

## **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