

# **CHILDREN – THE FORGOTTEN VICTIMS**

## **The Impact of the Asian Economic Crisis on Working Children in Southeast Asia<sup>1</sup>**

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### **1. INTRODUCTION**

Globalisation is not only about economics. While economic relationships between countries is the key determinant, globalisation is a phenomenon characterised by a variety of other factors – including politics, information and technology, culture and social relations. It is important to understand the politics that determines globalisation and the inequality that exists among countries as they are all drawn into the process of globalisation.

There is still a lack of critical research as well as concrete practical experiences on the link between macro-economics and child rights. This is particularly important in the area of child labour, as working children are more directly linked to the market and micro and macro economic relations within and between countries.

The significance of an economic crisis lies in its ability to roll back decades and years of progress and development in a country. An economic crisis is both structural and endemic to the present global paradigm.

### **2. UNDERSTANDING THE “ASIAN” ECONOMIC CRISIS IN THE CONTEXT OF CHILD LABOUR :**

Was the 1997-98 economic crisis an “Asian” crisis or a “global” crisis? The crisis was clearly a global crisis that erupted and was focused on the economies of Southeast Asian countries. But it had global repercussions – directly impacting on countries that had trade and commercial relations with the affected economies of Southeast Asia (e.g., Japan, Europe, USA), and more indirectly impacting on other countries (e.g., Africa and Latin America).

Countries in the Asia region experienced varied impacts of the economic crisis. While the brunt of the crisis was felt in mainland Southeast Asia precipitated by the collapse of financial markets and poor macro-economic management, countries in the South Asia region were suffering more from structural adjustment policies instituted by the WB and IMF. Some countries in the Mekong sub-region were experiencing problems due to the transition from a planned to a free market economy.

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<sup>1</sup> Presentation to the International Conference on “Child Labour within the context of Globalisation : Outline of Problem and Action Points”, German NGO-Forum on Child Labour, Hattingen, Germany, 26 – 28 September 2003.

The vast majority of the world's 400 million estimated child labourers are to be found in Asia. The ILO estimates that the largest child labour population in the world is found in this region – 120 million between 5 and 14 years of age who are fully at work, and more than twice that many (an estimated 250 million) if those for whom work is a secondary activity are included. This means that one of every five children are involved in the labour force in some countries in this region.

The majority of child labourers in Southeast Asia are to be found in home-based, agricultural activities and the informal sector. With rapid economic growth and increasing foreign private investment, child labour has been drawn more and more into the commercial, industrial and service sectors. In some specific industries and enterprises, children work in slave-like and bonded conditions.

Poverty remains the root cause of child labour in Asia. This is not merely “income poverty” – but “structural poverty” – defined as poverty in all its dimensions – political poverty, cultural poverty, caste poverty, etc. Another dimension of poverty which is particularly important in relation to child labour is “inter-generational poverty”.

The mainstream economic orientation based on the “rapid economic growth model” prefers children as a labour force in some industries and enterprises that are labour intensive, because children are docile, obedient, hired at cheaper wages than adults, and dispensed of easily. Children are therefore unprotected, powerless, invisible and silent – as far as their rights as workers are concerned.

### **3. GLOBALISATION AND THE ASIAN ECONOMIC CRISIS OF 1997-98**

The crisis was not merely a “monetary crisis” – it was a crisis of a particular model of development. The crisis demonstrated the failure of :

- The political leadership to protect the basic livelihood of its people
- Financial institutions that promoted speculative ventures without an adequate and longterm planned strategy
- Commercial sector to build a viable local economic investment base
- Government to manage, monitor and control the financial, commercial and trade transactions, particularly with the onslaught of foreign capital and multinational speculators
- International Financial Institutions that are pro-capital and not pro-poor.

### **4. SOCIAL IMPACT OF THE CRISIS**

The crisis was caused by rapid withdrawal of speculative global capital from the Asian economies, resulting in rapid devaluation of their currencies (Thai baht, Malaysian ringgit, Indonesian rupiah and the Philippine peso). Wall Street blamed the crisis on “structurally weak economies” of Southeast Asia. This is ironic, given the fact that a few years prior to the crisis, the World Bank and the IMF flouted these same economies as “models of rapid economic growth”. The “miracle economies”

(Hong Kong, Japan, S.Korea), on the other hand, were also crippled by the crisis – as one source noted “upcoming tigers had become lame ducks” overnight.

A key factor that contributed to the crisis was the unbridled export orientation and dependence on foreign capital of the Southeast Asian economies. The elites of these countries had institutionalised an economic system that was heavily dependent on direct foreign investment and the private sector.

Although the crisis was caused and resulted from the behaviour of the local and foreign private sector, the “bail-out package” of the IMF squarely placed the burden on the public sector to support the private sector crisis at the expense of the welfare of the people. The IMF package for countries in Southeast Asia had serious long-term implications on three main fronts :

- (a) it eroded national political and economic sovereignty
- (b) it forced greater financial and trade liberalization
- (c) it converted private sector debts into public sector debts which was ultimately borne by the ordinary people through increased taxation.

The World Bank identified three elements of the impact of the economic crisis

- (a) Primary Impact :** income loss and increasing poverty
- (b) Secondary Impact :** coping strategies – family members forced to enter the informal labour market and women and children suffer as households cut expenditures (less food, children pulled out of school)
- (c) Teritary Impact :** impact on social capital – increasing conflict and tension within households (domestic violence) and an increase in theft and crime at community level.

In Thailand, a total estimated unemployed in 1997-98 was about 2 million people. The country experience massive “reversal migration” – from urban to rural areas. In 1998 alone, over 5,136 private companies and corporations declared bankruptcy. The same year, there were over 110,000 new entrants to the labour force from primary school grades 6 and secondary grade 9 – among them over 80% were primary school students.

The most seriously affected sections of the population in Thailand included the following :

- Middle-level Professionals : hotel industry, service sectors
- Urban Poor : hawkers, shopkeepers, petty traders, construction workers, small restaurant employees
- Rural Poor : landless workers, migrant rural labour
- Ethnic Minorities and Indigenous Peoples
- Immigrant Labour : from neighbouring countries – Laos, Myanmar/Burma, Cambodia and South Asia
- Seasonal workers
- Refugees – from Myanmar/Burma and Laos.

**Indonesia** was perhaps the worst affected by the economic crisis. The complexity of political and economic situation in that country aggravated the detrimental impact of the crisis – especially on the poor and the vulnerable sections of the population.

In the **Philippines** an increase in the number of children working away from their homes was noted – younger children working on agricultural farms, and an increase in the number of invisible children who work as child domestic workers.

In **Thailand**, children make up about 33% of the total population. Prior to the economic crisis about 8 million Thai's were living under the poverty line – out of whom about 2-3 million were children with limited or no access to education. Child labour was widespread, with the official estimates at the time put the figure of children in prostitution at 13,000 to 200,000 (UNICEF,1997). A Save the Children study on the social impact of the economic crisis on vulnerable children in Thailand conducted in 1997 surveyed rural communities two provinces in the Northeast and focused on migrant workers returning from Bangkok having lost their jobs during the crisis. The study revealed that the most serious impact of the economic crisis was felt by children, youth and the elderly.

The impact of the economic crisis in **Vietnam** is well summed up in a report by Save the Children : *“the effects of the economic crisis may erode the gains made in economic growth and in poverty alleviation over the past 10 years...the government is trying to increase revenue and to cut expenses for social services. The new laws can be expected to put further pressure on poor families and their children and make it even more difficult for poor children to have access to basic health and education services”* (Save the Children-UK, Vietnam, 1998).

## **5. IMPACT ON CHILD LABOUR**

**Thailand :** In 1997 there were about 0.8 to 1.1 million children aged between 11 to 14 years who were child labourers, representing 3% of the total 32 million labour force in the country. Evidence was also found in the above-mentioned study that during the period 1996-98 the number of youth arrests and juvenile court cases pertaining to drug abuse, sale and drug-related crimes had doubled.

Thirteen boys and girls aged 15 to 18 years – representatives of working children in Thailand – met for a Children's Forum during the 5<sup>th</sup> Regional Consultation of the Child Workers in Asia in Bangkok in February 1999. They had all been affected by the Thai economic crisis. Some of them had to drop out of school as their parents had been laid off from work and could no longer afford their children's education. Some who were working, were receiving less pay and much less welfare from their employers, but had more work to do. Some have to take dangerous work in order to help ease the family's economic difficulties. Uthai, a child worker, well summed up their plight during the economic crisis in the following words : *“I work in a factory and I have to sit or stand for longer hours than before the economic crisis. But I am content to still have a job. But the situation is very uncertain because they are sacking workers every day”*.

Between 1996-1998 it is estimated that termination of employment increased up to nine times – that is, from 5,000 to 47,000. A larger majority of them were female workers in textile industries. Another survey revealed that 100,000 child workers from districts in the Northeast also returned to the villages during the economic crisis.

Official figures also showed the increase in the number of school dropouts during the crisis. The main reason was because parents were terminated from their work and they could no longer support their children's education. As a result, the children were taken out of school, and in some cases, were asked to work in earn additional income for the family. The most noticeable decline was in vocational schools which stood at 34 per cent.

## **6. LESSONS LEARNT**

Structural factors have contributed to the growth of in the number of children becoming involved in commercial sex work in Southeast Asia. Often a child's vulnerability to commercial sexual exploitation is directly related to his or her family's financial situation. The economic crisis of 1997-98 and rising poverty – especially in the rural areas – has tended to push more children and youth into the commercial sex industry.

Some key lessons learnt from the 1997 Asian economic crisis includes the following :

### **(a) The IMF “bail-out” package :**

- it had serious long-term consequences for the Asian economies, including the following : (a) it eroded national political and economic sovereignty, (b) it forced greater financial and trade liberalisation, (c) it converted private sector debts into public sector debts, and (d) the burden of the package was ultimately borne by ordinary people – through increased taxation.

### **(b) Structural Implications for Asian societies :**

- the dominant global economic paradigm based on the “free market” and “neo-liberal” philosophy and dependence on foreign aid.
- States have abrogated their responsibility to the provision of essential social services for the poor
- Economies have become totally dependent on trade – if trade collapses, economies collapse.

### **(d) CRC and Child Rights :**

- lobbying on the CRC has become more difficult, as governments in the region cut back on social spendings
- need for advocacy on child-centered economic and social policies and programmes

- review government budgets and spending – advocate for “child-friendly” budgets (e.g., South Africa)
- recovering a “lost generation” of children and young people affected by the crisis.

## 7. CONCLUSIONS

The 1997 economic crisis showed how in the context of globalisation an economic crisis can develop anytime and impact anywhere. Trade and foreign investment are two critical factors that prop up the global economy today – any fluctuation or de-stabilisation in any one of these factors could trigger an economic crisis.

The crisis targeted not only the professional classes but also the working classes – with the most serious impact felt by the most vulnerable sections – including women, children, refugees, migrant workers and others. The crisis directly contributed to an increase of child labour, it also resulted in driving child labour into more clandestine and hazardous working conditions. It also had a much longer-term impact on children in that it deprived a critical section of society of basic survival and education.

Our analysis of the crisis pointed out the need to identify both the internal and external factors that contributed to the crisis. The crisis was squarely created by the private sector – both local and foreign. However, the burden of the crisis was passed on to the public sector, thereby severely impacting on social spendings of governments.

In the final analysis, structural poverty directly contributes to exploitative child labour. This means that the struggle to combat exploitative and hazardous child labour must target the structural conditions and factors in society.

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