Jurnal Kinabalu IV (1998) 1-29

FOREIGN LABOR IN THE MIDST OF THE ASIAN ECONOMIC CRISIS: EARLY EXPERIENCES FROM MALAYSIA, HONG KONG,TAIWAN AND SINGAPORE

*Moha Asri Abdullah & Raymond K.K. Chan**

INTRODUCTION

Before the recent economic recession, the economic growth of many developing countries especially in the East Asian countries has been accelerating for the past few decades on end. Much of this process is said to have resulted from a global capital-investment shift from developed nations to this region. Whatever the reason may be, phenomenal economic growth has seen many East Asian countries expanding production activities in the manufacturing sector . The region's economy in turn became one of the fastest growing economies in the world. Interestingly, rapid economic growth is closely associated with substantial industrial development.

In these countries, the role of the agricultural sector in the total value of Gross Domestic Product (GDP) has declined quite considerably, while industrial sectors' share has increased substantially. During the period from 1965 to 1994 the decline in the agricultural sector, for example, can be seen in Thailand where it receeded from 32 percent to 10 percent; Indonesia from 56 percent to 17 percent; Philippines 26 percent to 22 percent; Singapore 3 percent to 1 percent; and China 44 percent to 21 percent.

* *Moha Asri Abdullah is a lecturer in sociology and the Deputy Director of the Centre For Policy Research, Universiti Sains Malaysia Pulau Pinang and Raymond K.K. Chan is a lecturer at the same University.*

The percentage increase in the share of industrial sectors during the same period was most noticeable. Thailand, recorded increase was 16 percent (from 23 to 39 percent); Indonesia. 28 percent (from 13 to 41 percent); the Philippines 5 percent (28 to 33 percent); Singapore 12 percent (from 24 to 36 percent); and China 8 percent (from 39 to 47 percent) (*see Neher 1994*). In particular, the manufacturing sector has turned out to be the fastest growing sector during the same period. Malaysia as one of the countries in the Asia Pacific region was, no exception. (For the past few decades, Malaysia's industrialization process has substantially transformed her economy from a predominantly agriculture-based economy to one that is industrial-manufacturing based. This growth has had considerable impact on the demand for labor with various skills and subsequently on human resource development in general.

In recent years, however, many countries in East Asia have experienced a decline in exports and faltering stock markets. Hence, it was small wonder that some observers have already been persuaded to *pronounce* the end of the so-called East Asian Miracle. The recent slowdown in growth coupled with a downturn in the electronics industry have been clearly reflected in reduced GDP figures. Given that many of the economies in the region are electronics driven, the savage impact of downtown in electronics on the regional economies is to be expected. Examples can easily be illustrated. Prices of these items have plunged up to 80% in the last two years and they have yet to fully recover. In other areas, Taiwan produces more than 80% of the world P.C. motherboard and 60% of modems. Malaysia produces nearly 30% of all microprocessor sold world wide while Singapore has a commanding lead in disk drives, totaling to more than 45% of the world production. Asia also makes more than half of all finished computers produced in the world (Lit 1997: 2). In the face event of any economic downturn, it is hard therefore to imagine that these economies would not become vulnerable to some forms of threats and hence consequences.

One may want to recall that most of the debates over the future of foreign labor trade or movement especially before mid-1997, hold an optimistic perspective. However, the financial crisis sparked off in mid-1997 has led to some disillusionment regarding the so-called 'Asian Miracle' and a pessimistic scenario has suddenly evolved. This latter perception is based on the prediction of decreasing labor need. Most of the affected Asian countries. The history of this financial crisis has yet to be written and the impacts are only slowly emerging. This paper therefore attempts to summarize the brief history of the crisis and its preliminary impacts on individual countries, and its relevancy to the foreign workers trade in the receiving countries of Hong Kong, Malaysia, Taiwan and Singapore.

ECONOMIC GROWTH AND FOREIGN LABOR: A SHORT NOTE

In the early years, Asia has been a major source of emigration and a major source of cheap reserved army of laborers for many advanced countries. However, rapid development and dynamic growth rates over several decades in Japan, South Korea and other economic 'tigers' such as Hong Kong, Taiwan, Singapore, and to a lesser extent Malaysia, have largely exhausted domestic labor surpluses. This situation has turned these countries into magnets for cross border migration from other parts of Asia.

The early period of strong demand for wage labor in some economic sectors such as manufacturing and services was met largely through the internal rural-urban labor migration and rising female labor force participation. Later, continued labor shortages in large firms have been taken care of by the movement or transfer of workers from small and medium firms to these large firms. Nonetheless, continued strong demand arising from industrial expansion and activities have resulted in a chronic shortage of domestic labor. This was the main reason that forced governments to liberalize policies on foreign labor.

In 1970, for example, there were 72,570 non-citizen and non-resident workers working in Singapore. In 1990s, foreign laborers it has been noted, were working in almost every sector of Singapore's economy and by 1997, it was estimated that a total of more than 350,000 foreign workers were present in Singapore (*Raymond Chan and Moha Asri forthcoming*). Table 1 shows that the number of migrant laborers in Taiwan has increased significantly from 15,924 in 1992 to 248,390 in 1997. In Malaysia, the increase is from 250,000 workers in 1990 to 659,285 workers in 1997. These numbers do not include illegal or unregistered foreign workers who are believed to number to about a quarter of the total number of legal workers (*Karim, Moha Asri and Isa forthcoming*). In Hong Kong, the government has noted that there were about 25,000 migrants workers in 1990, but that volume has increased to about 250,000 in 1996.

Table 1: Foreign Labor in Four Asian Countries

Country	Number Foreign Workers of				
	1990	1992	1994	1996	1997
Singapore	na	300,000[1]	na	300,000	350,000[1]
Taiwan	na	15,929	151,989	236,555	248,396
Malaysia	250,000[1]	300,072	456,000[1]	525,900[1]	659,283
Hong Kong	25,000[1]	na	na	250,400[1]	na

Note: na = not available, 1= estimated figure

Source: All data are summarized from R. Chan and A. Moha Asri (forthcoming), *Foreign Labor in Asia: Issues and Challenges:* (Nova Sciences Publishers Inc.; New York.)

ECONOMIC CRISIS: THE EARLY SCENARIO

The current financial problems in the East Asian region, started in the second half of 1997, has worsened the region's economies in 1998. Statistics from the International Monetary Fund's (IMF) released in May 1998 indicate that the forecasts for countries like Japan, Singapore, Indonesia, Malaysia, The Philippines, Thailand, South Korea and China were adjusted sharply downwards (see Table 2). The growing economic problems facing Japan, including the weakening of the yen against other currencies, the crisis in the banking sector and the declining confidence among industrial leaders, are all a particular cause for concern for the East Asian economies.

In general, the depreciation of the regional currencies has other impacts as well. These include: i) an increase in domestic prices as a result of rising costs of imported intermediate goods. Rising consumer prices will also cause real household income and real wages to fall; ii) a proportionate increase in the value of external debt denominated in foreign currencies, iii) a deceleration in the growth of domestic private investments as a result of exchange uncertainties, low business confidence and credit crunch, and iv) the economic growth rate will continue to be affected if the exchange rates worsen or continue to remain unstable.

Table 2:
The Revised Forecasts of East Asian Economies for 1998

Country	Previous Forecasts (December 1997) (%)	Current Forecasts (May 1998) (%)
Malaysia	2.0 to 3.0	-1.0 to 2.0
Indonesia	2.0	-13.0
Hong Kong	5.3	3.0
Taiwan	6.9	5.5 to 6.0
China	8.8	8.0
Japan	1.1	-1.5
Korea	5.5	-4.0
Thailand	0.4	-4.0 to 5.0
Philippines	3.8	2.5
Singapore	4.8	0.5 to 1.5

Source: International Monetary Fund (IMF), May 1998, Washington D.C.

Indeed, the financial crisis can be traced to early 1997 when signs of it have already appeared in each country concerned. Many countries in East Asia and Southeast Asia had then been experiencing failing exports and faltering stock markets. Then, doubts about the so-called 'East Asian Miracle' were already being voiced. Before the onslaught of the crisis in the middle of 1997, the slowdown in the growth of the electronics industry was clearly reflected in reduced GDP figures (see Table 3).

The real challenge however appeared in May 1997 when Thailand's currency, the Baht, came under speculative attack from foreign currency traders. Thailand's central bank reacted with a stronger effort to protect the exchange rate. However, such action was finally abandoned when the Thai Finance Minister resigned in late June, and that triggered the hectic collapse of the Baht. The rescue effort mounted by the International Monetary Fund and some other Asian countries brought temporary halt to the devaluation of the Baht but by August 1997, the value of the Thai currency dropped to almost 50 percent[1]. Simultaneously on, July 11, 1997, the Filippino currency, the Peso, also came under attack from speculators. The Philippines government had no choice but to defend the exchange rate. Within a fortnight, on July 24, 1997, the Malaysian Ringgit was also forced to devalue itself after a month-long government effort to defend its value was called off. In August, Indonesia also abandoned its effort to defend the 'managed float' exchange rate for its currency, the Rupiah. In October, Taiwan also devalued its dollar by almost 10 percent. The Philippines and Indonesia have since been forced to accept the rescue package from the International Monetary Fund.

Table 3: Forecasts of GDP Growth Rate before the Financial Crisis in the Asian Economies

Country	1995	1996E	1997F	1998F
South Korea	8.9	7.1	4.8	5.5
Taiwan	6.0	5.7	6.1	6.5
Hong Kong	4.8	4.7	5.3	6.2
Indonesia	8.1	7.8	7.9	8.0
Malaysia	9.5	8.2	8.5	8.9
Philippines	5.0	6.8	7.2	7.6
Singapore	8.8	7.0	7.3	8.0
Thailand	8.8	6.7	5.5	5.4
China	10.5	9.7	9.8	10.1

Note: E = Estimate, F =Forecast
Source: Lit, 1997

The currency crisis, in turn, attacked the already problematic banking and finance system of the various countries. The problem was further diffused to other economic sectors. South Korea's stock market price in early October 1997, the Seoul Composite, dropped by 21 percent i.e. from what it was one year prior to that (*Asiaweek, October 10, 1997, p.91*). To make matters worse, it triggered debt and confidence crises. On November 20, the South Korea Won's exchange rate to US dollar dropped to 1,139 won to the dollar compared to 900 to one in early August (i.e. a drop of 26.5 percent within four months). The South Korean government was forced to accept the rescue package offered by the International Monetary Fund (*Wang, 1998, pp.16-19*).

Major stock markets worldwide experienced a stock crash on October 27, 1997. The Dow Jones Index had a record fall of 7.8 percent of its value on that day. As a result, the Hang Seng Index in Hong Kong dropped by 13.7 percent, and this was followed by a 6.6 percent drop in the Seoul Composite Index, a 5.9 percent fall in the Taipei Weighted Index and a 4.26 percent fall in the Tokyo Nikkei Index in one day. The stock markets in Jakarta, Bangkok, Singapore, Kuala Lumpur and Manila were also affected by this incident. Within one week, all the major stock market indices fell from a range of 2.6 percent to 10.4 percent (*Asiaweek, October 31, 1997, p.76*).

This stock market crash further diminished the confidence on investment in Asia and triggered off another round of capital withdrawal. Hong Kong, apart from the stock market crash, received another attack from international currency speculators, and this time the target was its peg system with US dollar. On October 23, 1997, as a result of the attack from speculators, the Hong Kong Monetary Authority was forced to increase the inter-bank lending rate to 300 percent. Since then, the had lending interest rate had stood at a high level and the banks become more reluctant to offer loans to the business sector.

In 1998, the currencies of *Thailand and Indonesia* (and Japan too) continued to suffer the consequences of devaluation. Thailand's currency became stable only when the new government was elected. However, the decision of Suharto to continue with his presidency caused a series of protests and eventually, mass scale riots in May 1998. The chain of events contributed to the Rupiah's continuing downward path then. The continuous devaluation of the Japanese Yen against the US dollar sparked off a new tide of devaluation war among Asian countries. They were then in the competition to boost exports and attract investments. The accompanying fear provided a fresh excuse then for another tide of attack on the Hong Kong currency. Problematic finance companies and banks were forced at that stage to close down or merge as what happened in Indonesia, Thailand, Korea and Japan.

Both Malaysia' new move on foreign exchange control and the, Hong Kong government's move to intervene in the stock market received strong criticisms from the West. The actions taken by

Malaysia and Hong Kong were seen as not in line with free market ideology. This free market ideology is also the underlying principle of the International Monetary Fund's rescue package to various Asian countries. However, such packages have varying met different degrees of resentment from people in South Korea, Thailand, Philippines and Indonesia. Resentment to these rescue packages is due to the radical reform proposal related to the banking and finance companies which resulted in mass unemployment. The move to request the Indonesian government to remove all forms of subsidies to daily necessities was one of the cause of the May 1998 Riots in several major cities in Indonesia. By August 1998, the explanation for such financial crisis was dominated by the critique over the Asian model of economic growth and the accompanying Asian values. However, a conspiracy theory that the speculation was a concerted effort engineered by the Western governments and speculators to destroy and colonize the Asian countries was also proposed (*Beeson & Rosser, 1998; Li, 1998*).

Reactions from the Western governments were rather unsympathetic. It was not until September 1998 when the crisis hit Russia and Latin America that the West began to fully realize that the adverse impacts may yet escalate and hit their own economies. The Federal Reserve Bank of United States' rescue effort to help an investment fund, the Long Term Capital Management, in September 1998, flew in the face of Washington's promise to safeguard free market ideology. The fall of the Long Term Capital Management also reflected the possible dangers of allowing free flow of capital and the unchecked lending to these fund, especially the hedge fund (e.g. the Quantum Fund managed by George Soros and the Tiger Fund are the two most frequently mentioned funds). After the incident the West is more aware of the inherent weakness of the current free market operation and of the possibility of an international recession. It is against such a background, of great losses by hedge funds due to the crisis in Russia and Latin America, and the sudden revaluation of Yen against United

States dollar, that a new scenario began to emerge whereby a more stable economic environment gradually came into being by mid-1998.

THE IMPACTS ON LABOR RECEIVING TERRITORIES

Certainly, the myth of the Asian Miracle, the alleged national economic strength as well as the optimistic forecast of each individual territory and the projection of a vigorous regional economic performance now all seem to be misplaced or outdated. The dramatic decline that has occurred are best represented by figures detailing the fall in the value of currencies in the region, the stock market index and market value (Table 4).

Table 4: Change of Economic Indicators
(June 30, 1997 and July 3, 1998)

Country	Currencies (against US dollar)	Stock Index	Market Fall (US$ billion)
Hong Kong	(peg with US$ 7.8: 1)	-43.2%	-$223 (-42%)
Taiwan	-18.5%	-13.4%	-$111 (-28.8%)
Singapore	-16.5%	-43.5%	-$91 (-53%)
Malaysia	-39.4%	-56.0%	-$217 (-76%)
Indonesia	-83.2%	-35.0%	-$96 (-88%)
Thailand	-40.2%	-48.0%	-$40 (-66%)
Philippines	-36.1%	-33.8%	-43 (-58%)

Note: Taiwan's figures are calculated as of June 22, 1997 and July 2, 1998
Sources: Asiaweek, July 11, 1997, p.94 & p.96; July 3, 1998, p.74 & p.76 & July 17, 1998, p.41.

Table 5:
GDP Growth Rate (Quarter 1, 1997 to Quarter 2, 1998)

Country	1997: Q1	1997: Q2	1997: Q3	1997: Q4	1998: Q1	1998: Q2
HKSAR	5.9	6.8	6.0	2.7	-2.8	-5.0[1]
Malaysia	8.5	8.4	7.4	6.9	-2.8	-6.8
Singapore	4.0	8.5	10.6	7.7	6.1	1.6[2]
Taiwan	6.9	6.3	6.9	7.1	5.9	5.2
Indonesia	8.5	6.8	2.5	1.4	-7.9	-16.5[3]
Philippines	5.6	5.5	4.9	5.6	1.7	-1.2
Thailand	7.0	7.5	-4.2	-11.5	-16.8	-15.8

Notes:
1. *The latest revised figure, released by the Hong Kong government in October 19, 1998, is – 0.2%.*
2. *The latest figure for the third quarter is –0.7, the first time since its last recession in mid-1980. Figure from Ming Pao, November 11, 1998, p.B6.*
3. *The figure for the third quarter, 1998 is –17.38. Figures from Ming Pao, October 30, 1998, p. B7. Source: International Monetary Fund, 1998a, p.56*

These figures show that the labor receiving territories, Malaysia, Singapore, Taiwan and Hong Kong had all experienced different degrees of downfall. Equally important to realize is that these indicators do point to a possible bleak economic future as far as these territories are concerned. This can be well demonstrated by the countries' negative GDP growth rates recorded in 1998 (Table 5).

It ought to be noted that all of the growth rates were slowed down or, worse, changed from positive to negative. Thailand and Indonesia scored the worst record in the region while the Philippines performed relatively better. The four labor receiving territories or countries showed diverse performance in the past one and a half year. Taiwan and Singapore maintain a positive growth up to the second quarter of 1998.

Hong Kong and Malaysia seemed to have lost the battle to maintain a positive economic growth since the first quarter of 1998. The economic growth of these labor receiving territories is also expected to be negative (Table 6).

Table 6: International Monetary Fund Economic Forecast, 1988 & 1999

Countries	Growth in 1998	
	Estimation in April 1998	Revised estimation in October 1998
Taiwan	5%	4%
Hong Kong	3%	-5%
Malaysia	--	-6.4%
Singapore	--	0%

Source: International Monetary Fund, 1998a, p.41 & p.49

Another impact of the financial crisis is the rise of inflation rate, mostly due to currency devaluation. In this aspect, those countries that have experienced huge currency loss have also suffered highest rise in the inflation rate (Table 7). We can observe that Indonesia, Malaysia, Thailand and the Philippines have all experienced a rise in inflation rates while in Hong Kong, Taiwan and Singapore the situation has been the opposite. The slowing down of the inflation rate may not be a positive indicator as in the case of Hong Kong. It represented instead the contraction of internal consumption and as a result, mass layoffs in retail and service sectors followed. The negative impacts of the reverse in the regional economic climate and the 'collapse' of several countries' economies can be shown in the rise of unemployment rates (Table 8).

Table 7: Inflation Rate

Countries/ Territories	July 1997	October 1998
Hong Kong	5.8%	2.7%
Taiwan	0.8%	0.4%
Malaysia	2.5%	5.6%
Singapore	1.6%	-0.8%
Indonesia	5.2%	82.4%
Thailand	4.3%	7.0%
Philippines	4.2%	10.0%

Sources: Asiaweek, July 11, 1997, p.93; October 23, 1998, p.75

Table 8: Unemployment Rate

Countries/ Territories	1997	1998
Hong Kong*	2.2	5.0
Taiwan*	2.7	2.6
Malaysia	2.7	5.0
Singapore*	2.4	4.4
Indonesia	14.2	16.8
Thailand	3.0	8.8
Philippines	10.4	13.3
Japan*	3.4	4.1
South Korea*	2.7	7.5

* Figures at July 1997 and October 1998
Sources: *Asiaweek*, July 17, 1998, p.41; IMF, 1998, p.41

All the Asian countries have been affected by the crisis, though in different degrees. The labor sending territories, such as Indonesia, Thailand and the Philippines, were badly hit. In many Asian countries remittance has long been the traditional way through which workers abroad lend financial support to their families in the home countries. Many Asian countries also attempt to solve their unemployment problem by sending workers overseas. Thus it is reasonable to argue that they have an increasing need to expand this policy option of exporting labor. However, the increase of labor supply will only lead to keener competition among the labor exporters. If demand remains stable or if it declines there will certainly be a pressure on the employment terms and wage schemes of the foreign workers. The above figures have already shown that labor demand in the four labor receiving territories, as well as in Japan and South Korea, have in fact been declining.

FINANCIAL CRISIS AND FOREIGN LABOR

In facing such a crisis situation, each of the four labor importing countries has made certain changes to its respective policy. Nevertheless, as reflected in the number of foreign workers in each country, there has not been an real 'u-turn' in all the four territories so far with regard to the policy of importing labor. The estimation made by Scalabrini Migration Center in May 1998 has shown that the number has not been drastically reduced since the outbreak of the financial crisis.

Malaysia

Faced with a reverse economic environment, the Malaysian government has proposed several measures relating to foreign workers' employment. The basic strategy is geared towards driving away more foreign workers or at least discouraging agencies and organisations from employing them. Proposals include the idea of not renewing work permits that are about to expire, and asking the workers concerned to leave the country. The government has also considered imposing higher livies in order to discourage the hiring of foreign workers. By doing this, the government hopes that employers will return to the local market to recruit domestic employees. As Malaysia has a large population of illegal foreign workers, it has adopted a rather strict approach in deporting and repatriating immigrant workers. In November 1997, employers in

Malaysia were given a 'ten-month notice' to restructure their labor force and to start a policy of hiring Malaysians only. This implies that foreign workers whose contract would expire in August 1998 would not have their contracts renewed. In January 1998, the government restated its policy of not wanting to extend contracts of immigrant workers in Malaysia once the contracts have expired.

According to one estimate, about 900,000 foreign workers may have lost their jobs in 1998, including 200,000 laid off and 700,000 not having their permits renewed. Another estimate predicted that 500,000 legal foreign workers might lost their jobs from July 1997 to the end of 1998. Of this 315,000 were from the construction sector, 43,000 from manufacturing and 148,000 from wholesale, retail, hotels and restaurant sectors. In the first two months of 1998, 17,000 illegal foreign workers have been deported from Malaysia. From January to April 1998 a total of 30,000 of illegal Indonesian workers were deported as compared to 38,500 in 1997 (*Battistella & Asis, 1998*). This firm crack down on illegal foreign workers, mostly Indonesians, has aroused concern lest riots may erupt amongst the illegal Indonesian workers. The concern was not at fall too far-tetched as distrubances were reported to have occurred in a number of detention camps. Another move by the Malaysian government was to redeploy the surplus workforce in some sectors, such as construction, to other sectors that have deficit labor force such as in the agricultural sector.

This suggests the proposal lack proper planning, however, the proposals were not fully implemented as they contradicted developments suggesting that the whole thing was not properly planned. The government's stand has gradually softened since mid-1998. In June, it permitted the employment of foreign workers in the sanitorial and agricultural sectors. Applications from 60 companies to hire 20,000 new foreign workers in the plantation sector were also approved by the Primary Industries Ministry in March and

April[2]. Many employers in various economic sectors are allowed to renew permits for their foreign workers'. Though some of the foreign workers had left the country, another batch of new workers come in to replace them. For example, in June 1998, 50,000 new foreign workers arrived, of which 20,000 were designated for the manufacturing sectors, 10,000 for agriculture and another 20,000 for various sectors in Sabah[3].

In fact, the scheme to deport illegal workers was not successful. Although the government has stepped up its monitoring effort and regularization exercise, the response from the migrant workers was hardly satisfactory. According to the official figures, 237,000 work permits but two weeks before this deadline, one-third of the workers involved had yet to apply for extension of their permits. It was very likely that they would eventually become illegal over-stayers in Malaysia[4].

In the fact of the continuing economic difficulties, Malaysia's growth rate was revised downward to between – 1.0 percent to – 2.0 percent. The effect of the economic crisis varied from sector to sector. Firm projections are by no means easy to make. The consumer price index is expected to rise from 2.7 percent to 7.0 percent between 1997 and 1998. A higher price level is very much expected due to the currency depreciation and the increasing cost of imported goods and components. The immediate result would be unemployment which is expected to rise from 2.7 percent in 1997 to 6.4 percent in 1998. The number of unemployed workers is expected to rise from 229,700 to 564,200 in 1997 and 1998 respectively. Up to August 1998, a total of 53,367 workers have been retrenched (see Table 9).

Table 9:
Labor Force Indicator (in Millions) in Malaysia 1997-1998

Indicator	1997P	1998F
Population	21.7	22.2
Labor Force	8606.4	8793.7
Employment	8376.7	8229.5
Unemployment	229.7	564.2
Rate of Unemployment	2.7	6.4

Note: P = Preliminary, F = Forecast
Source: Prime Ministers Department, 1998

In the case of Malaysia, the demand for labor did decrease since the financial crisis. The evidence is more pronounced in the construction and manufacturing sectors. The demand for domestic helpers had also declined. For example, the total number of domestic helpers recruited from the Philippines from January to May 1998, if compared with the same period in 1997, had dropped from 6,000 to 2,400 (Apple Daily, Aug. 17, 1998, p. A10). The government has pledged to continue its effort to reduce the yearly intake of workers. Besides such pledge, the government has also undertaken to repatriate illegal worker to their home countries and to stop renewing contracts once they have expired. However, the demand in certain sectors is still strong. The foreign workers have not taken too kindly to the various restrictive measures. Thus the government has to adopt a 'stop-gap' measure. Foreign workers are again imported from overseas though in not so large a number as previously.

Hong Kong

When the first speculative attack on the Hong Kong currency came, October 1997, the country's economy experienced a sharp downturn. Since then, the stock market share had also collapsed. The property market price dropped by 40 percent to 50 percent on average. The high best lending stood at above 10 percent for a year. The GDP recorded negative growths for the first and second quarters of 1998. It was therefore not surprising to find that the local employment market began to deteriorate. The latest unemployment rate for the period from August to October 1998 showed an increase to 5.3 percent, a record since 1983.

The rising unemployment rate indicated that the overall demand for labor was decreasing. When the employers found that it was easier to recruit local workers, the demand for foreign labor also dropped. More important perhaps, wages of workers in certain sectors were also decreasing and this contributed too lower costs of production. The series of mass layoffs that took place from the second quarter of 1998 pushed wages even lower.

Comparing the wage statistics of March 1997 and March 1998, the Hong Kong Confederation of Trade Unions found that seventeen out of forty-six occupations in Hong Kong had in fact experienced a real wage decrease (Ming Pao, November 16, 1998, p. A5). A large number of foreign workers previously employed in the construction of the new airport had returned home when their contracts expired on completion of the project. The number of agencies applying for new foreign labor also went down and approval for them was kept at a low level (Table 10).

Table 10: No. of Vacancies and Applications Approved, Supplementary Labor Scheme, Hong Kong SAR

Period	No of vacancies	No of applications approved by the Secretary for Education & Manpower(renamed as Education & Manpower Bureau after July 1, 1997)
Feb. 1996 – Dec. 1996	267	2235
Jan. 1997 – Dec. 1997	1655	2502
Jan. 1998 – Aug. 1998	706	1361

Source: Private correspondence with Labor Department, Hong Kong SAR

The only exception to this trend was the sector involved in the hiring of domestic helpers. The total number of domestic helpers employed in 1998 still stood at a high level. However, the growth rate was lower than that of 1997 and the percentage of growth has already been slowed down (Table 11). The rate was maintained at almost 20 percent before 1995, and then dropped to less than 5 percent in 1998. Traditionally, domestic helpers formed the majority portion of the foreign workers population in Hong Kong, hence reduction in the former will inevitably affect the overall size of foreign workers in Hong Kong.

Table 11:
Number of Domestic Helpers in Hong Kong, 1990 – 1998

Year	Percentage of change compared with last year (%)	Cumulated no. of Foreign Domestic Helpers in Hong Kong
1990	--	70,300
1991	20.34	84,600
1992	19.62	101,200
1993	19.16	120,600
1994	19.16	141,400
1995	17.24	157,000
1996	11.03	164,300
1997	4.08	171,000
Jan – July 1998	4.89	178,500

Source: Ming Pao, September 11, 1998

In view of the rising unemployment rate, the representatives for trade unions in the Labor Advisory Committee, which is responsible for screening and supporting applications for foreign workers, have threatened to reject all applications under the Supplementary Labor Scheme. However, local workers are still reluctant to work in certain sectors. For instance, they are unwilling to work as personal personnels in hostels, in the marine and agriculture sectors. Thus foreign workers have to be recruited. All the same, there is an increasing feeling of resentment against foreign workers, especially those working as domestic helpers, who, it is argued, can be easily replaced by local residents. Currently, there is a debate on domestic amongst workers employees organization and trade unions, whether the minimum wage of domestic workers should be reduced to approximately 20 to 30 percent

Taiwan

The economy of Taiwan has been maintained in a healthy situation after the outbreak of the financial crisis. This was due to its relatively sound financial policy, which regulated its currency and capital flow. The growth of its economy was maintained at a level similar to the one that existed prior to the financial crisis, though there was already a minor downward adjustment. The growth rates for the first and second quarters of 1998 were 5.92 percent and 5.78 percent respectively. The figures for the third and fourth quarters 1997 were the 6.93 percent and 7.08 percent unemployment rate reached a record high, i.e. at 3.03 percent, in August 1997 but gradually decreased to 2.29 percent in April 1998. Subsequently, the figure steadily climbed up to 2.93 percent in July 1998 (Table 12).

Nevertheless, the employment situation is still considered to be satisfactory. According to other figures released by the Taiwan government, the vacancy rate in July 1998 was at 3.44 percent. In other words, there existed 196,000 vacancies in the job market. The number of unemployed labor force stood at 280,000 persons. Several labor force surveys conducted by the government have shown that finding a job in Taiwan after the financial crisis is still easy. For example, in a survey conducted in March 1998, there were on average seven vacancies available for one job seeker. A survey of similar nature conducted in May 1998 revealed that, on average, there were still four vacancies available to each job seeker. Approximately 30 percent of job seekers were reluctant to work at a lower pay and because of this they failed to find any employment[5].

Table 12:
Change of Unemployment Rate, October 1997 – August 1998

Period		Unemployment Rate
Year	Month	
1997	**October**	2.63
	November	2.60
	December	2.45
1998	January	2.35
	February	2.57
	March	2.34
	April	2.29
	May	2.37
	June	2.70
	July	2.93
	August	3.05*

* *Figures from Ming Pao Daily News, October 30, 1998, page B7.*
Source: http://www.evta.gov.tw/stat/stat10.txt.

The relatively healthy economy after the financial crisis ensures a favorable employment situation. Hence the demand for foreign workers continued. Although the latest figures do not suggest a clear deterioration in the labor market, the government has taken a proactive approach to review the foreign labor policy regularly. Two reviews undertaken by the government in early 1998 and repeated in September of the same year have suggested that the current policy of recruiting foreign workers should be maintained. However, except for big investment projects related to major infrastructure construction and the manufacturing industry, the existing quota for the employment of foreign workers would not be changed. This shows that the Taiwan government has taken a very cautious policy vis-à-vis the issue of foreign workers.[6]

In of such policy stand, employers have to be more prudent to look for higher-skilled workers.

Singapore

This country has survived the economic crisis much better than many other countries in the region . However, this does not mean that it is free from any negative impact. As revealed by the Singaporean government, the republic's economy has slowed down since the first quarter of 1998. The third quarter of 1998 recorded a negative growth of – 0.7 percent, which is a first since the last recession in 1985. The unemployment rate also rose from 2.0 to 2.2 percent in March 1998. It further increased to 2.3 percent in June, and registered a record high, at 4.5 percent, in September (*Ming Pao, October 30, 1998, p.B7*). A survey on private firms with at least 25 employees revealed that 7,000 workers have already been retrenched in the first quarter of 1998[7]. In the first nine months of 1998, more than 20,000 workers have been retrenched compared to only 9,784 that were laid off for the whole of 1997[8]. On the other hand, compared to previous quarters, the creation of new jobs was far slower. The number of vacancies available also dropped to 19,124 in June 1998 from a previous figure of 44,668 in June 1997. The Deputy Secretary-General of the National Trade Union Congress, Lim Swee Say warned that the number of unemployed population may further increase from 120,000 in September 1998 to about 170,000 in the year to come[9].

Although it faced a critical situation, the Singaporean government did not make any drastic policy shift, except for its latest move to recommend for an overall 15 percent cut in wage[10]. The Prime Minister Goh Chok Tong stated in his 1998 National Day Rally Speech that 'we must continue to bring in international talent'. He argued that 'chasing away foreigners, hoping to free up more jobs for Singaporeans, will only make our problems worse'. He said that not many Singaporeans would like to take up the menial jobs left by foreign workers, for example, jobs in the construction sites. On the other hand, the manufacturing and high-technology production sectors need skilled foreign workers which Singapore could not readily provide. He stressed that to turn away foreign workers will only cause factories to close down and more Singaporeans would then lose their jobs[11].

In commenting on the employment market, Lim Swee Say criticized local workers whom be alleged were too choosy to take up jobs. To him, the employment terms sought by the workers were unrealistic. Although the unemployment rate was going up, half of the 1,900 job seekers who have registered their names at the Manpower Ministry still chose to turn down jobs offered to them. Lim also criticized the employers of their over-demand on applicants' age[12]. Although the Singaporean government has tried not to have any major policy change, it has placed more restrictions on employers such as with regards to the employment of workers from non-traditional sources (e.g. Sources other than Malaysia)[13]. Generally speaking, its basic strategy was to retain the better quality workers and get rid of the rest. The pool of skilled labor is a necessity if Singapore is to maintain its global competitiveness with regard to its capital-intensive industries in the global market (*Battistella & Asis, 1998*).

Prospect and Future Agenda

This review of current economic conditions in the four territories has suggested that they have reacted differently to the financial crisis. It has been observed that all four have not adopted a total policy reversal. They kept their initial policies. They chose to have a very cautious attitude in bringing in foreign workers. In these four territories, the skilled and domestic workers were the least-affected groups. The low skilled group, on the other hand had been given a lower priority in the recruitment exercise and was always the first to be retrenched.

The destiny of foreign workers currently working or looking for jobs overseas would have to depend on the prospect of economic recovery in the labor receiving territories. If the economies maintain a low growth (or register a negative growth) rate, then surely the demand for labor will decrease. As a corollary to this, the negative economic atmosphere in the labor receiving territories can be expected to engender stronger xenophobic feelings and this will only make it more difficult for migrant workers to work and live overseas. Battistella and Asis have argued that 'among others, the crisis prompted these countries to promote more urgently than ever "national interests", the pursuit of which affects migrant workers and immediate prospects for migration in the region' (1998, p.2). The economies of these territories, in turn, depend on the overall recovery or stabilization of the global market. The future is not yet clear at this stage. Though the push factors still exist or have even strengthened, the pull factors have gradually diminished and the prospect for foreign workers' movement, in the short term, is in doubt.

Faced with this uncertain prospect, the labor sending countries have developed their own strategies. These countries that also import foreign workers, such as Thailand, have adopted a tighter control of the inflow and deportation of illegal foreign workers. However, Thailand failed to repatriate 900,000 undocumented workers and the whole scheme was later shelved. The main reason for the failure seems to be the unmet labor demand in specific economic sectors. In Malaysia and Thailand, the sectors are, plantation, fishery and rice mill industries.

Another response to the crisis adopted by labor sending countries was to increase the number of foreign workers exported. This was done in order to reduce the economic pressure that had resulted from the increase in employment. The Philippines, Thailand, Indonesia and Vietnam have all stepped up their plans to export workers. The Indonesian government has planned to increase up to three-folds the number of domestic workers to be exported to Hong Kong, i.e. from 22,000 to 70,000, after the financial crisis (Asian Migrant Centre, 1998, p.17). Vietnam has planned to export as many as 150,000 workers overseas in the next seven years[14]. Thailand also wants to export 210,000 workers in 1999 (*Apple Daily, April 15 1998*).

The effort of sending more foreign workers is, in principle, not objectionable, though the result would be dependent upon the conditions existing in the labor receiving countries. Nevertheless, the labor sending countries have to be very clear that the deterioration in the foreign labor market will inevitably increase the difficulties of finding jobs overseas. Thus the vulnerability of the migrant workers to all sorts of hazards would inevitably increase as well. Various negative impacts, such as longer working hours, lower pay, poorer working conditions and increasing hostility that have to be faced by the migrant workers are beginning to surface. A possible mass repatriation, if the financial crisis continues, (though this worst scenario has not yet happened) may also cause trouble to labor sending countries. Should the workers be repatriated, the reintegration programs for them in their home countries may not be easy. The receiving countries on the other hand, would be faced with continuous pressure from within demanding the further trimming down of the number of foreign workers. If an efficient and smooth policy in phasing out foreign worker, could not be worked out, there is every possibility that with serious problems connected to illegal workers and social unrests could erupt. Currently, apart from waiting for economic recovery, all interested parties in the labor sending and receiving territories involved have to closely monitor the changes, including the direction and dimension of labor migration as well as any possible deterioration in the living and working conditions of the foreign workers. A closer inter-national cooperation and agreement would definitely be needed to tackle the problems. If left unattended, they could grow larger in scale and their eventual impact be could worse resulting in unnecessary discordance amongst the nations concerned.

NOTES

1 By the end of March 1997, the exchange rate between the Baht and the US dollor is 25.96 to 1 and it changed to 38.60 to 1 dollar by the end of August, 1997. See Asiaweek, March 28, 1997, p.70 and Wang, 1998, p.3.

2 See Migration News, 5(6), June 1998. From http:// migration.ucdavies.edu/ archive/ mn_98/june_98-17.html

3 See Migration News, 5(9), September 1998. From http:// migration.ucdavies.edu/ archive/ mn_98/sept_98-17.html..

4 See note 4.

5 Figures and information gathered at the web site of Employment, Vocational and Training Administration, Taiwan (http://www.evta.gov.tw)

6 Information from web site: http://www.evta.gov.tw/book/8704/1-3.html.

7 Information from Press Release: Economic Survey of Singapore, First Quarter 1998. From web site: http:// www.singstat.gov.sg/ PRESS/98qes1.htm. Retrieved on June 9, 1998.

8 Osman, A. *NWC: Cut Wages by 5-8 %.* Retrieved in November 13, 1998 from the web site of The Strait Times (http://straitstimes.asia1.com.sg/pages/sin34_1113.htm). Printed in The Strait Times in November 13, 1998.

9 Vasoo, S. *Unemployed still picky about jobs.* Retrieved in October 12, 1998 form the web site of The Straits Times (http:// www.web3.asia1.com.sg/ archive/st/0/pages/ one1.html). Printed in The New Strait Times on October 11, 1998.

10 The Singaporean government recommends this new move in November. It also recommends to cut the employers' contribution to CPF from 20% to 10% of worker's wage. The National Wage Council followed by recommending a further cut of 5 to 8% of worker's wage, through adjusting the variable payment of bonus to maintain Singapore's competitiveness. For source, please refer to note 8.

11 Goh, Chok Tong. *National Day Rally Speech 1998.* From the web site of The Straits Times (http://www.web3.asia1.com.sg/ archive/st/0/pages/rally6.html. Printed in The New Strait Times on August 23, 1998.

12 Lim criticized the employers of discriminating against applicants in their middle age. For sourse, please refer to note 9.

13 Information gathered from a letter to editor. The writer, Tan Yong Keng, an employer in the construction sector argued that in Singapore,

there has been no major shift in foreign labor policy but implicitly, there were more constraints on employing workers from non-traditional source (i.e. not Malaysia) in the construction sector. From The Straits Times, October 12, 1998 (http://straitstimes.asia1.com.sg/pages/ for3_1012. html)

[14] Migration News, 5(9), September 1998. From web site: http://migration.ucdavis.edu/ archive/mn_98.

BIBLIOGRAPHY

Battistella, G & Asis, M. 1998. *Conference Report: The Impact of the Crisis on Migration in Asia*. Manila, May 1998. Retrieved on September 16, 1998. http://www. scalabrini.org/~smc/crisis_report.htm

Beeson, M & Rosser, A.,1998. *The East Asian Economic Crisis: A brief overview of the Facts, the Issues and the Future*. Perth: Murdoch University Asia Research Centre

Chan R. and Moha Asri A. 1998. Comparative Study of Issues and Challenges of Foreign Workers in Asia,', *International Roundtable on Social Security*, 3-5 March, Hong Kong Polytechnic University, Hong Kong.

Chan R. and Moha-Asri A. *(forthcoming). Foreign Labor in Asia: Issues and Challenges*, Nova Sciences Publishers Inc.; New York

International Monetary Fund (IMF) 1998, Washington D.C. (May).

International Monetary Fund, 1998a. *World Economic Outlook: Part 1:The Crisis in Emerging Markets – and Other Issues in the Current Conjuncture and Outlook*. Washington D.C.: International Monetary Fund.

International Monetary Fund, 1998b. *World Economic Outlook: Part 2:The Asian Crisis and the Region's Long-term Growth Performance.* Washington D.C.: International Monetary Fund.

Karim Z. Moha-Asri A. and Isa B. (*forthcoming*), *Foreign Workers in Malaysia*, (Utusan Publications; Kuala Lumpur)

Li, R.L. (ed), 1998. *Second Wave From the Southeast Asian Financial Crisis to Global Economic Change.* Kweiyang: Kweizhou Peoples' Press

Lit G. 1997, "East Asian Economics Growth: Prospects for Sustainable Development", *Third ASEAN University Seminar on Social Development*, 28-29 June, Pekan Baru, Indonesia.

Ministry of Finance, Annual Economic Reports (various issues), Kuala Lumpur, Government Printer.

MALAYSIA 1996, *Seventh Malaysia Plan* (1996-2000), Kuala Lumpur, National Printer.

MALAYSIAN INDUSTRY, September 1998, Vol. 6. No. 63.

Moha Asri A. and Morshidi S. 1996, "Globalized manufacturing activity, local economic development and the demand for labour in Malaysia", *International Conference on Globalization and Development: Lessons for the Malaysian Economy*, 12-13 August, (Kuala Lumpur, Universiti Malaya).

Neher C.D. 1994. *Southeast Asia in the New International Era, Boulder*, San Francisco and Oxford, Vestview.

Prime Minister Department 1998. *National Economic Recovery Plan (NERP)*, Economic Planning Unit (EPU), 21 July 1998. Kuala Lumpur.

Scalabrini Migration Centre. *Asian Migration News. Manila: Scalabrini Migration Centre.* (http://www. scalabrini.org/ ~smc/amnews/). various years.

Situngkir S. 1997, "The urgent needs of Indonesian human resource development in facing globalization era". *Third ASEAN Inter-University Seminar*, 16-19th June 1997, Pekan Baru, Indonesia.

University of California, Davis. *Migration News*. Vol 5 No.9 University of California, Davis http://migration.ucdavis.edu/archive/mn_98/sept_98-17.html).

United Nations, 1993. *World Investment report-transnational corporations and integrated international production*, New York, Oxford University Press.

Wang, K C (ed.), 1998. *The Causes and History of Financial Crisis in Southeast Asia*. Beijing: China Fang Cheng Publishing Company.

World Bank 1990, *World Development Report 1990*, New York, Oxford University Press.

World Bank 1995, *World Development Report 1995*, New York, Oxford University Press.

World Bank 1996, *World Development Report 1996*, New York, Oxford University Press.