

The financial crisis in South Asia: From jobless growth to jobless slump?

Karin Astrid Siegmann
(draft November 4, 2010)

1. Jobless growth in South Asia preceded the crisis

This chapter explores the impact of the global financial crisis on South Asia in terms of qualitative and quantitative aspects of employment. South Asia hosts a quarter of the world's population and a fifth of the global workforce – as well as 40 percent of the global poor (World Bank 2010). This paper therefore contributes to an assessment of the current crisis on the livelihoods of inhabitants of one of the poorest regions in the world. It also provides more general insights about how volatilities in globally increasingly integrated markets translate into opportunities for decent work – or the lack thereof.

The past two decades were characterized by a quantum leap as regards South Asia's integration into the world economy. While the region is less open compared to, for example, East Asia, even the South Asian economies with a large domestic market, such as India, Pakistan and Bangladesh are characterised by a significant degree of export-orientation, in particular. This has contributed to rising annual rates of economic growth, peaking at seven percent from 2006 to 2008 (World Bank 2010).

However, the growth experience since the 1990s was not matched by proportional employment gains. Alongside the integration into the global economy, there was a trend away from large enterprises and stable workforces towards flexible production processes associated with precarious employment patterns and pay (MHHDC 2004: 122). The inability to provide productive employment to the majority of South Asians was reflected in declining employment-to-population ratios, particularly in India and Bangladesh (World Bank 2010). This largely jobless growth has lowered labour standards in the formal economy and increased the vulnerability of about ninety percent of the workforce employed informally (MHHDC 2004: 122f). Real wages in South Asia have grown at a much slower pace than labour productivity during the past two decades (Ghosh 2008: 16f, MHHDC 2004: 48). In 2007, 80 percent of the South Asia's workforce belonged to the category of working poor, generating daily earnings of less than two US dollar (USD) (ILO 2009a: 19).

The greater integration into global markets, especially the considerable degree of export-orientation of economies across the region as well as India's connectivity to global financial markets, also increased South Asia's vulnerability to the global financial crisis since September 2008. According to Stiglitz (2009: 2), there are three main channels through which the crisis that started in the USA has affected other regions of the world. The most direct transmission took place through financial markets. For example, foreign direct investment (FDI) inflows to the region shrank by more than a fifth between 2008 and 2009 (World Bank 2010). Another channel was the fall in exports from the fourth quarter of 2008 onwards. Given the new international division of labour that allocates especially labour-intensive manufacturing to the global South, this drop in demand has

hit producers in developing countries hard. Exports declined for all major South Asian countries since the end of 2008, with the most dramatic dips in Bangladesh and India. Some recovery has been observed since mid-2009 (IMF 2010, World Bank 2010). Furthermore, there are impacts through the movement of international labour migrants. While aggregate workers remittances to South Asia actually increased between 2008 and 2009 for reasons to be discussed below, the crisis heightened the obstacles for labour migrants' international movements.

Whereas the grave macro-economic consequences of the crisis in South Asia have been pointed out, employment has often remained a footnote therein. Even contributions that directly focus on poverty impacts of the crisis often ignore that labour markets are the main channels that mediate between macro-economic shocks and poverty outcomes (e.g. McCulloch and Sumner 2009). This chapter therefore raises the question about the impact of the crisis on opportunities for productive employment under decent working conditions in South Asia. For this, it analyses a patchwork of survey data, published and grey literature as well as media reports. The next section stitches these pieces together for the four largest South Asian economies, namely Bangladesh, India, Pakistan and Sri Lanka, in order to investigate how the crisis' consequences for trade with, financial markets in and labour migration from the region has translated into labour markets. In section 3, regional patterns regarding employment and workers' social security are discussed, with special attention being given to gender dimensions. The discussion leads to answers to how to strengthen workers' resilience against volatilities of a globalised economy in section 4.

2. Crisis' impact on South Asia's labour markets

2.1 Transmission through exports

Given the considerable degree of export-orientation of South Asian economies at the onset of the crisis and its dramatic decline during 2009 resulting from it, the transmission of the global crisis via the drop in export demand from industrialized countries had the most significant impact on employment and decent work in South Asia.

In Bangladesh, export growth decelerated steadily since the third quarter of 2008 from 42.5 percent to -11.7 percent for the third quarter of 2009 (Rahman et al. 2010: 4). This was chiefly due to weak foreign demand for garments, the dominant item in Bangladesh's export basket. In 2009, garments represented almost 80 percent of Bangladesh's exports (Ahmed and Mujeri 2009: 6), with 90 percent thereof being shipped to the USA and the EU (Rahman et al. 2009: 14). While the employment of the more than two million workers in the garment sector was largely sustained, a number of entrepreneurs adopted cost-cutting measures that ranged from increasing working hours of the retained workforce, reducing their fringe benefits and firm's capacity utilisation to shutting down of production units. While factory owners reported that fresh recruitments slowed down significantly since mid-2008, the Bangladesh Garments Manufacturers and Exporters Association (BGMEA) claimed that at least 25-30,000 workers faced job losses since the third quarter of 2009 (Rahman et al. 2010: 18ff). Hossain (2009: 61) perceived a shift of

employment from formal to informal units since the last quarter of 2008. These smaller units are described as sweatshops that do not comply with legal labour standards, in which managers misbehave with workers, beat and abuse them and in which there is no job security. Besides, twelve out of 341 spinning mills were reported to shut down, while most of the mills in operation reduced their level of operation by about 30 percent. As a result, many workers have lost their jobs (Rahman et al. 2009: 22).

All other major export items, such as frozen food, jute goods and leather, were affected by a slowdown in and partially negative growth in external sales between mid-2008 and mid-2009 (Ahmed and Mujeri 2009: 6). In jute enterprises producing hessian, the sluggish trend was due to a drop in demand from the construction sector. During the second half of 2008, 10-20,000 seasonal workers were dismissed from jute mills as a result. The loss of jobs might have reached 50,000 by mid-2009. The informal nature of these labourers' contracts possibly implied that they would not be targeted under any support programme (Rahman et al. 2009: 21ff). Ahmed and Mujeri (2009: 11) assume the contraction of the shrimp sector that employs around one million people of which the majority are women could lead to job losses in large numbers for female unskilled workers, who have very limited employment opportunities.

Economies with larger domestic markets, such as India and Pakistan, were less susceptible to the decrease in export demand that hit the region in 2009. Even the argument was put forward that India's robust growth trajectory since the 1990s was decoupled from international developments and hence shielded from the global financial crisis. The developments since 2008 have proven this assumption wrong (Ghosh and Chandrasekhar 2009). The OECD countries as those hit by the crisis first were the destination of 42 percent of India's merchandise exports and nearly its entire services export in 2008. Resultantly, the slowdown in global GDP growth constituted the most important factor constraining India's exports. Merchandise exports were the first to be affected. In the fourth quarter of 2008, they were more than a tenth lower than their value a year earlier (Ghosh and Chandrasekhar 2009: 728). Since October 2008, key export sectors, such as the automotives, gems and jewellery as well as textiles industries experienced significant declines in their sales (Department of Commerce 2010).

By early 2009, the adverse employment effects of this decline were evident. The reduction in sales abroad was associated with increasing reports of Indian manufacturing companies adopting reductions in the number of working days. UNCTAD India (2009: 38f) simulated employment effects of the economic crisis. While predicted employment growth was positive for all sectors in 2010-11, with a net loss of about 750,000 jobs, the simulated employment change was negative for 2009-10. According to this study, in 2008-09 and 2009-10, the sectors affected most negatively were ores and minerals (-813,984), textiles and clothing (T&C) - the second largest provider of employment after agriculture, employing over 35 million people directly (Labour Bureau 2009b: 20) - (-813,431) as well as gems and jewellery (-722,174). Quarterly surveys of the Labour Bureau corroborate the anticipated effect on T&C in particular (Labour Bureau 2010: 12). From September to December 2008, the related survey that covered the manufacturing, mining, construction, transport and the business process

outsourcing/information technology (BPO/IT) sectors, indicated job losses of half a million (Labour Bureau 2009a: 10). Mostly, exporting units were characterized by greater decreases compared to establishments serving the domestic market (Labour Bureau 2009a: 13). The Indian granite and natural stone industry was struggling as a result of its major market – the USA – being badly hit by recession. As a consequence of the falling of production in hundreds of processing units and the closure of quarries, the livelihoods of thousands of labour migrants hailing from the most backward districts of India was at stake (Mahajan 2009: 41). With the exception of the gems and jewellery sector, direct workers were affected more severely by job losses. For instance, in the T&C and BPO/IT sectors, the response to the crisis appears to have included a replacement of direct by contract workers (Labour Bureau 2009c: 7). Manual employment declined in most sectors covered in the survey (Labour Bureau 2009b: 15). This category can be assumed to be most poorly paid and hence most vulnerable in case of being rendered unemployed.

During the early period of the crisis, a mix of supply and demand responses seem to have caused the employment decline. While, for instance, workers in export units of the T&C sector in Chennai left their establishments for better employment avenues, in the Tirupur knitwear cluster, many of the units informed that export orders were either not coming or their value had declined. Employers felt that, in case the situation does not improve, they would be compelled to lay off workers during the forthcoming months or would shift to production for the domestic market (Labour Bureau 2009a: 12). During the first quarter of 2009, a slight recovery was noted. Employment increased by roughly a quarter million in the surveyed sectors, with the rise being more pronounced in non-exporting establishments (Labour Bureau 2009b: 10). The T&C sector showed a mixed performance during the first quarter of 2009. Whereas employment in spinning, weaving and finishing experienced a slight recovery, the downward trend in the more labour-intensive garment production continued (Labour Bureau 2009b: 24). With orders halving during that period for the Tirupur cluster, there were job losses also in the woollen garments cluster Ludhiana as well as in the Bangalore garment industry of 500-800,000 workers. Besides job losses, reductions in wages and fringe benefits were other forms of reducing labour costs (Kumar 2009: 9f). Earnings declined by an average of 1.3 percent in the second quarter of 2009 (Labour Bureau 2009c: 13). The Labour Bureau's estimates are conservative given that they are based on a survey of units employing ten or more workers only (Labour Bureau 2009a: 6). Hence, effects on many micro, small and medium enterprises and their – largely informal employment – may have not been captured.

Compared to manufactures, services exports had a greater role in India's growth of the 1990s (Ghosh and Chandrasekhar 2009: 727). India had emerged as the largest exporter of IT services in the world economy after the EU (WTO 2009: 145). Although they came with a lag due to the longer duration of services contracts, this exposure implied adverse effects of the crisis on BPO/IT firms. By the first quarter of 2009, several software and BPO/IT services firms in India predicted lower revenue growth, cut back on recruitment and even started laying off workers (Ghosh and Chandrasekhar 2009: 728f). For the retained workforce, the cancellation of orders implied a higher workload (Narasimhan 2009: 3f). While sectoral growth rates remained positive and BPO/IT companies

remained net hirers between 2008 and 2010, especially from the fourth quarter of 2008 onwards, export demand grew slower than the years before: Indian BPO/IT exports totalled 40 billion USD between April 2007 and March 2008, 47.3 billion USD during the same period in 2008-09 and 50.1 billion USD during 2009-10 (NASSCOM 2008: 2, 2009: 6, 2010: 6). During 2008-09, about 70,000 workers less were hired (Narasimhan 2009: 3f). Mahajan (2009: 43) perceives indirect employment effects due to lower demand in previous boom sectors like the BPO/IT industry, e.g. on the retail sector and domestic work. This took the form of job losses as well as falling wages for shop assistants and support staff. Outside the labour market, Narasimhan (2009: 4) reports that dismissals also caused a rise in domestic violence.

In Pakistan, the drop in foreign demand caused by the financial crisis coincided with – possibly more influential - domestic factors troubling export sectors. The contraction in industrial production of 3.6 percent between July 2008 and June 2009 was also ascribed to power shortages that have plagued the country (SBP 2009: 28). Similarly to the situation in Bangladesh and India, mainly the T&C sector in which about half of Pakistan's export value is produced was affected by slow or stagnant orders since the first quarter of 2009. Both the quantities of orders as well as their unit values decreased (No author 2009b: 12), resulting in a total drop in sectoral exports by 9.3 percent in July 2008 - April 2009 in comparison with the previous year (Ministry of Finance 2009: 120). As a compound result of the expiry of the quota system for T&C exports in 2005, the financial crisis since 2008 and other domestic and external factors, almost a third of knitwear units (No author 2009a: 16ff) and a fifth of all spinning mills closed down until the beginning of 2009 (SBP 2009: 37). In Southern Punjab, thirty out of fifty textile mills were reported to be closed, with 100,000 workers being laid off (PTJ 2009a: 9). Especially small or informal units were facing problems (SBP 2009: 37). Siddiqui (2009: 1) reports a combined loss of 300,000 jobs due to the crisis until May 2009.

The negative effect of the crisis on T&C manufacturing runs as a red thread through the South Asian region. Also, in Sri Lanka, the garments sector, with 43 percent of foreign sales the largest export engine (Gunatilaka 2009: 8), was affected severely by the crisis in terms of declining employment and deteriorating working conditions. Between September 2008 and March 2009, 220 factories closed (Sunil 2009: 1). During the first quarter of 2009, a total of approximately 200,000 jobs were lost, thereof 31,000 in the garments industry and 64,000 in construction. The majority of those who lost their jobs belonged to the semi-skilled, unskilled and skilled operators rather than those in executive positions (Gunatilaka 2009: 23ff). The largest employment losses for male workers were amongst elementary occupations, affecting about 80,000 workers in this category until the first quarter of 2009 (DCS 2009a: 20). Similar to the garment industry in Bangladesh, India and Pakistan (Hirway 2008: 16, Khosla 2009: 289; Siegmann 2007: 4), Sri Lanka's garment industry is a major employer of women (Kelegama 2009: 581). While absolute and relative job losses for male workers were more significant, the shrinking workforce in the garment sector meant that a major formal employer for women was no longer available to accommodate job seekers. This is particularly worrying given that unemployment in Sri Lanka is more severe among females than that of males (DCS 2010: 21).

Similar to employers' strategies in other South Asian countries, retrenchments were used as firms' last option for cost cutting. They were catalysed by the re-establishment of the tripartite National Labour Advisory Council (NLAC) in Sri Lanka (Sunil 2009: 1). The NLAC suspended the operation of procedures under the Termination of Employment of Workman Act, thus allowing companies speedy lay-offs and reduction in working hours. Freezing recruitment, natural labour attrition, reducing overtime and the number of days of work, as well as eliminating allowances and wage cuts were reported as alternative ways of reducing labour costs in face of the crisis (Gunatilaka 2009: 33). Compared with dismissals, these strategies had a significant impact on working conditions of a far larger group of workers in terms of their income and social security.

The employment decline in Sri Lanka's manufacturing and construction sectors was paralleled by the creation of 203,000 jobs in the agricultural sector as well as 129,000 new jobs in services during the same period (Gunatilaka 2009: 23). They are likely to be expressions of a growing informalisation of employment resulting from the drop in external demand. Retrenched workers entered sub-contracted employment in the same value chain, took up urban informal employment in services or migrated back to rural areas in search of agricultural employment. However, agriculture was hardly able to offer productive employment even before such return migration. What is more, one aspect of the crisis itself was the significant decrease in agricultural exports by about 20 percent between 2008 and 2009 (EDB 2010). In comparison with an average of 62 percent informal employment in the Sri Lankan economy, agriculture employs more than 84 percent of the workforce informally (DCS 2009b: 2).

2.2 Squeeze in financial markets

In comparison with the export channel discussed above, the less pronounced role of FDI and the poorer development of stock markets in South Asia implies that the transmission of the crisis through financial markets can be considered less relevant for labour market developments in the region. With the exception of India, the stock markets of most South Asian economies are largely isolated from the global economy. In Bangladesh, for example, only about two percent of the market capital is sourced from abroad. FDI in Bangladesh has always been low compared with its South Asian neighbours, accounting for only about 4.4 percent of total investment. Resultantly, the global crisis had little direct effect on capital market developments (Rahman et al. 2010: 16f).

This contrasts with the situation in India. Employment declines in non-export sectors suggested that the transmission of the international crisis to India went beyond external trade, though (Ghosh and Chandrasekhar 2009: 729f). The crisis' immediate effects on financial markets were plummeting stock prices, a net outflow of foreign capital, a large reduction in foreign reserves and a sharp tightening of domestic liquidity (World Bank 2009a: 2). This choked an important financing source for Indian companies and led to a slowdown in business and consumer expenditure. Hence, besides the direct effects caused by a drop in demand in major export markets, the lack of credit constituted another bottleneck for Indian exporters. Small producers and traders who contribute more than 30 percent of exports and employ the majority of workers in export-related sectors were

particularly hard hit. The smallest segment of informal enterprises, which obtained less than 2 percent of all bank credit before the crisis, received a meagre 1.2 percent in 2008. This segment is now in danger of being rationed out of the credit market altogether since banks' usual unwillingness to lend to them is reinforced by strong competing demand from the organised sector in a situation of acute credit shortage (NCEUS 2008: 3). Small producers' economic difficulties directly translate into reduced employment (Ghosh and Chandrasekhar 2009: 729). Ghosh and Chandrasekhar (2009: 729) emphasise the growing difficulties for agriculturalists, in particular. They had seen prices for their export crops collapse and input costs rise. The liquidity shortage resulting from the ongoing financial crisis came on top of their financial problems and large debt burdens.

In sum, while the growth period since the neoliberal reforms of the 1990s had been driven by credit financed purchases encouraged by easy liquidity and low interest rates, the curtailment of credit further reduced consumption and investment demand, increased inventories and lead to job losses in domestic sectors like housing, construction, consumer durables and the BPO/IT sector (Ghosh and Chandrasekhar 2009: 729f, World Bank 2009a: 2). This lack of fresh capital was also felt in Sri Lanka, where foreign investors were unable to complete construction projects, while at the same time the squeeze in bank lending negatively affected small and medium enterprises (Gunatilaka 2009: 12). In Pakistan, the banking sector was affected significantly by employment declines (Siddiqui 2009: 1).

2.3 The crisis and international labour migration

In comparison to the financial flows covered in the previous sub-section, workers' remittances are considered more resilient to financial crises, amongst others due to the fact that they are being sent by the cumulative number of migrants, rather than by new migrants alone (Ratha et al. 2009a: 4). Remittances' resilience does not mean, though, that South Asian labour migrants were sheltered from the economic shock of the financial crisis. On the contrary, due to their weaker position in the host countries' labour markets, migrant workers are often the first victims of an economic crisis (Stiglitz 2009: 2).

The populous and poor countries of South Asia have historically been main migrant-sending regions. Resultantly, India, Bangladesh and Pakistan have been part of the top 10 recipients of remittances, with India leading the list (Ratha et al. 2009c: 3). Nepal and Bangladesh figure prominently in the ranking of countries whose GDP is most dependent on workers remittances (Ratha et al. 2010: 2). Migration and remittances have played a stabilizing role in previous economic and political crises. Yet, the origin of the financial crisis that started in 2008 laid in the wealthy nations of North America and Europe, which are important destinations for many South Asian migrant workers (McCulloch and Sumner 2009: 5). While it is likely that crisis-induced economic turmoil in some of the sending countries' labour markets provided yet another 'push' factor for international labour migration (Abella and Ducanes 2009: 1), annual growth in workers remittances to South Asia, which peaked in 2007, with 32.6 percent, decelerated rapidly as a consequence of the crisis to 4.9 percent in 2009 and a predicted 4.7 percent in 2010 (Ratha et al. 2010: 18).

Ratha et al. (2009b: 7) perceived rising protectionist tendencies in major destination countries of international migrant workers. Many host countries reduced immigration quotas or imposed tougher standards for immigrant workers. Businesses' effort to adjust their workforce to a drop in demand was often fulfilled through lay-offs of a less protected migrant workforce. Singapore's foreign workers, for example, represent about a third of the country's labour force. More than 80 percent thereof are low-skilled workers, amongst others from India and Sri Lanka. It has been reported that more foreign workers in Singapore complained about pay cuts, not being paid on time, having their working days reduced, and not being provided food, shelter and healthcare, which employers are legally obliged to. Also, in Malaysia, host to many migrant workers from Bangladesh in particular, many firms adjusted to the crisis by reducing the number of working days, overtime, and in some instances forcing workers to use their annual leave (Abella and Ducanes 2009: 1f).

Overall, the Gulf Cooperation Council (GCC) countries have been the main destination of South Asian labour migrants. It is estimated that 90 percent of the Indian state of Kerala's 1.85 million overseas workers are employed in the Middle East. Similarly, 80 percent of Sri Lanka's 1.5 million migrant workers as well as the same share of Bangladesh's international workforce's deployment during the past three decades was to Middle Eastern countries. Some 400,000 workers from Pakistan are estimated to work in the Gulf countries (Abella and Ducanes 2009: 2f). The slowdown in the construction sector in Dubai, which was harder hit by the crisis than oil-rich, recession-sheltered Saudi Arabia, however, has impacted migrant workers from Kerala, Bangladesh and Sri Lanka, amongst others (Fix et al. 2009: 94, Ratha et al. 2009b: 7). About 20,000 construction workers from India had lost their jobs in the Gulf until 2009 (Debroy 2009: 22). Labour migrants in GCC countries are particularly vulnerable due to the temporary nature of their contracts. As a result of the crisis, several of the labour receiving countries in the region stopped issuing new work permits to or renewing work permits of foreign workers. Besides, in a move to counter the rising unemployment of local workers, some are providing companies with incentives to replace foreign with national workers (Abella and Ducanes 2009: 9).

While no large-scale return migration to the sending countries in South Asia was recorded, the global recession's pinch on labour markets was felt. After a record rise of migrants' outflows from Bangladesh to the Gulf region in 2007, about 10 percent of Bangladeshi migrants have not had their three-year contracts renewed and were sent home in 2008-09 (Fix et al. 2009: 41f). Saudi Arabia and Kuwait stopped issuing work permits to Bangladeshi nationals, while these two destinations comprised of 40 percent of total migrant workers from Bangladesh (Rahman et al. 2009: 23). Malaysia cancelled work visas for 55,000 Bangladeshi workers in March 2009 and 12,000 Bangladeshi workers were retrenched. Malaysia is also attempting to restrict the entry of new and returning workers (Rahman et al. 2010: 10, Ratha et al. 2009a: 5). Resultantly, the volume of emigration in the first month of 2009 was already 40 percent lower than the monthly average from January to November 2008. The effects of the crisis also depended on skill level and sex of the workers. While the deployment of semi-skilled and low

skilled workers declined, that of professionals and skilled workers increased (Abella and Ducanes 2009: 5).

While there is no evidence of large-scale return of low-skilled migrants to India, either, in Pakistan, in contrast, the difficult situation in the domestic labour market appeared to have further catalysed emigration, rather than a slowdown of workers proceeding abroad. Anecdotal evidence points to return migration of skilled employees from IT and software designing departments abroad, though (Siddiqui 2009: 1).

The situation in Sri Lanka mirrors the dynamics in Bangladesh and India. Net emigration slowed down by 1.35 percent from an all time high of 250,000 in 2008 to 247,000 in 2009 (SLBFE 2010: 3). Anecdotal evidence suggests that skilled and semi-skilled workers in the garments and construction sectors returned home during 2009, while migrant domestic workers' correct and timely wage payments were affected negatively. In 2009, the Sri Lanka Bureau of Foreign Employment ceased training workers for the Korean labour market as South Korea terminated its labour contracting arrangements with Sri Lanka following the economic slump (Gunatilaka 2009: 11). The bleak growth outlook for the United Arab Emirates in particular, where approximately 150,000 workers were employed, worried policy makers in Sri Lanka (Abella and Ducanes 2009: 7f).

3. Discussion

This section identifies and discusses regional patterns in the effects of the global financial crisis on major South Asian countries' labour markets. The focus is on qualitative and quantitative aspects of employment on the one hand and workers' social security as well as on gender dimensions of the crisis' labour market impact on the other hand.

3.1 Crisis' impact on employment

The paper took the nexus between economic growth and employment creation in the period of liberalisation of South Asian economies as a starting point. It highlighted the decoupling of macro-economic developments and employment during two decades of accelerated growth since the beginning of the 1990s. The review of the preceding sections has shown that, while this disconnect held for a period of upswing, it did not during the recession caused by the global financial crisis. South Asian employers' main response to the drop in export demand of major markets in the North was to reduce labour costs. Amongst others, this has led to employment losses in main export industries, such as T&C. Resultantly, the South Asian unemployment rate was estimated to grow from 4.8 to 5.1 percent between 2008 and 2009 (ILO 2010: 46), despite the simultaneous fall in –mainly female - participation rates in the region (ILO 2010: 50).

However, job losses are just the tip of the iceberg of the crisis' labour market impact (ILO 2010: 9). The projected increase in unemployment rates in South Asia, particularly among workers in globally-oriented industries, is small in comparison with the effects on the masses of the region's workers engaged in low productivity, vulnerable employment.

Given the lack of public social safety nets in the event of job loss, workers in the global South commonly cannot afford to stay unemployed.

Two processes that are not captured in unemployment statistics can be distinguished. On the one hand, workers who are threatened by job losses due to the crisis' impact have been faced with a deterioration of their working conditions in terms of lower benefits, overtime payments and wages. Besides the crisis' effect on the domestic workforce, the space for decent work for South Asian international labour migrants has narrowed in the host economies' labour markets. Most of them stayed in their destinations despite a more hostile climate towards non-nationals. Yet, the ongoing crisis has reduced their earnings and has added to their vulnerability. Ironically, a three percent increase in labour productivity has been recorded in South Asia during the first year of the crisis (ILO 2010: 49). This may reflect the higher GDP growth compared to employment, but possibly also the work intensification for the retained workforce. Many of them belong to South Asia's 80 percent working poor who can scarcely afford further deterioration in their working conditions.

A second, related process that is poorly reflected in statistics is the informalisation that took place. The share of informal employment in India is estimated to represent more than 92 percent of all workers (NCEUS 2009: 13). In Bangladesh, Pakistan and Sri Lanka, about 78, 73 and 60 percent of the workforce, respectively, are employed outside formal contractual arrangements (BBS 2006: 4, Ministry of Finance 2010: 251, Ministry of Labour Relations and Manpower 2009: 10). The crisis has added to this. In some sectors, such as the T&C industry, directly employed workers were replaced by a casual workforce. In India, such informal workers in registered establishments represent about 45 percent of the workforce in formal units (NCEUS 2009: 2). Dismissed workers often found new employment in the same industry, but in informal workshops characterised by poorer working conditions and less protection. Possibly more importantly, informal employment in the urban services sector as well as return migration to agricultural employment served as questionable 'buffers' for the loss of livelihoods. While informal employment is not systematically and regularly reported in South Asian countries' labour market statistics, the number of vulnerable workers, defined as the sum of own-account workers and contributing family workers (ILO 2010: 18), in the region was projected to grow, with an increase to nearly 79 percent of total employment predicted in the most pessimistic scenario (ILO 2010: 53).

3.2 Implications for social security

The previous sections have underlined that with large shares of the labour force being employed informally even preceding the crisis, most workers in South Asia did not enjoy the possible security that wage and salaried jobs could provide (ILO 2010: 19). The recession seems to have hit these vulnerable workers first and hardest. The credit squeeze has reduced the profitability of informal enterprises. Informal home-based workers (HBWs) have faced greater income insecurity due to the drop in demand, a risk that their employer passes on to them. In many cases, casual workers were the first to be laid off.

Ironically, informal workers are largely invisible in the monitoring of the crisis' impact (Ghosh 2009: 30). Establishment-based surveys tend to ignore informal enterprises as well as informal workers in formal establishments. Examples above have indicated that the latter category represents a significant share of the workforce in registered units. Resultantly, these vulnerable workers are not (adequately) targeted in policy responses. Rather, the focus on trade and financial flows in official statistics does not support an adequate and timely assessment of effects of economic crisis on people's livelihoods. This in turn is likely to lead to an anti-labour bias in the policy options considered to address the crisis' impact.

The coping strategies available, especially reverting to self-employment in agriculture and services, do not promise social security in any meaningful sense of the word, given the poor earnings and high risks associated with these jobs. International labour migration and the associated remittances have often been considered an important pillar of family-based forms of social security that offer buffers in times of economic shocks – not just by households themselves, but also by South Asian policy-makers. The global scale of the ongoing financial crisis has revealed the precariousness of this reliance on anti-cyclical international as well as urban remittances as migrants' destinations have been hit hard by the recession.

Public provision of social security for workers is unknown or poorly developed in most South Asian countries. In India, for example, of the present workforce of around 500 million, not more than 40 million are covered by formal social security arrangements. One ambitious existing scheme, the Indian National Rural Employment Guarantee Scheme (NREGS), does not necessarily cover those affected by the effects of the global meltdown. Often, returning migrants that have been laid off in export-oriented industries in India are not classified as rural workers – a prerequisite for NREGS - making them ineligible for this type of protection (Debroy 2009: 23f).

3.3 Gendered labour market dynamics

The sections above exemplify the painful effects of the financial crisis on South Asia's labour markets. While both women and men were affected, it is useful to illuminate gender dimensions of the crisis more explicitly, amongst others, in order to allow more well-targeted responses to the crisis.

Many of the sectors hit by falling demand from major export destinations are characterised by a female-dominated workforce. This is the case for the T&C sector across the region. In Bangladesh, India, Pakistan and Sri Lanka, garment production generates a significant share of export earnings, ranging from 80 percent in Bangladesh (Ahmed and Mujeri 2009: 6) to 20 percent in India (Hirway 2008: 2). In all countries, large shares of the workforce are female. While these women workers' educational and skill levels are often poor, as are their working conditions, employment in the garment industry represents one of the few opportunities for paid and – often – formal employment for women. By far the largest share of South Asian women works as unpaid family helper in agriculture, while the rest is concentrated in few sectors and occupations. The decline in demand for T&C in the course of the current crisis means that women

have been hit first by dismissals (ILO 2009b: 7). This is possibly reflected in the faster increase in female as compared to male unemployment rates in the region between 2008 and 2009. In view of the comparatively low labour force participation of South Asian women of around 35 percent in 2008 (ILO 2010: 50) and their comparatively higher exposure to unemployment, these job losses are very worrying. The World Bank estimates that gendered income inequality is likely to further deteriorate as a result (World Bank 2009b: 3f).

In recent years, the IT industry in India has become another major employer of a female workforce. In contrast to employment in the garment industry, it offers jobs associated with comparatively good earnings and other working conditions. The software sector is seen as particularly suitable for women, because of its respectability and the sedentary nature of operations, in an air-conditioned environment (Narasimhan 2009: 3). As described above, the economic and financial crisis caused a major drop in demand for IT services. Case study evidence points to gendered effects on employees in the IT industry (Narasimhan 2009). Dismissals affected male rather than female employees. This is being rationalised with the construction of women as being more 'conscientious' workers. While men's lay-offs led to more domestic violence as they conflict with perceptions of role stereotypes of men as the family's breadwinner, for the retained, the reduction in the workforce has implied an increased workload. Indirect job losses for e.g. domestic workers also had distinct gender dimensions given the high concentration of female workers in this occupation. More than half of all regular jobs for women in India outside agriculture comprise of domestic work (NCEUS 2009: 142).

These indirect effects point to the role of the crisis for informal workers. Informal employment, both within formally registered enterprises and outside dominates South Asian labour markets. Indian and Bangladeshi women's concentration in the informal economy is higher than males', while the shares are similar in Pakistan (BBS 2006: 4; NCEUS 2009: 23, Ministry of Finance 2010: 251). Sri Lankan women, in contrast, have comparatively higher representation in formal jobs (Ministry of Labour Relations and Manpower 2009: 10). HBWs comprise of a large portion of informal employment in India, most of which is undertaken by women (NCEUS 2009: 149). Their work caters both to domestic and foreign markets. The marginal utilisation of women workers in manufacturing is typically at the poorest-paid parts of the production chain. Such women workers are effectively deprived of all the benefits that may accrue from outside employment except for the low nominal returns that they receive from piece-rate work. Piece-rate arrangements exclude them from any security of contract (Ghosh 2009: 32) Hence, while they belong to the poorest strata of the Indian society anyway, as a result of the crisis, HBWs' incomes, especially in export-oriented work, were affected by a pincer movement of shrinking work availability on the one hand and a progressive reduction in piece rates on the other (AIDWA 2009).

As this sub-section has shown, the recession is likely to further marginalise South Asian women economically. Gender inequalities within and outside the South Asian labour market are very high in global comparison. Regional female labour market participation is the second lowest after North Africa and the Middle East and the gender gap in

participation is second widest (ILO 2010: 50). Inequalities are mediated by social norms that marginalise women in the wider society. Given their segregation in few sectors and occupations, this loss of paid and – often – formal employment opportunities can potentially contribute to their further marginalisation in and outside South Asian labour markets.

4. Conclusion

This paper has highlighted asymmetries in the labour market consequences of growth and recession in South Asia. While the period of higher economic growth since the beginning of the 1990s had not been paralleled by growth in productive employment opportunities, the global financial crisis has translated into job losses and a deterioration of working conditions, especially in export-oriented industries. Vulnerable segments of the labour force had to bear the greatest risks: Women workers with few employment alternatives as well as informal workers whose livelihoods are characterised by poor earnings, lack of job and social security. Coping strategies of poor households' in face of economic shocks, such as labour migration, have become unreliable during the present crisis: Sectors and destinations in which domestic and international migrant workers are employed have been hit hard.

A common response to the current crisis also of South Asian countries was to strengthen public investment with the aim of, on the one hand, compensating for the fall especially in foreign demand, but also to provide public safety nets for some of the hardships created through the crisis. In Bangladesh, for example, existing safety nets were strengthened and new programmes, including an enhanced employment generation scheme for the poor, were introduced (ADB 2009: 121). Other measures included an increase in the coverage or level of old-age pension as well as steps to protect migrant workers (ILO 2009b: 19). Public expenditure in India was planned to rise by 16.1 percent in response to the crisis, including large increases for public investment, e.g. in infrastructure and the NREGS (ADB 2009: 131), and interest subventions for most employment-oriented export sectors. Similarly, in Pakistan, spending on infrastructure was increased during 2009 with the aim of generating employment (ILO 2009b: 17).

In the past, international financial institutions were hesitant to counter an economic crisis with more public spending, this way effectively reducing developing countries' policy space. This time, both the World Bank and the IMF have supported the provision of fiscal stimuli (e.g. World Bank 2009a: 5f, IMF/ILO 2010) – at least at the rhetoric level. Such investment has been at the heart of many reform proposals for South Asia after the crisis. Ghosh (2010: 2) pleads for a re-orientation towards wage-led growth with the following components: Inclusivity, i.e. the allocation of public resources to sectors in which the poor work, the areas in which they live, the factors of production they possess as well as the goods they consume. The viability of informal production should be guaranteed through better access to credit, greater integration into supply chains as well as through technology improvements. Besides the provision of a minimum wage floor through increases in public employment, public funding for wider coverage with social protection

should be a policy priority. The preceding sections have shown that, apart from wages, setting and enforcing standards for decent working conditions, especially for the most vulnerable workers, is crucial. In the case of migrant workers, bilateral cooperation agreements like the ones signed in 2009 between trade unions from Sri Lanka and their counterparts in migrant-receiving countries in Bahrain, Jordan and Kuwait for the protection of migrant workers' rights are examples of such standard-setting (ILO 2010b: 175). Last, but not least taxing surpluses are to be channelled into the public delivery of housing and other infrastructure, health, education etc. Strengthened and expanded investment in human development of the poor and vulnerable (NCEUS 2009: 4ff) would differ significantly from the current reaction of the private sector to the crisis which focused on cost-cutting rather than pro-active strategies like multi-skilling, greater functional mobility and alternative work schedules (Gunatilaka 2009: 35).

A 'Jobs Pact' (ILO 2009d) for South Asia comprising of the measures outlined above may go a long way to strengthen workers' resilience against volatilities of a globalised economy and to redress the anti-labour bias in the current form of globalisation.

References list

- Abella, M. and G. Ducanes (2009) 'The effects of the global economic crisis on Asian migrant workers and governments' responses', ILO/SMC Workshop on Building a Comparable, Up-to-date, and Sustainable Database on Labour Migration, January 21-22, 2009.
- Asian Development Bank (ADB) (2009) *Asian Development Outlook 2009 Update: Broadening Openness for a Resilient Asia*. Manila: ADB.
- Ahmed, N. and M.K. Mujeri (2009) 'Social Impacts of Global Economic Slowdown: The case of Bangladesh', *The Impact of the Global Economic Slowdown on Poverty and Sustainable Development in Asia and the Pacific*, September 28-30, 2009 ADB.
- All India Democratic Women's Association (AIDWA) (2009) 'Report on the Condition of Work of Home-Based Workers in Delhi', New Delhi. AIDWA.
- Bangladesh Bureau of Statistics (BBS) (2006) 'Key Findings of Labour Force Survey 2005-06', Dhaka. BBS.
- Debroy, B. (2009) 'Growth Downturn and its Effects', in R. Kumar, B. Debroy, J. Ghosh, V. Mahajan and K.S. Prabhu (eds) *Global Financial Crisis: Impact on India's Poor*, pp. 14-24. Delhi: United Nations Development Programme (UNDP) India.
- Department of Commerce (Last updated 2010) 'Foreign Trade Performance Analysis (FTPA): Commodity Group-Wise 2007-2009' (a webpage of Government of India). Accessed October 26, 2010 <<http://commerce.nic.in/ftpa/comgrpq.asp>>.
- Department of Census & Statistics (DCS) (2010) 'Sri Lanka Labour Force Survey - Annual Report 2009', Colombo. Ministry of Finance and Planning.
- DCS (2009b) 'Sri Lanka Labour Force Survey – Second Quarter 2009', Bulletin of Labour Force Statistics of Sri Lanka No. 47, Colombo. Ministry of Finance and Planning.
- DCS (2009a) 'Quarterly Report of the Sri Lanka Labour Force Survey - First Quarter 2009', Colombo. Ministry of Finance and Planning.
- Export Development Board (EDB) (Last updated 2010) 'Export Performance by Major Sectors January to March 2008, 2009 & 2010' (a webpage of EDB). Accessed October 26, 2010 <http://www.srilankabusiness.com/eresearch/ex_performance.htm>

- Fix, M., D.G. Papademetriou, J. Batalova, A. Terrazas, S.Y.Y. Lin and M. Mittelstadt (2009) 'Migration and the Global Recession', Washington, DC. Migration Policy Institute.
- Ghosh, J. (2010) 'What does Wage-Led Growth Mean in Developing Countries with Large Informal Employment? ', *Global Labour Column* 34(October 2010).
- Ghosh, J. (2009) 'Global Crisis and the Indian Economy', in R. Kumar, B. Debroy, J. Ghosh, V. Mahajan and K.S. Prabhu (eds) *Global Financial Crisis: Impact on India's Poor*, pp. 25-35. Delhi: UNDP India.
- Ghosh, J. (2008) 'Growth and Employment Dynamics in India', Working Paper No. 92. Geneva. ILO.
- Ghosh, J. and C.P. Chandrasekhar (2009) 'The Costs of 'Coupling': The Global Crisis and the Indian Economy', *Cambridge Journal of Economics* 33(4): 725.
- Gunatilaka, R. (2009) Rapid Assessment of the Impact of the Global Economic Crisis on Employment and Industrial Relations in Sri Lanka. ILO.
- Hirway, I. (2008) 'Trade and Gender Inequalities in Labour Market: Case of Textile and Garment Industry in India', International Seminar on 'Moving Towards Gender Sensitization of Trade Policy', February 25-27, 2008 UNCTAD, New Delhi.
- Hossain, N. (2009) 'Crime and Social Cohesion in the Time of Crisis: Early Evidence of Wider Impacts of Food, Fuel and Financial Shocks', *IDS Bulletin* 40(5): 59-67.
- International Labour Organization (ILO) (2010b) 'International Labour Migration. A Rights-Based Approach', Geneva. ILO.
- ILO (2010) 'Global Employment Trends January 2010', Geneva. ILO.
- ILO (2009d) 'A Global Jobs Pact', Geneva. ILO.
- ILO (2009b) 'Protecting People, Promoting Jobs', Geneva. ILO.
- ILO (2009a) 'Global Employment Trends for Women March 2009', Geneva. ILO.
- ILO and International Monetary Fund (IMF) (2010) 'The Challenges of Growth, Employment and Social Cohesion', ILO; IMF.
- IMF (2010) 'World Economic Outlook Database', Washington DC. IMF.
- Kelegama, S. (2009) 'Ready-made Garment Exports from Sri Lanka', *Journal of Contemporary Asia* 39(4): 579-596.
- Khosla, N. (2009) 'The Ready-made Garments Industry in Bangladesh: A Means to Reducing Gender-Based Social Exclusion of Women?', *Journal of International Women's Studies* 11: 289-303.
- Kumar, R. (2009) 'Global Financial and Economic Crisis: Impact on India and Policy Response', in R. Kumar, B. Debroy, J. Ghosh, V. Mahajan and K.S. Prabhu (eds) *Global Financial Crisis: Impact on India's Poor*, pp. 7-13. Delhi: UNDP India.
- Labour Bureau (2010) 'Report on Effect of Economic Slowdown on Employment in India (January – March 2010)', Chandigarh. Ministry of Labour & Employment, Government of India.
- Labour Bureau (2009c) 'Report on Effect of Economic Slowdown on Employment in India (April – June 2009)', Chandigarh. Ministry of Labour and Employment, Government of India.
- Labour Bureau (2009b) 'Report on Effect of Economic Slowdown on Employment in India (January - March 2009)', Chandigarh. Ministry of Labour & Employment, Government of India.

- Labour Bureau (2009a) 'Report on Effect of Economic Slowdown on Employment in India (October - December 2008)', Chandigarh. Ministry of Labour & Employment, Government of India.
- Mahbub ul Haq Human Development Centre (MHHDC) (2004) *Human Development in South Asia 2003*. Oxford; New York: Oxford University Press.
- McCulloch, N. and A. Sumner (2009) 'Introduction: The Global Financial Crisis, Developing Countries and Policy Responses', *IDS Bulletin* 40(5): 1-13.
- Ministry of Finance (2010) 'Pakistan Economic Survey 2009-10', Islamabad. Government of Pakistan.
- Ministry of Finance (2009) 'Pakistan Economic Survey 2008-09', Islamabad. Government of Pakistan.
- Ministry of Labour Relations and Manpower (2009) 'Labour and Social Trends in Sri Lanka 2009', Colombo. ILO.
- Narasimhan, S. (2009) 'Impact of the global financial meltdown on women in developing economies - case studies from India', International Association for Feminist Economics (IAFFE) 2009 Annual Conference, June 26-28, 2009.
- NASSCOM (2010) 'IT-BPO Sector in India: Strategic Review 2010 (Executive Summary)', New Delhi. NASSCOM.
- NASSCOM (2009) 'Strategic Review 2009 (Executive Summary)', New Delhi. NASSCOM.
- NASSCOM (2008) 'Strategic Review 2008 (Executive Summary)', New Delhi. NASSCOM.
- National Commission for Enterprises in the Unorganised Sector (NCEUS) (2009) 'The Challenge of Employment in India. An Informal Economy Perspective', New Delhi. NCEUS.
- NCEUS (2008) 'The Global Economic Crisis and the Informal Economy in India: Need for Urgent Measures and Fiscal Stimulus to Protect Incomes in the Informal Economy', New Delhi. NCEUS.
- No author (2009b) 'Textile Demand Shrinking in USA and Western Markets', *Pakistan Textile Journal* (April 2009): 12.
- No author (2009a) 'Knitwear Industry in Dire Straits', *Pakistan Textile Journal* (March 2009): 16.
- Pakistan Textile Journal (PTJ) (2009) 'Factors Pulling Down Textile Exports', *Pakistan Textile Journal* (June 2009): 9.
- Rahman, M., M.A. Iqbal, T.I. Khan and S. Dasgupta (2010) 'Bangladesh Phase 2', Global Financial Crisis Discussion Series Paper No. 12. London/Dhaka. Overseas Development Institute/Centre for Policy Dialogue (CPD).
- Rahman, M., K.G. Moazzem and S.S. Hossain (2009) 'Impact of the Global Economic Crisis on the Employment and Labour Market of Bangladesh: A Preliminary Assessment', Dhaka. CPD.
- Ratha, D., S. Mohapatra and A. Silwal (2010) 'Migration and Development Brief 12', Washington DC. World Bank.
- Ratha, D., S. Mohapatra and A. Silwal (2009c) 'Migration and Development Brief 11', Washington DC. World Bank.
- Ratha, D., S. Mohapatra, A. Silwal, J. Irving and S. Plaza (2009b) 'Migration and Development Brief 10', Washington DC. World Bank.
- Ratha, D. and S. Mohapatra (2009a) 'Migration and Development Brief 9', Washington DC. World Bank.

- State Bank of Pakistan (SBP) (2009) 'The State of Pakistan's Economy - Third Quarterly Report 2008-2009', Karachi. State Bank of Pakistan (SBP).
- Siddiqui, S. (2009) 'Recession Renders 300,000 Pakistanis Jobless' *The News International*, May 19, 2009.
- Siegmann, K.A. (2007) 'Gendered Employment in the Post-Quota Era: The Case of Pakistan', in SDPI/SAMA (ed.) *At the Crossroads: South Asian Research, Policy and Development in a Globalized World*, pp. 3-15. Islamabad/Karachi: SDPI/SAMA.
- Sri Lanka Bureau of Foreign Employment (SLBFE) (2010) 'Annual Statistical Report of Foreign Employment 2009', Battaramulla. Sri Lanka Bureau of Foreign Employment (SLBFE).
- Stiglitz, J. (2009) 'The Global Crisis, Social Protection and Jobs', *International Labour Review* 148(1-2): 1-13.
- Sunil, W.A. (Last updated 2009) 'Sri Lankan Government Reactivates Tripartite Labour Council to Impose Mass Sackings' (a webpage of World Socialist Web Site). Accessed October 29, 2010 <<http://www.wsws.org/articles/2009/jul2009/slac-j11.shtml>>.
- United Nations Conference on Trade and Development (UNCTAD) India (2009) 'Impact of Global Slowdown on India's Exports and Employment', New Delhi. UNCTAD India.
- World Bank (2010) 'World Development Indicators and Global Development Finance Database 2010', Washington DC. World Bank.
- World Bank (2009b) 'The Global Financial Crisis: Assessing Vulnerability for Women and Children', Washington DC. World Bank.
- World Bank (2009a) 'Impact of Global Financial Crisis on South Asia', Washington DC. World Bank.
- World Trade Organization (WTO) (2009) 'International Trade Statistics 2009', Geneva. WTO.