Unemployment in Asia

Edited by
John Benson and Ying Zhu

Routledge Studies in the Growth Economies of Asia
Unemployment in Asia

The rate of economic change in East Asia over the past two decades has been astounding. High levels of growth have been experienced by a number of the region's developing economies, centralized systems have developed large market sectors, Japan has suffered a prolonged downturn and the 1997 crisis plunged the region into economic turmoil.

This edited volume is the first work to comprehensively examine the effects of these changes on employment in the region. Chapters are devoted to market restructuring in China and Vietnam, the Asian Crisis and recovery and Japan's business doldrums. The unique case of Malaysia – one regional economy that needs to import workers – is also brought into play, as is the example of high-tech Taiwan. Underpinning these case studies is a common theoretical framework and a strong structure for understanding.

With its solid research and focus on a relatively unexplored aspect of one of the world's most dynamic economic regions, Unemployment in Asia will interest students, academics, trade unionists, research bodies, government departments and international organizations.

John Benson is a Reader in the Department of Management, University of Melbourne.

Ying Zhu teaches international human resource management at the Department of Management, University of Melbourne.
Unemployment in Asia

Edited by John Benson and Ying Zhu
# Contents

<table>
<thead>
<tr>
<th>Chapter</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Tables and figures</td>
<td>ix</td>
</tr>
<tr>
<td></td>
<td>Contributors</td>
<td>xi</td>
</tr>
<tr>
<td></td>
<td>Preface</td>
<td>xiv</td>
</tr>
<tr>
<td>1</td>
<td>Unemployment in Asia: influences and issues</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>JOHN BENSON AND YING ZHU</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Globalisation and unemployment: East Asia and the OECD</td>
<td>11</td>
</tr>
<tr>
<td></td>
<td>MICHAEL WEBBER</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Unemployment in Japan: globalisation, restructuring and social change</td>
<td>39</td>
</tr>
<tr>
<td></td>
<td>JOHN BENSON</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Unemployment and labour markets in South Korea: globalisation, social</td>
<td>58</td>
</tr>
<tr>
<td></td>
<td>impacts and policy responses</td>
<td></td>
</tr>
<tr>
<td></td>
<td>CHRIS ROWLEY, KIL-SANG YOO AND DONG-HEON KIM</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Unemployment in Taiwan: globalisation, regional integration and social</td>
<td>79</td>
</tr>
<tr>
<td></td>
<td>change</td>
<td></td>
</tr>
<tr>
<td></td>
<td>YING ZHU</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Unemployment in the People’s Republic of China</td>
<td>97</td>
</tr>
<tr>
<td></td>
<td>GRACE LEE AND MALCOLM WARNER</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>The impact of economic reforms on unemployment in Indonesia</td>
<td>115</td>
</tr>
<tr>
<td></td>
<td>POPPY ISMALINA AND SARI SITALAKSMI</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Malaysia: unemployment in the midst of full employment</td>
<td>133</td>
</tr>
<tr>
<td></td>
<td>RAGAYAH HAJI MAT ZIN AND WENDY SMITH</td>
<td></td>
</tr>
</tbody>
</table>
Contents

9 Unemployment in Thailand: social issues, challenges and opportunities 159
VIMOLWAN YUKONGDI

10 Economic reform and unemployment in Vietnam 176
NGAN COLLINS

11 Unemployment in Asia: implications of globalisation, regional integration, and social and economic transformation 194
YING ZHU AND JOHN BENSON

Index 205
Tables and figures

Tables

1.1 Breakdown of employment in case study economies, 2002 3
1.2 Real GDP growth and unemployment in case study economies, 2002–2003 4
3.2 Real GDP growth, industrial output and unemployment, Japan, 1980–2003 42
3.3 Labour strategies: decreased demand for major product 48
3.4 Determinants of employment reduction (regular employees) when product demand has decreased (probit analysis) 49
3.5 Labour strategies: increased demand for major product 49
3.6 Determinants of employment expansion (regular employees) when product demand has increased (probit analysis) 50
4.1 Real GDP growth, industrial output and unemployment, 1980–2003 60
4.2 Major employment indicators, aged 15 and over 61
4.3 Employment by status 63
4.4 Unemployment by gender, age and educational attainment 64
4.5 Nominal and real wage growth, 1991–2001 65
4.6 Urban family income inequality, 1990–2003 67
4.7 UB recipiency rate, 1997–2002 68
5.1 Real GDP growth, industrial output and unemployment between 1989 and 2003 81
5.2 Employment by sector 82
5.3 Unemployment rate by age and gender 84
5.4 Unemployment by educational attainment 85
5.5 The demand for labour force in the labour market, February 2003 86
5.6 Unemployment by reasons (2003) 87
5.7 The trend of changing employment among low skilled labour force due to industrial restructuring and technology improvement between 1981 and 2000 92
6.2 Employment by sector 100
Tables and figures

6.3 Gross domestic product (GDP) and GDP growth in China, 1980–2002 105
6.4 Institutional changes in Chinese labour market 106
7.1 GDP shares by sector at current prices 118
7.2 Sectoral distribution of the workforce, 1986–1999 125
8.1 Retrenchment of workers according to sector, 1996–1998 136
8.2 Percentage distribution of inter- and intra-state migrants by migration direction, 1986–2001 138
8.3 Growth rate of the GDP, population, employment and labour, 1980–2003 142
8.4 Educational attainment of the labour force 143
8.5 Output of skilled and semi-skilled workers by course, 1980–2005 144
8.6 Educational attainment and gender of the unemployed 146
8.7 Distribution of legal foreign workers by industrial group, March 1998 149
9.1 Structure of output as percentage of GDP 161
9.2 Growth of GDP 162
9.3 Unemployment rate 164
10.1 GDP growth, industrial output and unemployment in Vietnam since 1986 177
10.2 FDI status in period 1996–2002 178
10.3 Workers employed by DPEs from 1996 to 2000 180
10.4 The number of workers in reorganised SOEs from 2000 to 2002 181
10.5 Unemployment rates, 1993 and 1998 184
10.6 Unemployment rate of labour force by working ages in urban areas 185
10.7 Unemployment rates, 1997–2002 185
10.8 Rate of used working time of labour in rural areas 185

Figures

2.1 Average rates of real GDP growth, East Asian sample of countries, 1990–2001 13
2.2 Rates of growth of population and labour force, OECD countries, 1990–2001 16
2.3 Age distribution of the population, OECD countries, 2001 18
2.4 Average annual rate of GDP growth, OECD countries, 1990–2000 20
2.5 Rate of growth of productivity, OECD countries, 1990–2001 21
2.6 Rate of growth of employment, OECD countries, 1990–2001 22
2.7 Regional patterns of unemployment, OECD countries, 1990–2001 23
2.8 Unemployment rates in groups of OECD countries, 1990–2001 24
4.1 Female labour force participation rate by age, 1999 72
4.2 Female labour force participation rate (college and over) by age, 2001 72
6.1 Chinese labour market model 111
7.1 GDP annual growth 117
7.2 Unemployment rate 118


**Contributors**

**John Benson** is a Reader in the Department of Management, University of Melbourne. From 1994 to 1997 he was Professor of Economics and Management at Hiroshima City University, Japan. His major research interests are Japanese management and unions, the restructuring of Chinese industry, outsourcing and knowledge work. John has recently completed with Chris Rowley (City University, London) an edited volume titled *Changes and Continuities in Asian Human Resource Management: Convergence Revisited* (Frank Cass, London, 2004).

**Ngan Collins** is a PhD Candidate in International Human Resource Management, Management Department, University of Melbourne. Her major area of research is the transformation of human resource management in transitional economies.

**Poppy Ismalina** is a staff member of the Department of Economics and Development Studies and the Coordinator of the Executive Development Programme (EDP) at Gadjah Mada University, Indonesia. She holds a Master degree from the National Centre for Development Studies at the Australian National University. Her specializations are development economics, macro-economics, labours and industrial relations, and environmental economics.

**Dong-Heon Kim** is Professor of Economics at Dongguk University at Gyeongju, Korea. Prior to this appointment he served as a Research Fellow at the Korea Labour Institute. In 1999 he was a member of the Task Force on Unemployment Policy Planning and Evaluation, Office for Government Policy Coordination, and has participated in the design of the medium-term unemployment policy in Korea. His main research areas are employment policy, employment relations and social security system. Special interests in recent years have been comparative social policy, with a focus on North America.

**Grace Lee** is Associate Professor of Public and Social Administration at the City University of Hong Kong. Her research interests include labour markets, employment policy and executive government.

**Ragayah Haji Mat Zin** is Professor of Development Economics and Director
of the Institute of Malaysian and International Studies at the Universiti Kebangsaan, Malaysia. She is also Director of the Malaysian APEC Study Centre and Malaysian Country Coordinator for the East Asian Development Network. She has published on income distribution, poverty and social safety nets, as well as on industry, employment and trade-related areas. Her current research focuses on employment and unemployment, high-tech industrialization as well as urban poverty and social safety nets in Malaysia.


Sari Sitalaksni is a staff member of the Faculty of Economics, Gadjah Mada University, Indonesia. She is currently pursuing her doctoral degree in management at The University of Melbourne, Australia. Her dissertation topic is the transformation of Indonesian State-owned Enterprises. Her research interests include human resource management, organizational behaviour and strategic management.

Wendy Smith is Director of the Centre for Malaysian Studies, Monash Asia Institute and a Senior Lecturer in the Department of Management, Monash University. An anthropologist by training, she has lived and researched in Malaysia for over ten years and has published on management in Malaysia, Malaysian business, Japanese management transfer, Islamic work ethics and globalized Japanese new religions. Her current research focuses on social protection in Malaysia and Malaysian women managers.

Malcolm Warner is Professor and Fellow, Wolfson College and Judge Institute of Management, University of Cambridge. He is the Editor-in-Chief of the International Encyclopedia of Business and Management, the author of a number of books on Asian management, and co-editor of Asia Pacific Business Review.

Michael Webber is Professor of International Development at Melbourne University Private. A geographer who has worked at universities in Canada, the UK and USA as well as Australia, Michael's long run research interests have involved the relationship between economic change and the working lives of people. He has pursued this interest through research on regional change in Canada, industrial restructuring in Australia and rural development in China. He has written ten books and about a hundred journal articles.

Kil-Sang Yoo is a Senior Fellow of the Korea Labor Institute and Chief Vice Chair of the Korean Social Security Association. He served as Director General of the Employment Research Center, Director General of the Labor Market Policy Evaluation Center, and Director of the Research Planning and Coordination
Division at the Korea Labor Institute. He has served as a Vice Chair of the Korean Labor Economics Association and as an Assistant Director of the Economic Planning Board of the Korean government.

**Vimolwan Yukongdi** is a Lecturer in Human Resource Management in the Department of Management at the University of Melbourne. Vimolwan has worked in the oil and consultancy industries and has held previous academic appointments in Thailand, New Zealand and Australia. Vimolwan has conducted cross-national studies examining employee participation in decision-making in Australia and Thailand. Her current research focuses on the role of women in management in Asia, unemployment in Thailand, and HR practices and organizational performance.

**Ying Zhu** is a Senior Lecturer in the Department of Management, University of Melbourne. His research focuses predominantly on East Asian economies, including China, Japan, Taiwan and Vietnam. His publications include books, book chapters and journal articles on human resource management, employment relations, labour law and labour market regulation, and economic development in East Asia.
Preface

Much has taken place in East Asia over the past two decades. High levels of economic growth has been experienced by a number of developing economies, centralized command economies have developed market-based business systems, Japan has suffered a prolonged period of economic downturn, and a financial crisis affected a number of East Asian economies in 1997 and subsequent years. These events have taken place in, and indeed illustrated, the increasing globalized world in which we live. As a consequence much of what we know about these economies may well be out of date. This was particularly the case with issues surrounding employment and unemployment.

This book we hope will fill this gap and provide the reader with a clearer understanding of the unemployment situation in East Asia. We have focused on a range of economies that provide a mix of industrialized and industrializing economies. The choice of economies to be included is always a difficult decision in an edited volume such as this. Our decision was based on providing a variety of contexts which represented the issues referred to above. China and Vietnam were obvious choices given their market-based economic restructuring. Korea, Thailand and Indonesia were most affected by the Asian Crisis, although their recoveries took different trajectories. Japan’s transition to a low-growth economy after four decades of substantial growth presented a new context for Japanese business. Malaysia has for many decades experienced labour shortages, and this coupled with the high number of immigrant workers made their experiences with unemployment unique. The final case study was Taiwan, an advanced industrialized economy that with the opening up of China saw high levels of FDI and the relocation of much of its manufacturing activities to China.

Underpinning the eight case studies were two key objectives. First, we wanted to provide the reader with an update on unemployment in each of the economies and for this reason we have included a range of statistics and references that provide a broad, but detailed coverage of unemployment. Second, we wanted the individual case studies to utilize a common theoretical framework and structure. While we wished to encourage wide-ranging discussion on this important area we also recognized the need for each author to address the fundamental themes underpinning unemployment in East Asia. The framework is included as Chapter 2 and provides a structure that allows for the nature, causes and impacts of
unemployment to be explored. As part of this, comparisons with OECD countries can be drawn. The adoption of this framework for each individual case study has meant that the book explores the central issues concerning unemployment and is able to provide a basis to integrate the findings of each case study. These are presented in the concluding chapter.

The contributing authors in this volume are all specialists in the economies they examine. They have access to both the English and domestic literature, statistics and government reports. We would like to thank them for their dedication and their contributions to the workshop that was held at the University of Melbourne in 2003. This workshop and the overall project were funded by the Centre for Human Resource Management at the University of Melbourne for which we are extremely grateful. Finally, we are grateful for the support we have received from Routledge and their willingness to publish on this important issue. We hope that this volume will create further interest in employment and unemployment in East Asia. If it does our objective will have been achieved.

John Benson and Ying Zhu

September 2004