



# **How Has Asia Fared in the Global Crisis? A Tale of Three Countries: Republic of Korea, Philippines, and Thailand**

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- Due to global financial crisis, economic growth slowed down in 2008, particularly in the last quarter.
- Region's labor markets also adversely affected – falling demand for labor, downward pressures on wages, falling remittances, rising informal employment, etc.

# Introduction (continued)

- During economic downturn, laid off workers – particularly in developing countries – likely to move to informal service sector where pay is often lower and job quality is inferior, or to migrate to rural areas to work in agriculture.
- There are few studies providing quantitative analyses on the impacts of the crisis on labor markets.

- This study attempts to capture the impact of the crisis on economic output and key labor market indicators.
- The labor market impact is assessed by different socioeconomic and demographic groups.
- The impact of the crisis is captured using a crisis index.

- The crisis index answers a counterfactual question:  
*“If the crisis had not happened, what would have been the values of economic variables?”*  
Then compares the counterfactual values with the actual values obtained from the crisis period.
- The study utilizes 34 quarterly values of economic indicators from the first quarter of 2001 to the second quarter of 2009:
  - pre-crisis period: 1Q/2001-4Q/2007
  - crisis period: 1Q/2008-2Q/2009.

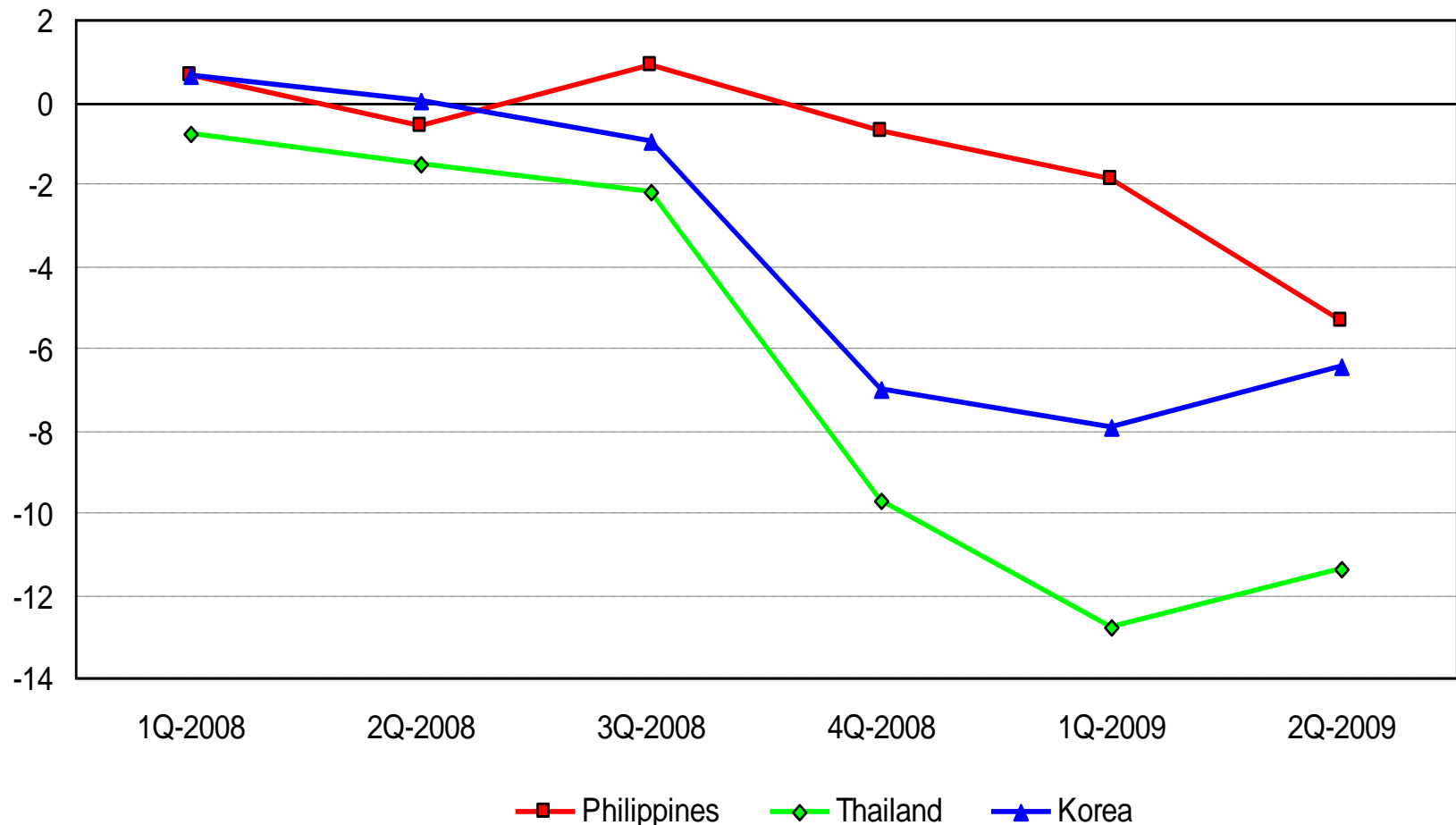
# Growth Rate and Seasonal Effects of GDP and Per capita GDP, 2001-2007

	Philippines		Thailand		Republic of Korea	
	Trend	t-value	Trend	t-value	Trend	t-value
Gross Domestic Product						
Growth rate (p.a.)	5.38*	64.83	5.53*	63.54	4.49*	49.21
Seasonal effects (relative to 1st quarter)						
2nd quarter	3.20*	6.69	-5.42*	-11.80	-0.11	-0.21
3rd quarter	0.68	1.44	-5.53*	-12.01	0.05	0.10
4th quarter	13.73*	25.83	1.34*	2.70	-0.03	-0.06
Per capita Gross Domestic Product						
Growth rate (p.a.)	3.33*	35.58	4.79*	68.02	4.14*	46.71
Seasonal effects (relative to 1st quarter)						
2nd quarter	3.17*	5.86	-5.47*	-14.69	-0.11	-0.23
3rd quarter	0.62	1.17	-5.46*	-14.63	0.04	0.08
4th quarter	13.64*	22.70	1.42*	3.52	-0.05	-0.10

# Impacts on per capita GDP

- Thailand and Korea more affected by crisis
  - Significantly lower per capita GDP in the periods:
    - Q2-2008 to Q2-2009 for Thailand
    - 4Q-2008 to 2Q-2009 for Korea
  - Lower demand for exports; lower FDI inflows
  - Lower domestic demand; sharp fall in construction
- Philippines, relatively little impact
  - Impacts of crisis only felt in 1<sup>st</sup> half of 2009
  - Not as highly integrated with global financial markets
  - Steady remittance inflows from overseas workers

# Impact of Crisis on Real GDP



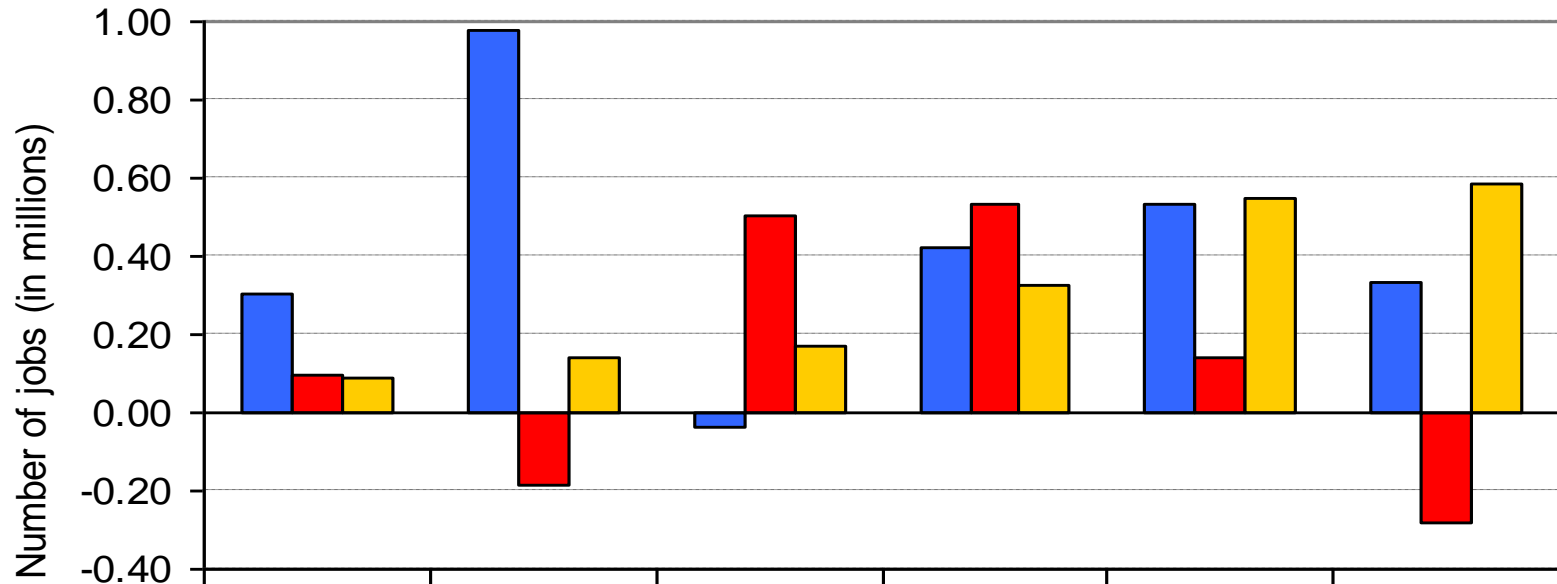


- Korea hit hardest in terms of employment:
  - significant reduction in employment from 2<sup>nd</sup> half of 2008 to 1<sup>st</sup> half of 2009
  - 2.43% additional jobs job (0.58 million jobs) would have been created in 2Q-2009 without crisis
- Thailand: significant reduction in employment in 2<sup>nd</sup> half of 2008 (1.04 million additional jobs that would have been generated if crisis had not occurred)
- Philippines: significant reduction in employment in 4Q-2008 and 1Q-2009

# Impact of the Crisis on Employment

	Philippines		Thailand		Republic of Korea	
	Crisis index	t-value	Crisis index	t-value	Crisis index	t-value
2008						
1st quarter	-0.90	-1.55	-0.27	-0.51	-0.38	-1.11
2nd quarter	-2.83*	-4.97	0.50	0.94	-0.58	-1.71
3rd quarter	0.11	0.18	-1.32*	-2.52	-0.72*	-2.11
4th quarter	-1.21*	-2.09	-1.40*	-2.68	-1.36*	-4.02
2009						
1st quarter	-1.53*	-2.34	-0.38	-0.64	-2.29*	-6.01
2nd quarter	-0.95	-1.45	0.76	1.25	-2.43*	-6.40

# Number of jobs lost during the crisis period (in millions)



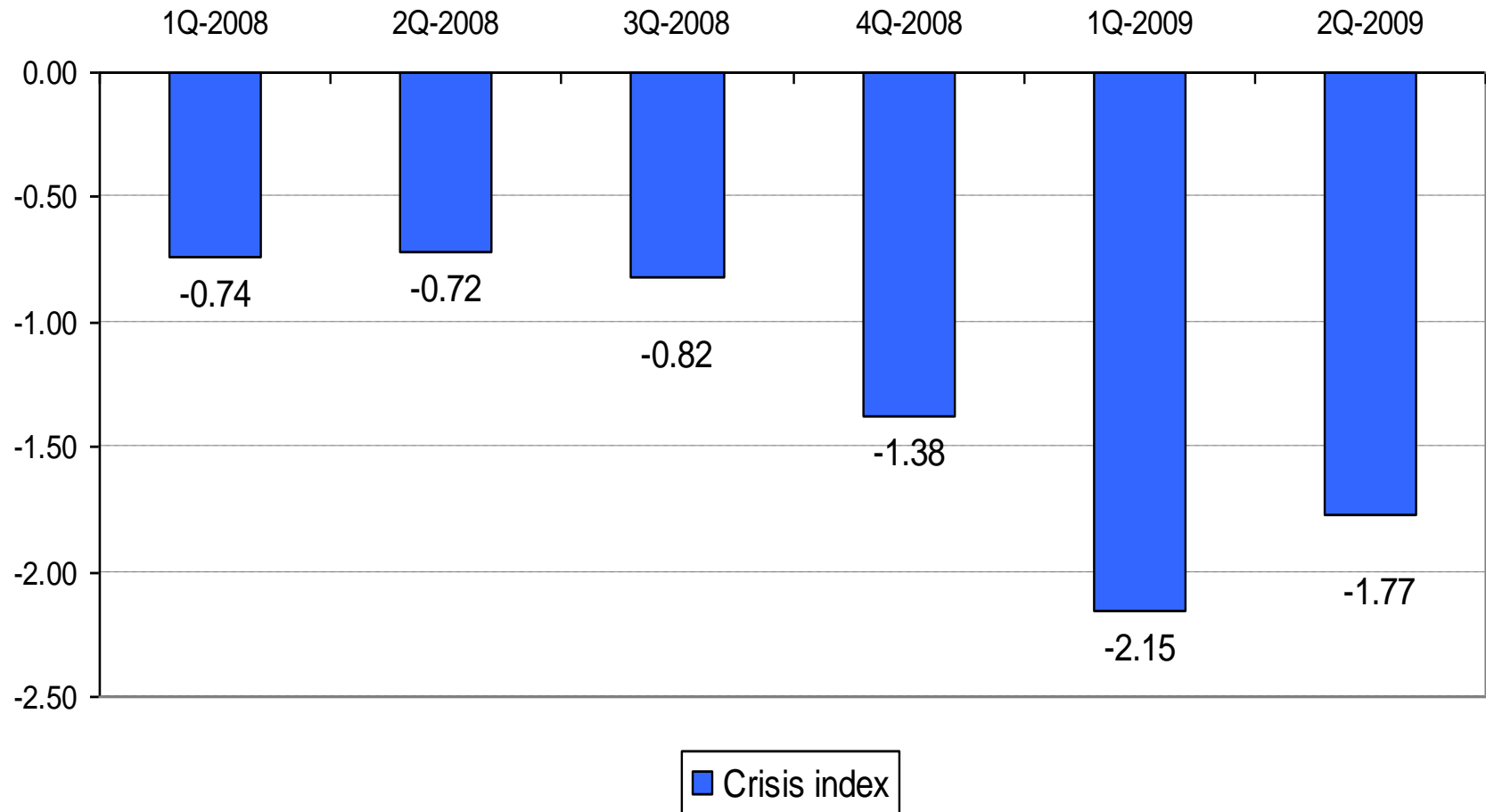
	1Q - 2008	2Q - 2008	3Q - 2008	4Q - 2008	1Q - 2009	2Q - 2009
Philippines	0.31	0.98	-0.04	0.42	0.53	0.34
Thailand	0.10	-0.18	0.51	0.53	0.14	-0.28
Korea	0.09	0.14	0.17	0.33	0.55	0.58



# Impacts on Employment: Korea

- Lower labour force participation
  - Job losses in high-skilled work (finance, automotive, electronics etc.), but educated workers unwilling to take unskilled jobs
- More job losses among females
  - Bias among employers in retaining male workers?
- Increasing youth unemployment
  - Trend has been worsening since 2001
  - Exacerbated by crisis

# Impacts on Labor Force Participation: Korea



# Impact of the Crisis on Employment by Gender: Korea

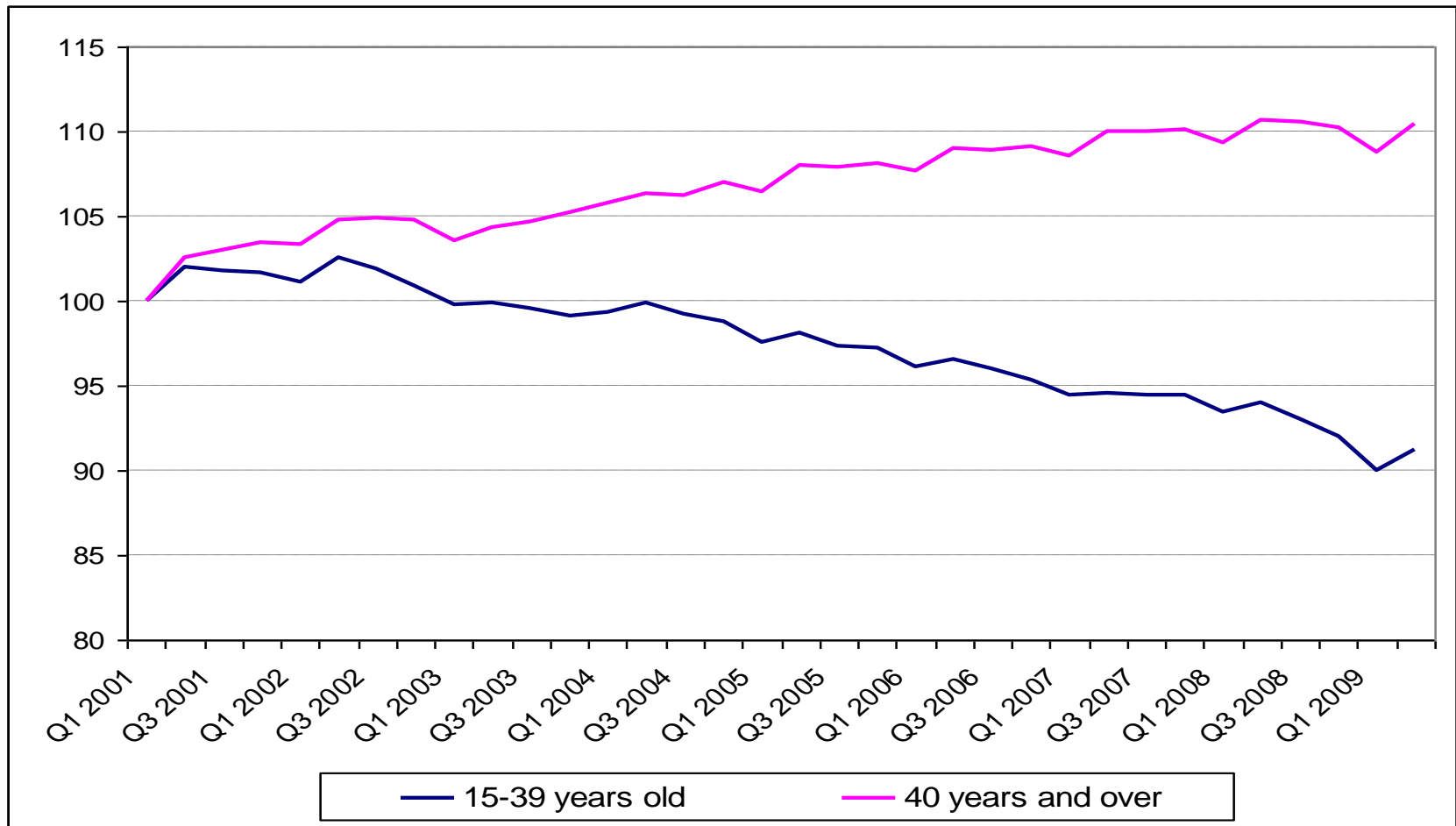


# Growth and Impact of the Crisis on Employment by Age Group: Korea

	15–19 years	20–29 years	30–39 years	40–49 years	50–59 years	60 years and over
Annual growth rate (2001–2007)	–8.89*	–1.99*	–0.36*	2.46*	5.49*	3.84*
2008						
1st quarter	5.66	–0.45	–0.31	–2.00*	2.11*	–0.12
2nd quarter	12.56*	–0.86	–0.51	–2.90*	0.97	–2.09
3rd quarter	7.74*	–0.97	–1.17	–2.98*	0.58	–2.13
4th quarter	–10.45*	–1.80*	–1.42	–3.67*	0.71	–2.71
2009						
1st quarter	–2.93	–3.05*	–2.61*	–4.26*	1.23	–2.94
2nd quarter	5.37	–0.66	–3.66*	–5.64*	–0.98	–4.09*

# Impacts on Employment: Korea

Trend: decreasing youth employment





- Significant reduction in employment in industry
  - Lower demand for exports, especially electronics (country's top export)
- Weak impact on employment in agriculture and services
  - Cost-effectiveness of BPO sector
  - Financial sector aided by steady remittances
  - Agriculture sector not export-driven

# Impacts on Employment: Philippines

	Labor Productivity	Agriculture	Industry	Services
<b>2008</b>				
1st quarter	0.30	-0.42	-2.68*	-0.78
2nd quarter	3.82*	0.57	-6.97*	-3.91*
3rd quarter	-0.83	0.52	-2.36*	0.46
4th quarter	-0.69	-1.00	-1.80	-1.18
<b>2009</b>				
1st quarter	-3.88*	-1.28	-6.47*	-0.41
2nd quarter	-2.05*	2.60*	-6.96*	-1.61

# Impacts on Employment: Thailand

- Lower labour productivity especially in 2009
- Apparent shift in employment from industry to agriculture
  - Lower employment in industry coincides with higher employment in agriculture
  - Lower employment among employers and private employees; increase in unpaid family work
- Stronger negative impact on both male and female employment in industry
  - Female workers more likely to take contractual jobs in textiles and electronics, so first to get laid off

# Impacts on Employment: Thailand

	Labor Productivity	Agriculture	Industry	Services
<b>2008</b>				
1st quarter	-0.48	3.67*	-5.10*	-1.94
2nd quarter	-2.03*	6.35*	-6.32*	-1.53
3rd quarter	-0.90	1.65	-7.00*	-0.96
4th quarter	-8.39*	2.54	-7.38*	-2.12
<b>2009</b>				
1st quarter	-12.41*	3.95*	-9.25*	-0.31
2nd quarter	-11.99*	8.40*	-9.95*	-0.76

# Impacts on Employment: Thailand

	<b>Employers</b>	<b>Private Employees</b>	<b>Unpaid Family Workers</b>
<b>2008</b>			
1st quarter	-8.75*	-4.36*	7.99*
2nd quarter	-11.74*	-3.58*	9.68*
3rd quarter	-14.16*	-5.54*	5.00*
4th quarter	-13.04*	-7.40*	7.74*
<b>2009</b>			
1st quarter	-9.55*	-7.48*	11.96*
2nd quarter	-7.69*	-8.12*	15.68*

# Impacts on Employment in Industry: Thailand

	Males	Females
<b>2008</b>		
1st quarter	-14.97*	-3.32*
2nd quarter	-9.03	-5.01*
3rd quarter	-9.81	-5.54*
4th quarter	-8.36	-8.45*
<b>2009</b>		
1st quarter	-18.00*	-9.25*
2nd quarter	-11.83	-10.41*

# Impacts on Unemployment Rate

- No significant impact on unemployment rate in the Philippines
- In Korea, unemployment rate only increased in 2Q-2009
  - Stronger impact on reduced labour force participation rather than on unemployment
- Significant increase in Thailand's unemployment rate from 2<sup>nd</sup> half of 2008 to 1<sup>st</sup> half of 2009

# Impacts on Unemployment Rate

	Philippines	Thailand	Republic of Korea
<b>2008</b>			
1st quarter	2.42	3.87	-10.14*
2nd quarter	3.48	1.72	-4.48
3rd quarter	5.24	29.12*	-3.54
4th quarter	7.81	42.10*	-0.95
<b>2009</b>			
1st quarter	15.46	48.99*	3.92
2nd quarter	5.10	44.98*	19.15*



# Summary

- Korea and Thailand: significant impacts of crisis hit early on
  - well-developed finance, export, and tourism sectors made them vulnerable to external shocks
- Philippines: relative resilience to crisis
  - indicative of historically underperforming economy
  - minimal exposure to global financial markets, weak export growth, and heavy dependence on remittances

Thank you!

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