

Remarks

By

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At

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Addressing Impacts on Workers of the Global Economic and Financial Crisis**

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Opening

Ladies and gentlemen, colleagues in development, good morning to you all.

I wish to extend my appreciation to the organizers of this forum for granting me an opportunity to share my views on this important topic of the impact of the crisis on workers. I hope that collectively, through the discussions that will follow, we will have a rich exchange of ideas on how we can better serve the interest of workers.

I wish to speak to you about 3 things: First, what we know about the crisis and its impact; second, what governments and ADB is doing to cope with the crisis and promote recovery; and last, what challenges we face and what we should do given these challenges.

What we know: the impact of the crisis

We know that developing countries in the region have been severely affected by the economic contagion. Economic growth declined by one-third from an impressive peak of 9.5% in 2007. The Asian Development Outlook (ADO) estimates that the growth will further decline drastically to only 3.4% in 2009.

We know that unemployment is increasing. Data across the region show an upward trend in unemployment. Numerous factory closures and layoffs have been reported. The crisis has also led to a sharp decline in remittances, a major source of household support in many countries.

We know that the progress in poverty reduction is threatened. Our gains in ensuring decent work and protecting the rights of workers are susceptible to erosion. Workers in the formal

sector are directly affected, especially those in the export industries, migrant and overseas workers. Many of them will be women. Further informalization is happening – raising the specter of further impairment of labor standards. This bleak picture affects certain groups disproportionately - notably women, migrant workers and youth.

We know that models in the region that depend heavily on external demand have made the crisis cut deeper. These models have resulted in a mismatch between the structures of supply and demand and will need to be reviewed and economies re-balanced.

Second, what is being done?

Several governments have announced stimulus packages to shore up investments, improve demand and protect the financial and social sectors. Several economies are already taking measures to cushion the economy from domestic and global slowdown. Some countries are supporting strategic industries and increased public sector wages to boost demand. Increased spending on social safety nets, housing and job creation are included in many packages.

A number of countries are using fiscal measures to address longer-term issues, such as improving healthcare and education and introducing incentives for environmentally friendly technologies.

ADB continues to support social protection, social spending for MDGs and infrastructure projects that create jobs. Together with our developing member countries and institutions like the ILO, and other international financial institutions, we will continue to provide technical assistance in crafting appropriate policy response and building capacities for governments and the private sector to help the vulnerable.

ADB will be allocating additional resources to help the region respond to the crisis. Some grant allocations to low-income countries will be frontloaded. ADB's assistance will support trade finance, guarantees, quick-disbursing assistance, and support for project investments. An important aspect of ADB's support will go into vocational training. A number of projects are now underway in Bangladesh, Cambodia, Vietnam and Indonesia.

Our Challenge.

The immediate challenge is to support the vulnerable and protect jobs.

An attractive option is infrastructure -- a long-neglected area in many developing member countries in the region. In the short run, it can create additional employment and incomes. However, to be effective, they must be labor-intensive to enhance employment opportunities and located in disadvantaged and poor areas. In undertaking these investments, we must bear in mind that we need to continuously strive to ensure that workers' rights are not sacrificed.

We must also not lose sight of the longer-term objectives of inclusive development and poverty reduction. The poor are usually the hardest hit, the ones whose rights are trampled with and the least able to cope in these situations.

Foresight requires protection and expansion of public expenditures in the social sectors. Public expenditure on health in many countries in the region is less than that in sub-Saharan Africa. Many children drop out of secondary education because of the unaffordable financial and opportunity costs for their households. Increasing social sector budgets can help in accelerating the progress towards the Millennium Development Goals, which is not on-track in many countries in the region. Investments supporting human capital formation will also better position countries to sustaining future growth.

This also means adequate, well designed social protection measures such as unemployment benefits, social security and targeted re-training programs for formal and informal workers affected by the crisis. These actions would better prepare the region in the future -- facilitating transitions to new jobs and reducing the risk of long-term unemployment.

Conclusion.

Crises provide the impetus for significant reforms and bold changes. I believe our discussions today will inform and help us gain a better understanding of the challenges we face and craft meaningful and bold solutions to them. The optimal policy mix will differ from country to country.

We still have no set answers to the questions that hound us now. Some say the crisis will deepen. The discourse on how to address the crisis is still much alive. What I am certain of, is that we must continue to build relations and cooperate and seeks ways to address this crisis.

Allow me to conclude by leaving you with 3 things I am certain we must do:

- First, partnership. A nation, a region, an institution cannot bring a resumption of growth, protect the vulnerable, much less lead us to full recovery. A global effort, with each nation, institution and regional or international organization, acting in concert, is what is needed to be a considerable and bold response, sufficient to add up and affect the global economy.
- Second, continued engagement -- those adversely affected must have a voice and take their place at the table of national and international debates over packages to address the crisis. Only through these and through continued dialogues can we be assured that we do not set aside core principles and foundations of a decent work agenda and that the interests of those at risk are taken onboard.
- Third, continue and enhance our protection for labor. Stimulus packages are essential. But as I said, we must ensure that these result in protecting jobs, generating employment and improving the lives of those most affected by the crisis by ensuring that our core principles of decent work and promotion of core labor standards are respected.

I am confident that our discussions today will bring a dimension much needed in the ongoing debate, policy development and programming to address the impacts of this crisis on the vulnerable especially the workers. I believe we shall act boldly. I look forward to a follow up dialogue towards the end of the month in Manila.

Thank you.