Lessons Learnt from 1997 Asian Financial Crisis - Responses of ASIA to the GFC.
Knowledge Sharing Session - II

UNI FINANCE GROUP VISITED THE AREAS DEVASTATED BY THE MARCH 11 TSUNAMI IN SENDAI JAPAN
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Lessons Learnt from 1997 Asian Financial Crisis - Responses of ASIA to the GFC.

Trade union leaders representing finance industry employees from India, Malaysia, Nepal, Pakistan, Philippines, Singapore and Taiwan shared experiences of Post Asian Financial Crisis reforms / restructuring experiences and their impact.

**INDIA:**

- India has initiated certain reforms in the banking sector following the global financial crisis: In 2012 the Banking Law Amendment Bill was passed in Parliament moving for a merge of public sector banks, improved risk management practices and techniques, overhauled credit rating models, introduced micro/macro prudential regulations and stake holder protection. Banks recapitalized under Basel ii and iii.

- India abolished the administrative interest regime to improve competitiveness in the banking sector and removed entry barriers for foreign banks, measures taken to broaden ownership of public sector banks, introduced ratification of legal structure to strengthen banks and several other measures.

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- that resulted in a progressive decline in the market share of public sector banks. Banking products diversified, fee based activities improved and customer services were standardized.

- The management and employee relationship is still weak but there is growing concerns about the relationship. Management with a traditional attitude believes that trade unions are only for member’s well being which is an impediment.
**MALAYSIA:**

- **Malaysia** initiated banking reforms following the financial crisis in 1997. Malaysian banks introduced new technologies, outsourced non-core banking activities, merged and reduced the number of employees and provided multi-skills disciplines. Finance companies merged with their parent companies.

- After the current GFC, Malaysia initiated to follow stricter policies, credit checks and imposed additional charges for credit cards, more merges and applied new technologies.

- Banks continuously make huge profits. Several local Banks have branches in other ASEAN countries and are looking to expand.

- Certain banks introduced a performance management system based on sales.

- Collective agreements are used for salary negotiations across the border.

- Malaysia has many laws covering employees’ benefits, employees’ rights, industrial relations, social security, safety, dispute settlement etc. It also has a trade union act to manage union activities.

- Trade unions have to play a significant role in providing protection for members’ job security, enhance and safeguard collective agreements, provision of training, education etc.

- Trade unions have certain challenges: shrinking of memberships, trade union act limiting membership, outsourcing non-core business, performance management system etc.

**NEPAL:**

- GFC has not directly affected **Nepal** due to its low foreign investments, but experienced contagion effects of the crisis since its high dependency on large economies.


- Financial sector liberalization has largely affected the increase in the number of financial institutions.

- Due to the crisis, Nepal exports (mainly garments and handicrafts) have dropped. FDIs and earnings from tourism have slowed down. Foreign remittances declined due to a decline in overseas employment opportunities.

- Labour representation at the policy level decision making process was minimal in Nepal due to traditional management attitudes on trade unions. Lack of uniform policies and rules among trade unions and non-recognition of trade unions are some issues in the sector. However, they have gained some success in the collective bargaining process.
PAKISTAN:

• Pakistan has been divided into four provinces after the new amendments were introduced in 2010. Each province has its own laws but do not protect trade unions. After a long struggle for daily wages, in 2006 the Pakistani Parliament banned union activities in the banking sector during banking hours. The working hours of bank employees in Pakistan extends up to 12 hours. Unadjusted salary against inflation, unhealthy atmosphere, lack of new recruitment to meet the retired or retrenched staff leading to staff shortages are also burning issues in the Pakistan banking industry. New recruitments are designated as third party basis employees by giving them a fake designation.

• It is a normal practice in Pakistan to change or amend laws at any time which was imposed earlier. Therefore there is high ambiguity with regard to governing laws in Pakistan.

PHILIPPINES:

• Philippines did not have a severe impact from the GFC. Its banking industry liberalized after the crisis in order to strengthen the sector reducing the number of banks.

• After liberalization, foreign banks came into Philippines, but currently there are no foreign banks in Philippines.

• Philippines reduced policy rates and reserve requirement in 2008-09 liquefying market to boost investments.

• Eased up regulatory measures. Established a fund program to provide bank credit to micro, small and medium enterprises without collateral.

• Exchange rate stabilized after appreciation of domestic currency. Stock market and foreign investments improved.

• Two resolutions were passed at the Banking Industry Tripartite Council (BITC) on outsourcing and dispute resolution relating to job losses, due to reduction of number of banks.

• Trade unions conducted social dialog about problems at committee of Philippines Employer Labour Social Partner (PELSP).

• ASEAN economic integration that is going to be effective from 2015 will provide a bigger investor base and will merge stock and bond markets.

• Recommendations: Unions at country level should unite to form one industry union not only for industrial relations but also to influence policy, and unions must be aware of developments at a national/ regional/ global scale in order to take necessary action.
**SINGAPORE:**

- Singaporean economy recorded a mild contraction in 2009 due to GFC, but recovered strongly towards 2010.

- Monetary Authority of Singapore (MAS) tightened monetary policies to stabilize prices. Several other measures were taken to ensure safety and soundness of financial systems including prudential supervision and surveillance, fostering a sound and reputable financial centre, property market measures, review of deposit insurance scheme, insurance resolution and policy owners’ protection etc.

- In 2012, MAS announced launching of the Financial Advisory Industry Review (FAIR) committee aimed at lowering the costs of financial products and raising the quality of advice given by financial institutions.

- To support the long term growth of Singapore's financial industry, the Government developed the Marina Bay Financial Centre expecting to double the size of the financial district.

- Trade unions provide financial assistance to improve and develop skills of the members and also to provide co-funding for professional programs.

- Leaders of trade unions in the banking sector get-together and monitor developments and solutions for issues.

- Labour-management relations in DBS Bank are important. DBS allocates time for unions to brief new hires and provides avenues for recruitment roadshows. Staff have many facilities such as work from home, flexible work hours, part-time work, no-pay leave, and re-employment of older workers up to age 65 with no change to their benefits etc.

**TAIWAN:**

- After the financial crisis, the Taiwanese government emphasized on merging its banks into few bigger banks. However, trade unions in Taiwan expect some negative impacts arising from the MOU and Agreements signed with China.

- Major challenges for Taiwan are; inappropriate GDP growth, limited space available for industrial development, risk of high dependency on exports, weakness in export processing industry etc.

- Financial sector employees are less unionized in Taiwan while manufacturing and government workers are organized more than the finance sector workers.

- Taiwan employees are yet to realize the advantage of collective bargaining and unionization.