.alx.org](http://www.alx.org)). Job vacancies listed in the Job Bank span the entire sweep of the economy. Significant numbers are in high-tech occupations and come from major corporations as well as small businesses nationwide. Through the Talent Bank, job seekers can market themselves by posting resumes on-line. The Career InfoNet provides information on employment trends, prevailing wages, and job training requirements. The Learning eXchange is a public/private clearinghouse connecting job seekers and employers to training and education resources.

By making services available on the Internet, the Career Kit provides two benefits. By skimming off clients available to serve themselves, it helps target frontline employment services staff to the more challenging cases. Second, by providing seamless electronic integration between job listings, resumes, career information and learning resources, it extends the reach of employment and training services to thousands of businesses and tens of millions of workers.

### Target group

All American workers and all American employers can benefit from the electronic resources offered by America's Career Kit.

### Organisations responsible for operation

One of the hallmarks of the Career Kit development process has been the public/private partnership between the Federal Government, state governments, leading trade associations in the employment and training field and other key nonprofit groups.

### Measurement and evaluation

The Job Bank lists over 900,000 job openings; the Talent Bank lists approximately 300,000 resumes; and ALX offers information on over 3,000 training providers and 48,000 seminars and workshops. Currently, the Career Kit is host to over six million user sessions per month. While there are no formal independent evaluations at the national level, it can be inferred from these numbers that customer needs are being met.

## **Job Corps (Employment of Youth)**

### Programme objective

Jobs Corps is a national residential education and training programme for disadvantaged youth. There are 118 Jobs Corps centres throughout the United States. Since its inception in 1964, Jobs Corps has guided more than 1.5 million young people away from lives filled with poverty, unemployment, crime and welfare and steered them towards brighter futures.

Jobs Corps is a full-time, year-round residential programme that offers a comprehensive array of training, education and supportive services, including dormitory housing, meals, medical care, and counseling. The programme provides occupational exploration, work and social skills training, and competency-based



vocational and basic education. Occupational trades offered include construction, auto mechanics and repair, business and clerical, retail trades, health occupations, and computer occupations. Post-programme placement services are provided. Students can be enrolled in Jobs Corps for up to two years. Research indicates that certain practices are particularly effective with respect to employment and training programmes for youth: long-term follow up, community focus, and employer involvement have proven to be successful strategies. Developed and refined over a 30-year period, Jobs Corps has a number of distinctive characteristics: a high degree of uniformity in programme form and content; a high degree of federal direction; continuity, especially in centre operations; and career paths for Jobs Corps staff.

Jobs Corps is retained as a separate national programme under WIA, with strengthened linkages between Jobs Corps centres and the State workforce development system and the local communities in which they are located.

#### Target group

Participants must be between 16 and 24 years of age; be economically disadvantaged; be high school dropouts or in need of additional education or training; not be on probation or parole; be free of serious medical or behavioural problems; and come from disruptive environments. The typical Jobs Corps student is an 18-year-old high school dropout who reads at the seventh grade level, belongs to a minority group and has never held a full-time job.

#### Organisations responsible for operation

The Jobs Corps programme operates through a partnership of government, labour, and business. Major corporations operate 81 Jobs Corps centres under contracts with the United States Department of Labour. Thirty centres, known as civilian conservation centres, are located on federal lands and are operated by the Departments of Agriculture and Interior. Labour unions and trade associations conduct vocational training at many Jobs Corps centres. Support contractors, utilising a national network of volunteers, provide assistance to former students in locating suitable housing and other short-term support.

Recent reforms require Jobs Corps Centres to have a business and community liaison to enhance cooperation with the community and to establish an Industry Council that will help to determine the appropriate vocational training requirements for the local area. WIA enhancements also include the establishment of a youth council in every local area. Representatives from Jobs Corps will participate in the youth councils. These Councils will develop proportions of the local plan that relate to youth.

#### Evaluation

Jobs Corps finds jobs or placements in higher education for 80 per cent of its students by the time they leave the programme. The Jobs Corps Outcome Management System (OMS) is the accountability tool used to measure and account for performance. This system collects and evaluates data regarding students' educational achievements, vocational accomplishments, and placement rates. Jobs Corps currently is planning an extensive evaluation of OMS to promote the integration of programmes and encourage innovations, while recognising the importance of hard to quantify areas.

The most recent comprehensive evaluation of Jobs Corps, conducted in 1982 for the Department of Labour by Mathematica Policy Research, Inc., concluded that

participation resulted in (effects averaged over a four-year observation period): an increase in employment; an increase in earnings; increased probability of having a high school diploma or equivalent degree; higher college attendance; better health; and a reduction in the receipt of financial welfare assistance. The study's findings suggested that the programme is an economically efficient use of public resources, based on a benchmark estimate that social benefits exceeded costs by approximately 45 per cent.

Under WIA reforms, each Centre will be accountable based on core indicators of performance including vocational completion and placement rates of students, earnings and retention in employment. Reforms also authorise all Jobs Corps graduates to be provided follow-up services, such as transition support and work counseling for 12 months after graduation.

### **Worker Profiling and Reemployment Services Initiative (Employment and Social Safety Nets)**

#### Programme objective

The Worker Profiling and Reemployment Service (Worker Profiling) aims to enable dislocated workers to find new jobs as rapidly as possible, at wages comparable to their prior wages. Worker Profiling identifies Unemployment Insurance (UI) recipients who are likely to exhaust their UI benefits before finding new employment, and therefore will need job search assistance to successfully transition to other employment. Workers are identified by examining their education level, job experience, and conditions in the industry, occupation, or labour market in which they work. By identifying the most vulnerable workers and referring them to reemployment assistance when they first become unemployed, Worker Profiling attempts to reduce the duration of unemployment. UI claimants identified by Worker Profiling must participate in reemployment services as a condition of continued eligibility for UI benefits. These services include counseling, job search assistance such as job search workshops, referrals to jobs and job placement, and other similar services. By assessing an individual's risk of long-term unemployment, Worker Profiling is a tool to target services and allocate scarce resources for workforce development programmes.

#### Target group

Individuals who are receiving Unemployment Insurance and who have the greatest probability of exhausting those benefits without finding new employment are the target group.

#### Date of implementation

Five prototype states received implementation grants from the United States Department of Labour beginning October 1994; by early 1996 all states had received implementation grants.

#### Organisations responsible for operation

In many states, staff from Unemployment Insurance, Employment Services and Economic and Dislocated Worker Assistance (JTPA, Title III) coordinate in Worker Profiling activities.

## Evaluation

Estimates based on the early implementation States provide reasonably strong evidence that Worker Profiling, as it was implemented in these States, significantly reduced UI receipt. The combined findings of several State research demonstration projects indicate that intensive reemployment services, such as job search assistance, for dislocated workers, is an effective and efficient use of public resources. Although results varied among the individual States, overall, they showed the following common results: job search assistance participants found a new job more quickly and the duration of UI benefit payments was reduced; the programme was cost-effective for the government; and shorter job searches did not lead to jobs that paid less.

## ***Workplace Practices that Contribute to Enhanced Productivity and Greater Stability***

### **Family and Medical Leave Act**

#### Programme objective

The Family and Medical Leave Act (FMLA, 1993) allows employees to balance their work and family life by taking up to 12 weeks of unpaid, job-protected leave in a 12-month period for specified family and medical reasons, including the birth and care of a newborn child; care for an immediate family member with a serious health condition; or when the employee is unable to work because of a serious health condition. Upon return from FMLA, an employee must be restored to his/her original or an equivalent job. The FMLA seeks to accomplish this objective in a manner that accommodates the legitimate interests of employers, and minimises the potential for employment discrimination on the basis of gender, while promoting equal employment opportunity for men and women.

#### Target population

The FMLA applies to all public agencies (state, local, and Federal Government employers) and private employers who employ 50 or more employees. To be eligible for FMLA provision, an employee must have worked for a covered employer for at least 12 months.

#### Organisations responsible for operation

The United States Department of Labour's Employment Standards Administration, Wage and Hour Division administers and enforces the FMLA for all private, state, and local government employees and some federal employees. This agency investigates complaints of violations.