

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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