Routes out of the crisis: strategies for local employment recovery, skills development & social protection in Asia

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ROUTES OUT OF THE CRISIS: STRATEGIES FOR LOCAL EMPLOYMENT RECOVERY, SKILLS DEVELOPMENT, AND SOCIAL PROTECTION IN ASIA



1. THE MEETING OPENS

Gyorgy Sziraczki, Senior Economist of the ILO's Regional Office for Asia and the Pacific, opened the experts meeting on behalf of the ILO. He emphasized that this meeting, jointly organized by the ILO and OECD, aims to share knowledge and learn good practices on policy responses to the global crisis. In the Asian region, the global crisis has hit the "near poor." Since traditional policy responses are designed for the very poor, there is currently a policy mismatch.

Mr. Sziraczki noted however that Asia is recovering fast. Stimulus packages tend to be larger and implemented faster; there was also more emphasis on spending. Local initiatives played an important role, including by local governments, which served as channels and implementors of fiscal measures with the collaboration of social partners.

This seminar seeks to identify good practices that would inform the design of recovery measures in the region. It is also a follow up to the Global Jobs Pact, which aims to link labour market recovery to economic recovery.

The task on hand. Mr Sziracski stresses, is not just to look back and analyze the causes but also to look ahead to the future. For Asian recovery to take place, one has to shift to more sustainable drivers of growth. We have to look to boosting domestic demand, to assess the implications for skills, and to maximize local initiatives.

The seminar takes place in Indonesia since it is one country that has been most hit by the financial crisis, on the one hand. On the other hand, Malang provides good examples of concrete local initiatives where, in fact, local development will be mainstreamed in the next national development plan.

Sylvain Giguère, Head of the OECD's LEED Division, stated that developed and emerging economies increasingly face similar issues. He gave the examples of the need to foster endogenous development; the need to accommodate increasing movement of people by integrating immigrants and their family into the labour market, society and the economy; and the need to upgrade the skills of the low-qualified workers facing increasingly sophisticated job profiles in all sectors of the economy.

Mr. Giguère said that there was a strong rationale for developed and emerging economies to share their experience. He gave the example of integrated strategies for skills development, a key topic for the OECD as a whole, in which the region was particularly strong. He cited Singapore, Shanghai and Penang, and emphasised that the opportunity for learning from the region is immense.

He further mentioned that the impacts of the current crisis are linked to structural issues. There is need to stimulate sustainable employment creation. Over the past years, economies have relied on export-led growth and on attracting foreign direct investments. The crisis has taught us that these are not reliable drivers of growth. Economies should not compete on cost but on innovation, and they should continue to nurture structural adjustment, not slow it down.

He called on Asia not to repeat the mistakes of some OECD countries and that countries must put growth on sustainable tracks. Facilitating transition to "Green Growth" is certainly one way to get there, though it is not the only one. There is a need to make the management of labour market policy more flexible, to co-ordinate policy, to create partnerships with accountability mechanisms, and to build labour market intelligence base that is essential for developing locally-adapted strategies.

The OECD is leading, together with the ILO, the initiative called ESSA (Employment and Skills Strategies for Southeast Asia), which aims to support the exchange of experience around the issues of employment and skills, especially through an interactive platform for members. Along these lines, a web portal has been established for information sharing. Through this mechanism it is hoped that OECD and Asia countries will be able to converge towards the same good practices.

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2. LED CAFE: INTRODUCTION. Impacts of the crisis and local recovery responses

At the LED Cafe, participants were invited to share their views on three questions. Participants moved from one table to another where each table focused on one question. They were also free to scribble their thoughts on the table sheets. The table "host" welcomes the participants, explains what they are expected to do, and summarizes what previous guests had shared. The session ends with plenary sharing of views. This very first interactive session had a threefold objective: 1) obtain immediate input by all experts in the meeting related to the impact of the crisis in their very specific localities; 2) share knowledge on the different policy measures and implementation challenges in different contexts; 3) provide insights related to the most active stakeholders involved in providing effective answers to the crisis. The LED Cafe session was hosted by Martin Gasser and Alice Vozza of the ILO-International Training Centre, Turin, and Annie van Klaveren of ILO-Geneva.

What have been the most significant impacts of the crisis at the local level in your country?

The impact of the crisis was wide-ranging. Many participants reported not feeling the impact much at the local level. It is also felt in some sectors more than others. Most affected were sectors which were highly dependent on external markets - whether for exports or imports. Some countries were cushioned by remittances from overseas workers and by predominant economic sectors that relied mainly on the domestic market.

The experience of Bangladesh illustrates this pattern. The GDP growth rate of Bangladesh dropped minimally during the global crisis, from 6.0% to 5.8%. The minimal impact is attributed by participants to (a) the growth of remittances as overseas workers opted to use official channels for sending money during the crisis; (b) the inward orientation of the country's most predominant economic sector, the agricultural industry. Certain economic sectors, especially those dependent on exports, were badly hit however. Many workers, for instance, in ready-made garments, jute and frozen food, lost their jobs.

In Indonesia, one participant pointed out that, while the crisis was not felt at the local level, impacts might be felt subsequently through neighboring countries which import Indonesian products and which were badly hit by the crisis. There is fear therefore that Indonesian exports will be hit in future reverberations.

In Timor Leste, the crisis was also not felt as much at the local level but in the cities and urban areas where consumer prices had gone up. Timor Leste depends heavily on imports and it is thus affected by the crisis through this channel.

What national recovery measures have had the most immediate impact at the local level?

Governments in Asia have provided stimulus measures to cushion the impact of the crisis. These measures have included entrepreneurship and vocational training, rural skills promotion and job creation for the youth. Fiscal measures have included tax cuts, wage subsidies, infrastructure development and other subsidies for businesses to avert layoffs.

In Indonesia, the stimulus package consisted of entrepreneurship programmes, vocational training, and incentives to investments that serve local market needs. Some local governments are active in establishing vocational training centers. In one district 100 million rupiah (or approximately 10,000 USD) was provided to each village to support farmers with seeds and tools. Entrepreneurship programmes are deemed not enough however and the vocational training programmes reportedly not always working well. Meanwhile, better coordination can be achieved among public agencies which provide subsidized training.

In Timor Leste, literacy is very low given that only 60% can read and write. Enterprise and vocational training is needed but the country suffers from the absence of local industries and from heavy dependence on imports.

Viet Nam's fiscal stimulus package includes tax cuts, wage subsidies, infrastructure development and loans to businesses.

China has provided a stimulus package amounting to an equivalent of 700 billion USD. These have gone into infrastructure such as railways, roads and harbours; subsidies for enterprises to keep jobs; and commercial spaces for university graduates who intend to set up businesses. China also has provided occupational training for rural workers to prevent them from migrating to cities. The national government has encouraged provincial governments and line agencies (such as ministries of agriculture, human resource development, social security system, economic development commission) to put up funds and institute recovery measures.

Who were the main local drivers in implementing recovery measures?

Both public and private agencies have been active in implementing recovery measures. The central government in China is active in providing stimulus package, allocating significant amounts of resources for recovery measures while mandating provinces and line agencies to similarly allocate funds. Local governments in Indonesia are establishing vocational training centers. Overall, local industries and NGOs, line agencies, and social security are among some of the local drivers of recovery measures.

3. EXPERTS PANEL: On the Crisis and Local Responses

The panel discussion focused on the impact of the crisis at the local level, the role of local actors in responding to the crisis, and combined strategies for effective policy responses. The objective of the Experts Panel was twofold: to have immediate reactions by high level experts working on the International. National and local (practitioner) level to the findings of the LED Café; and to stimulate the discussion around the role of international, national and local stakeholders in formulating and implementing sustainable responses to the crisis.

Question:

What are the most important impacts of the crisis?

The crisis in Asia has different manifestations. Exports and manufacturing sectors were severely affected, such as in the case of Indonesia. Unemployment increased (doubling in New Zealand within a short span of time), as did precarious and informal employment. Those that did not feel the crisis directly are feeling it through their clients. One of the experts noted an increase in emergency assistance vouchers in his municipality (Opol, Mismis Oriental, Philippines) and increased demand for scholarships and social services.

The impacts of rising unemployment are more likely to last longer when the crisis is structural. And even with fast economic recovery, labour markets will take time to recover. Regional disparities were created as never before. There is a need to protect those at most risk of persistent unemployment - for instance, young men and women and indigenous people.

Andres Rodriguez-Pose (London School of Economics), Paul Barker (Ministry of Labour of New Zealand and OECD LEED Deputy Chair), Moazam Mahmood (ILO, Geneva), Komara Diaja (Indonesia Coordinating Ministry of Economic Affairs) and Dixon Yasay (Mayor Local Government Opol. Misamis Oriental, Philippines) comprise the experts panel. Kees van der Ree facilitates the discussion (ILO, Geneva).



Photo by Alice Vozza

Question:

What local initiatives have been taken to respond to the crisis?

Mayor Dixon Yasay states that during periods of crisis, local governments should concentrate on improving tax collection efficiency so that they could generate more local revenues to meet increased demand for services. Local governments can also use their corporate powers to launch local economic enterprises. Furthermore, local government and the business community should focus on mobilizing the assets of the poor and not just their labour. In his town where farmers became mining workers during the heyday of the industry, the halt in mining investments in 2007 saw workers returning to farming activities. This town is currently focusing on providing farm inputs and marketing farm produce as a way of supporting land and productive assets.

Mr. Komara Djaja stated that funds that support fiscal stimulus packages sometimes take a long time to reach the local level. In Indonesia, a national programme for empowerment of communities was established with a higher budget portfolio. This budget went into the regions, funding rural infrastructure, empowering training centers, supporting various local activities. Mr. Djaja pointed out additionally that skills training during crises tend to meet short term rather than long-term skills needs.

According to Andrés Rodríguez-Pose, crisis responses are usually driven by national governments which apply Keynesian approaches to stimulate the general economy; e.g. through government investment in infrastructure.

These responses are also adopted by local governments especially since the latter rely on central government's guidance on how best to respond to the crisis. The problem is that many packages are applied in ways that do not support sustainable development – that while these measures may provide short-term solutions, they leave lots of gaps in the future.

Andrés Rodríguez-Pose points out that we need to think collectively about sustainable solutions at the macro level. It is good to keep jobs but not any kind of job. Money from stimulus packages could be used to promote jobs that created the crisis in the first place. Or infrastructure is being built in places that do not need more infrastructure. For instance, stimulus packages are supporting public works in countries where jobs are being lost to housing and infrastructure. There has to be more coherence in stimulus packages, Mr. Mahmood concurred.

Crises also tend to destroy coalitions as different stakeholders take diverging paths to salvage their interests. In times of crises, local governments must strengthen function of mobilizing consensus within the local population towards more sustainable solutions. Without this, diverging approaches will undermine recovery.

Paul Barker stresses that crisis responses must consist of national and local labour market policy responses. With the diversity across countries, individual customized solutions need to be developed. In New Zealand, the Prime Minister recognizes that central governments cannot solve the crisis alone; he thus brought stakeholders together to design a fiscal stimulus package. This model was replicated at the regional level. These types of consultations ensure that national objectives are understood and local responses are adequate. There has to be a lot of flexibility at the local level to allow stakeholders the space to find investment, business and training opportunities and thereafter to design locally appropriate solutions.

Question:

What a comprehensive social protection and employment strategy could be at local level?

According to Mr. Mahmood, what should underpin crisis response is an understanding of the principles that underlie the delivery of services and goods to the market – and the role of states. Since most states are not rich, stimulus packages are constrained as well. One needs a combined market-oriented and state-led response. A purely firm-level and market oriented response may defeat long-term goals. For instance, one firm may respond to the crisis by cutting down on employment and wages and this may this adversely affect another firm which will experience lower demand for its products. A purely state-led response, on the other hand, may involve one-way transfers which are not feasible for budget deficit countries.

Again, one has to have a hybrid of market and state responses. An interesting solution is provided by NREGA where the state hires workers for public works at minimum wage and each worker is hired a definite number of days per year. In return, local government gets to use these workers to build much needed infrastructure.

According to Djaja, during the economic crisis in Indonesia in 1997, the economy was virtually "closed" as exports dropped dramatically. Suddenly, the domestic market became a huge potential for industry. In view of this, the state encouraged the private sector not to lay off workers but instead to hammer out a solution with labour unions to tap emerging opportunities. Government at the same time provided microfinance to support enterprises as they diversified their products and markets.

(Report by Sandra Yu, ILO Bangkok; and Lourdes Kathleen Santos, ILO Geneva)

4. WORKING GROUPS

Considering the outcome of the LED Café and the Expert Panel, the objective of the working groups was to: identify and document emerging best practices in terms of crisis response within five specific areas of intervention; and classify, where possible, policy lessons to be drawn from existing practices.

WG1 Local responses: emerging good practices in building labour market intelligence for more systematic employment services

Annie van Klaveren (ILO Geneva) opened the session by introducing the theme of labour market intelligence (LMI). She posed questions about the challenges of building an LMI system and how employment services could be responsive to local employment needs as well as to the need to develop a green economy. Labour market intelligence refers to the collection and strategic analysis of data to support the development of employment services. This session was facilitated by Annie van Klaveren (ILO, Geneva). Cristina Martínez-Fernández (OECD), Paul Barker (Department of Labour, New Zealand) and Sandra Yu (ILO, Bangkok) initiated the discussions on each question.

What are the barriers to constructing labour market intelligence (LMI) in organizations both from the urbanized and rural areas?

The resource persons discussed the lack of official statistical data that can potentially generate local market information. Sampling methods of national household surveys are not done in such a way as to enable disaggregation of statistics.

Paul Barker pointed out that various government agencies generate their own data such that one has to go through different departments to get needed information.

Furthermore, public agencies lack of capacity and skills to gather, collate and analyze data, especially at the local level.

Fernando Encarnacao (ILO, Timor Leste) cited the basic problem of power and infrastructure. He pointed out the lack of capacity for IT in Timor Leste as well as the scarcity of equipment and power to support the computerization of LMI.

Sandra Yu (ILO Bangkok) concurred with the difficulties of collecting data at the local level. This problem is more acute when there is an extensive informal economy. An example was cited of a low income Municipality in the Philippines which has collected data with the help of volunteering students.

Le Duy Binh from Vietnam, added that the problem has severe consequences. As there is little information available at the local level regarding which jobs have been lost, and how revenues have been reduced, policies are designed based on estimations which do not always reflect the extent of the problem in localities, especially in those which are more isolated.

Yong Tang Ma and Jun Liao (Institute for Labour Studies, China Ministry of Human Resources and Social Security) stressed the need for professional development of employment services in order to address skills and jobs mismatch. As an illustration of structural unemployment, they cited the example of one coastal area in China where scores of unskilled work cannot find work at the same time that companies in the same are very much in need of skilled workers.

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They also stressed the need to provide wage protection and social insurance for displaced workers. How labour market information could contribute to the design of various employment services is likewise a challenge given the wide-ranging services involved: job matching, vocational guidance, information dissemination, organizing job fairs, subsidies for unemployed workers, wage subsidies, and on-the-job training.

No indicators exist for public agencies to monitor effectiveness, efficiency and quality of employment services.

While many public agencies strive to dialogue with enterprises to develop labour market intelligence, little is known about how European countries are adapting labour market intelligence in the face of the crisis; can there be some transfer of technology from Europe to Asian countries, one participant asked.

How do we define and design employment services in view of the growing complexity and variety in employment opportunities (and in meeting post-crisis and growing employment needs)?

Some instructive examples were provided on how countries are designing information collection systems and employment services in view of new realities:

Australia has been carrying out an innovation survey where national statistics offices collect data from enterprises on technological innovation, cooperation and information sharing as well as identifying barriers to innovation; the innovation survey is deemed important as it helps poise the economy to better compete and the new challenges and opportunities in the global economy.

To align social insurance policies to the threat of job loss, the department of insurance in China is piloting a system in 18 cities (in 6 provinces) to monitor unemployment where companies report their recruitment and downsizing plans in order to help government collect comprehensive data, generate employment trends and anticipate insurance protection needs; this dynamic monitoring system will be expanded to 200 cities in China.

According to Le Duy Binh, Viet Nam has carried out an LMI project in 15-20 provinces where data is collected from the village level. However expertise is lacking at the local level as well as a systematic approach to collecting data from enterprises.

In the wake of the global crisis where 70,000 workers had been retrenched from garment factories in Cambodia (or 20% of the workforce in said sector), David Williams (ILO, Bangkok) said that the ILO has, in collaboration with the Labour Ministry and the ADB, set up a tracking system which followed 2,000 displaced workers over a period of six months. The tracking system followed where they went, how they searched for new jobs, whether and where they found new work, how much they earned, etc. It was hoped that the results of this study could shed light on where opportunities are found, on coping patterns, and subsequently contribute to the design of employment services.

In Timor Leste, employment centers face challenges reaching out to those who are in more need of finding a job, as workers in the informal economy do not recognize them as relevant as they only focus on the formal sector. There is a need for national policy makers and for international organizations to take the issue of labour market intelligence more seriously.

Rith Nguy (Ministry of Labour and Vocational Training, Cambodia) said that the Labour Ministry will set up the National Employment Agency which will provide employment services to job seekers, policy makers and training providers. In particular it will (a) develop employment services based on customer or industry demand, (b) collect, analyze and disseminate LMI for improved policy design, (c) raise public awareness of labour market information, and (d) enhance and align skills with labour market demand.

Cristina Martínez- Fernández added that gender understanding in decision-making and in regards to data collection is crucial if outcomes of rescue packages and investments are to have positive outcomes for both women and men. Cristina also stressed that there is a field of opportunities in regards to the green economy emerging from the crisis. Measures that could be taken to strengthen initiatives in this area are: Investing in increasing the capacities of staff in employment services to understand and tap on opportunities in the green economy; align national policies to local initiatives; raise awareness among small entrepreneurs, as they often lack knowledge of new and greener technologies.

Paul Barker added that in New Zealand there is no specified "green jobs" strategy as such but that fast developments are taking place in this area led by the market. The use of territorial green brands has proved to be a powerful tool to promote tourism. Green innovations in large enterprises are being driven by international obligations and the quest for greater efficiency. There is a risk however in training for green jobs that still do not exist in the economy. A careful assessment of existing opportunities must be undertaken to avoid this.

SUMMARY RECOMMENDATIONS

WORKING GROUP 1:

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BUILDING LMI AND EMPLOYMENT SERVICES

For national governments and stakeholders:

- Capacity building for staff on collecting and analyzing labour market information
- Support acquisition of office equipment for generating labour market information
- Conduct impact studies on what workers and what does not work
- Coordinate ministries and public offices at the national and local levels
- Improve the role of employment services to ease the transition from non-formal to formal

Local governments and stakeholders:

- Create partnerships to integrate data and information from different administrative sources and also to better carry out employment services
- Improve awareness of the roles and benefits of employment services for the local economy
- Analyze transformation of current jobs to green jobs

International organizations:

- Support evaluation and LMI as integral part of donor programs
- Develop systematic approaches to labour market intelligence (e.g. technical assistance towards common national indicators and local customization)
- Organize and support forums on employment services and LMI; exchange practices and knowledge sharing; study tours

WG2 Local responses: emerging good practices in enhancing skills development and utilization to boost productivity

Issues. Sylvain Giguère (OECD), speaking based on OECD member countries' experience, noted the importance of skills development in advancing career in the labour market and in improving living standards. He considered the match between skills developed by training institutions and the skills demand in the market as the primary issue in skills development. He mentioned low skills utilization as the second issue since under-utilization of skills impedes productivity improvement and innovations, with negative impacts for job quality and living standards.

Giguère also emphasized the importance of investing in skills and enhancing productivity in tandem. If a country invests only in skills development (or productivity improvement), this leads to skills surplus (or skills shortage). Eventually the country falls back into the low productivity and low skills equilibrium. He pointed out twofold challenges in Southeast Asia: i.e. whether skills development is meeting the demand in the market as well as the objectives of long-term economic development plans; and if productivity is improved and companies remain competitive.

Gorm Skjaerlund (ILO, Indonesia) observed general reluctance among local Indonesian companies in investing in efficiency. He explained this by debt averse family-owned small-scale businesses. The vast majority of enterprises are traditional micro, small and medium enterprises in Indonesia.

In addition, he pointed out that there was mismatch in technical vocational education and training (TVET) and skills demand. Two per cent of the secondary TVET graduates learn agricultural techniques whereas the share of the agricultural employment is about 40 per cent. Seven per cent of TVET graduates obtained skills in tourism while the share of tourism employment is merely around two per cent. The current vocational education and training (VET) system generates relatively low-skilled workers. His survey on the tourism sector in Surabaya revealed that hotels hired VET graduates as unskilled workers on contract basis and paid as such. Many of TVET graduates do not obtain formal employment, especially in areas where economic growth is stagnant. Thus there is an urgent need of providing practical skills to be self-employed. The whole TVET system in Indonesia is severely under-funded. This problem is more pronounced among private training institutions that account for two-thirds of the total. Lack of funding negatively affects teacher's qualification and motivation. This problem is further compounded by the lack of competence of employment services centers that fail to channel VET graduates to employment or further training.

Some country responses. Patana Bhandhufalck (Ministry of Labour, Thailand) cited the problem of trainability of workers who have low-education and of school dropouts. For example, although welding skill is high on demand, workers without capacity for mathematics cannot master the skill.

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Regarding the challenge in promoting training, she referred to the Skills Development Promotion Act of 2002 with which the Thai government provided tax rebate for training costs. While large companies benefit from the scheme, awareness of the tax incentive remains low among SMEs.

As a part of crisis response, the Government has allocated 6,900 million baht for **skills training**, targeting 500,000 job seekers and the hard-to-be placed. Trainees receive allowances during training. Registered service providers such as companies, vocational training institutions and universities provide in total around 1,000 training courses. Jobseekers receive allowances for three months during short training courses and for additional three months after the training during a period of job search. These measures have to be short-term since provision of allowances for a long period of time creates dependence of jobseekers on such allowances. In addition, the government ministries and agencies created temporary public jobs to mitigate unemployment problems.

Janti Gunawan (ILO, Indonesia) highlighted the importance of **implementation and delivery of policies**. The provincial government of East Java collects five percent of net profit for their CSR² programmes. It is supposed to deliver training through public vocational training institutions using the pool of CSR funds, but companies do not see the delivery of such promise and come to distrust the government.

Basilio Araujo (Ministry of Home Affairs, Indonesia) underscored the **role of entrepreneurship** in generating jobs in Indonesia, especially in remote areas. He asserted that formal education could play a role in it. According to him, 45 per cent of about 70,000 villages in Indonesia are categorized as disadvantaged villages. Many of the local governments in disadvantaged areas aspire to attract investors to create jobs. He, however, emphasized that local administration need to be more creative and proactive in creating employment by promoting entrepreneurship. He sees the formal education as an agent for change because it may prepare some students to become entrepreneurs who would then train entrepreneurial skills for other villagers. In this way formal education would increase its contribution to the Indonesian economy.

Tek Heng Ly (Garment Manufacturing Association, Cambodia) spoke on **training** from employer's perspective. He stated that employers support government's training initiatives as far as training programmes match with market needs, which requires consultation with job providers and companies in designing public training courses. He emphasized that public training programmes should focus on helping companies in gaining productivity especially during the crisis. Since many trained workers are unemployed, there is not much need to provide basic training, according to him. He reckoned that more higher-level training including on supervisory and managerial skills was appropriate for locals since many of the jobs that require high skills are occupied by foreigners. In addition, he noted that many Cambodian overseas migrant workers are unskilled and receiving low wages. Therefore, it is ideal that vocational training equip those migrant workers with skills so their working conditions abroad would be better.

Nazar Ali Syed of the Workers Employers Bilateral Council of Pakistan illustrated the importance of meaningful participation of employers and workers in designing skills training programmes. He underscored the superiority of demand-driven skills training as opposed to most public, often "supply-driven", skills training. He cited his Skills Development Council, a self-sustained private organization, to illustrate his point. The board of the Council consists of four employer members, one worker representative and five government officials. The board regularly meets and evaluates the existing training programmes together with the Employer Federation of Pakistan. Based on the assessment results, they develop and implement short training programmes to fill the identified skills gaps. The Council's financial position allows the body to provide training for the poor free of charge. He concluded that governments should act as facilitators and let the private sector do the job.

Mark Troppe (US Department of Commerce, National Institute of Standards and Technology) echoed the previous speaker, adding the case of the employer-driven training boards that were introduced in the United States about twenty years ago. The lesson from the experience is that substantive leadership of employers as stakeholders, investors and consumers of training is important irrespective of the governance structures in place. Mark Troppe touched upon a new method of getting companies into action after receiving training.

The US Department of Commerce's Manufacturing Extension Partnership Programme, with its partners, provides three one-day sessions on exporting products, spacing a month between sessions. Trained participants bring the new knowledge obtained through a session back in their company where they are expected to discuss action plans. In this way, after the third session all participants could develop concrete plans of action to export their products and services to new markets, aiding the growth of the company.

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Phuong Que Nguyen Thi (ILO, Vietnam) has been engaged in a project funded by the European Commission which seeks to **link labour market information with skills development**. It adopts an ILO-developed method, Community-Based Training for Rural Economic Empowerment (CBTREE), which is implemented in around 20 countries. The sequence of the project is: 1) capacity building of implementing partners; 2) identifying training needs in communities and develop training packages; 3) post-training support to trainees (i.e. self-employment creation, job placement services and introducing microfinance institutions); and 4) monitoring and evaluation (tracer studies).

The method was adopted by the Government in its training programme which intends to train 1 million farmers per year between 2011 to 2020. Community-based training is of particular importance in Vietnam since more than 50 per cent of Vietnam's GDP is generated in the agricultural sector that employs about 70 per cent of country's workforce. Implementation of the programme, however, remains a challenge, due to limited capacity of local administration.

Mark Troppe noted additional benefits in the linkage between labour market information and skills development. For example, regions with higher labour capacity have the advantage of attracting investment. He also pointed out that regional economic development strategies help us understand what industries are important in the particular region and local authorities may want to create additional incentives to attract or support companies in these strategic industries. If a region has good labour market information which is tied with skills development, it would be able to accelerate the growth of such industries.

Andrés Rodríguez-Pose (London School of Economics) raised an issue of mismatch between formal education and training schemes and local needs for skills. **Matching national guidelines to local needs** calls for flexibility in the policy design at the central level so that the leeway in guideline can accommodate and reflect local conditions in skills policies.

Gorm Skjaerlund observed that **decentralization** in Indonesia has given a large scope of decision-making to the region. A problem, however, is financing of TVET institutions: they are dependent on budget coming from the central government. Another issue is weak dialogue between TVET institutions and industries. Centres of excellence in Indonesia can offer good examples of how such centers can be set up, managed and cater for local needs of skills development. Noting a common fallacy, he asserted that employers and people are willing to pay for training if it is of quality.

Gorm Skjaerlund stated that the training institutions should become more independent of government funding. He therefore suggested that training centers become market-driven service providers. Training advisor's board shall actively seek what customers want and reflect market demand on their training programmes.

Mark Troppe introduced a concept which was developed and has been gaining popularity among development and training practitioners in the US. **Resource mapping** identifies funding available for a specific purpose (e.g. workforce development) that various parties receive from the central government, local government, NGOs and other sources in a region. This exercise helps level funding surplus and deficit of programmes since some funds are flexible in its usage.

Mark Troppe distinguished two categories of **training support for green jobs**, though he mentioned that the definition of green jobs had not been uniformly established or agreed upon in the States. First, training can help companies with enhancing energy efficiency of production. It can help workers to think about reducing energy use in the production process and use "greener" materials. Second, training can support the production of renewable energy, which could help market diversification strategies of a company interested in moving into this emerging field.

(Vietnam) underscored **gender equality** in training. Many women workers suffered from the global crisis in Vietnam. Skills development for women is a policy response to support such women who lost jobs.

Finally, Janti Gunawan (ILO, Indonesia) suggested that the Ministry of Economy and the Ministry of Development must be involved in skills development planning to reduce the mismatch between skills training supply and skills demand.

SUMMARY ISSUES AND RECOMMENDATIONS WORKING GROUP 2

ENHANCING SKILLS DEVELOPMENT

Issues in skills development and skills utilization:

- Poor capacity of TVET institutions
- Low funding for TVET institutions
- Lack of standardized certification system
- Lack of labour market information

- Lack of connection between TVET institutions and employers
- Gender balance
- Weak role of education partners
- Lack of capital for training, especially among small firms

Policy recommendations from the Group:

- Assess skills needs properly
 - Set up labour market information system
 - Collaboration with employers
- Setting priorities
 - Receive input from institutions that have statistical information (e.g. Ministry of Economy and Regional Economic Development Agency)
 - Build partnership among TVET institutions, employers and community
- Make the training and education policy more flexible to accommodate local needs
- Financing
 - Proper understanding of funding opportunities (e.g. resource mapping)
 - Make the stakeholders (trainees and employers) to contribute
- Management
 - Put the stakeholders in the driver's seat
 - Build ownership by making contribution and benefit clear
- Policy coherence and support
 - Make skills strategy coherent with broader economic development strategies
 - Education strategies to support the right sectors

(Report by: Kazutoshi Chatani, ILO, Jakarta)

Local responses: emerging good practices building and maintaining infrastructure using local resource-based approaches

The construction and maintenance of community infrastructures are rich sources of practical and sustainable employment. Community infrastructure development provides employment, enhances access to livelihood opportunities, transfers practical skills, helps develop local entrepreneurs and contributes to local development. Community involvement provides a sense of ownership of the infrastructure and ensures its proper use and maintenance. Neighborhood organizations play a crucial role in the construction or rehabilitation of infrastructures not only to improve living conditions after a calamity but also as disaster preparedness and risk reduction interventions that enhance local capacity to cope with future natural events.

The use of the community contracting approach by Indonesia's local governments is a challenge given that there is an established system of infrastructure development. Local governments' attitudes on their acceptance of the approach vary, especially if local funds need to be utilized. The city of Malang has limited financial capacity, especially for road maintenance and construction. Under partnership arrangements, Government shoulders 60 per cent of the cost while the community covers 40 per cent. Infrastructure development must not only be resource-based but also local knowledge-based and culture-based; through the partnerships, opportunities are provided for the people and government to work together and to build capacity through knowledge gained, whilst strengthening the values of local culture.

In Timor Leste the government applied a cash-for-work approach using labour intensive methods through force account. Despite encouraging pilot results, the sustainability of the approach has not yet been achieved. A challenge in introducing the approach is how to engage youth and women and raise their participation in local infrastructure development. Methodologies for impact assessment at household level could shed light on what economic and social benefits are obtained by beneficiary groups.

In rural Cambodia the initiatives to improve access have been undertaken through employment-intensive infrastructure development utilizing labour-based approaches. The local governments worked with the communities on infrastructure development, providing training on basic engineering and accountancy. Concern has been raised on how best to convince other UN agencies about the approach and on what would be the follow up once an understanding and buy-in is established.

Bangladesh has applied labor-based works in the late 70's, with the Local Government Engineering Department (LGED) taking care of all rural roads in the country. Maintenance and construction of roads became a special employment program of the local governments. The engagement of community contractors has led to concerns for quality of construction, leakages, monitoring and supervision. This also created an additional workload for the Public Works Department.

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Nepal has used labor-based methods and community contracting in upgrading irrigation infrastructure (erosion control measures, construction of dikes, and awarding of cleared lands to farmers). This resulted in more direct income generated by increased farmland and better access to market. The infrastructure construction unlocked and put into motion a broader local economic development processes in the area, including planting of new crops and the establishment of a farmers' cooperative.

Overall, it seemed that community involvement in infrastructure development and contracting is occurring in many countries, but on a small scale. Examples of scaling up and institutionalization need to be documented for the benefit of countries wishing to apply the approach in their response to the crisis.

If community contracting and local-resource based methodologies were to be broadly and sustainably adopted, the following action is suggested:

- Policy advocacy at both national and local levels on mainstreaming use of labourbased and community contracting as local development options
- 2. Review of rules and procedures related with transfer of public funds, procurement of services and auditing procedures that affect the use of community approaches
- 3. Decentralization of national government decision-making functions on resource use (like in Indonesia and the Philippines)
- Developing a more comprehensive Local Economic Development strategy, involving the private sector more closely in infrastructure development
- 5. Policy recommendation for private sector participation in infrastructure development (e.g., build, operate and transfer)
- 6. Policy recommendation on gender equality, wage standardization and good labor practices
- 7. Develop and apply participatory and transparent project monitoring and evaluation procedure
- 8. Standardize promotional/advocacy materials on good practices about labor-based infrastructure development
- 9. Develop a comprehensive program for implementers about community contracting and use of labor-based methods for infrastructure development incorporating soft skills development (HIV, literacy, women's rights).

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(Report by: Nori Palarca, ILO Manila; and Kees van der Ree, ILO Geneva)

WG4 Local responses: emerging good practices in supporting sustainable enterprise development

The session started with a round of introduction and with presentation by Frank Bertelmann who described the GTZ LRED (Local/Regional Economic Development) approach for the furniture sector in Central Java. He emphasized the necessity to support SMEs including their access to capital, improving innovation and branding capacities, productivity and quality issues and developing their design capacity as part of the an integrated value chain development. As a result of the LRED process in Central Java the cluster could increase the export value up to 40 per cent and employment figures 4 per cent, as well as diversifying export markets. Improved overall value chain efficiency and constant innovation in particular was identified as key ingredients to improving value chains. This experience produced a number of lessons learned for a national strategy on LRED and adjacent guidelines.

Crises provide a push towards innovation and diversification. An impact study of the global economic crisis on the furniture sector in Indonesia revealed that there was a loss of 50 per cent of the overall demand with even higher figures for the export markets. This led to reduced working hours and to a decrease of up to 50 per cent of the average worker's income. Without any support mechanisms from national and provincial governments in place, the necessity to innovate and seek new markets could not have been higher. Response strategies at company level showed an effort to research on the value added of the wood furniture end-products, modifying production concepts (e.g. hotel sector, custom made) on the one end, and focusing on "green furniture" on the other. It was noted that now the turning point for recovery is expected and that the GTZ project interventions have contributed to an increased capacity for resilience and coping strategies.

Mr. Kusnan from the Setia Kawan cooperative in Nongkojajar- East Java agreed. He mentioned in his case that in the context of the 1997-98 Asian financial crisis, dairy products were transformed to better value added products. Before the crisis he said, the cooperative (of 7,000 farmers) exclusively sold their goods to Nestle. After the crisis, the cooperative started processing UHT milk, selling only 60% to Nestle. Likewise, a value added-diversification strategy was undertaken for the apple industry – important in the region- to develop apple juice, apple chips etc. An example was cited of the biogas sector which now serves to promote new and better fertilizers as well as supplying households with their basic power needs. Market diversification was raised as an important part of the equation for sustainable firms. A stronger focus on domestic markets is in some cases the key.

Mr. Kusnan also stressed the important role local or regional cooperatives can play in locations such as his where most people do not have bank records nor land titles. His cooperative for example has provided the guarantees necessary for farmers and traders in his locality to obtain bank loans for productive projects.

Entrepreneurship promotion must be linked to the market, not applied in isolation. From the ILO Manila point of view and experience, it is crucial to start with fundamentals when engaging in projects in view of their sustainability. For this reason, a number of entrepreneurship packages including GYB and SYB have been launched in selected regions, understanding they could provide a partial answer to alternative employment and focusing at first on training partners in the economic zone. There again, the biggest issue highlighted was that of linking entrepreneurs to financing schemes and services, including loans but also savings, insurance and other services. The importance of learning how to prepare a professional business plan was highlighted, and so was the continuous commitment of the government of the Philippines to support GYB and SYB. Finally, it was reiterated that enterprise training could not operate in isolation but rather needed focus on specific economic zones with efforts to increase access to markets.

Access to finance: In the case of the ILO-EAST project, SIYB is an important tool that was simplified for its adaptation to the local context in Papua notably. From the project's stand point, it is again the lack of access to finance, particularly to young entrepreneurs with limited experience that is the key bottleneck. This concurs with the example from the Philippines, although in the latter it was mentioned that a larger problem was that of rural banks, that are less flexible in the services they offer than NGOs. All concurred that linking skills strategies to access to finance was fundamental.

Some interesting examples were advanced including initiatives to support business start up that are not capital intensive. The case in Lampung, South Sumatra, portrayed a group of young entrepreneurs that established a forum and brainstormed for ideas to start businesses such as brokerage or advisory firms for individuals with a spirit to build but no access to capital. This idea was thought to apply well to the wood furniture business.

Training tools not always the answer. At the same time, it was said that development practitioners often had a quick response to train Master Trainers, which was not necessarily the wisest choice. This approach is a common answer but the reality is often more demanding and complex than delivering Master Trainer courses. Likewise, the "quick answer" of providing projects with existing tools is inadequate without necessary adaptation and research efforts in place. This has led to the presence of too many tools, which are sometimes similar in nature but labelled differently. Therefore, the answer in this respect is to better collaborate with existing service providers.

There is a need to focus on competitive, rather than twilight, sectors. From the ILO Delhi point of view, the focus is on the value chains methodology. The question of dying industries was raised at the same time as that of a participatory value chains approach, explaining that short term measures should be careful not to include dying industries. In a value chains approach, the LED participatory process helps identify competitive sectors, which in itself differs from private sector development approaches which promote linear channels.

Importance of addressing the broader business environment: to ensure sustainability, it is fundamental to take into account the broader business environment and also to rely on existing institutional capacity rather than on "doing new things". This may involve stopping short from capital investment for some of the ILO's projects to the benefit of supporting the development process and serving as a catalyst for change. In this sense, it is most important to create momentum at an early stage. For this, the identification of local leaders —such as Pak Kusnan in the LED process in East Java- is very important.

A point was raised on the regulatory/ registration/ licensing challenge faced by projects in many countries. It is important to engage in regulatory impact assessments and One Stop Service (OSS) when initiating sustainable enterprise development programs, to better understand local burdens. In many cases in fact, regulations even differ among districts, let alone provinces or countries.

(Report by: Matthieu Cognac, ILO Jakarta)

WG5 Local responses: emerging good practices in designing and implementing social transfers and employment guarantee schemes

Measures to extend social protection have been an important feature of the policies adopted in developing and developed countries to counter the effects of the global economic crisis. Social protection measures taken during the economic crisis include unemployment benefits, scaling up of social transfers and other poverty alleviation programmes. Additional cash transfers, for example, have been introduced in 29 out of 54 countries surveyed by the ILO. In the Global Jobs Pact, ILO constituents invite countries to consider introducing, as appropriate, targeted public employment guarantee schemes and cash transfer schemes for the poor as a way to promote stronger and more sustainable economic and employment recovery.

This working group focused on exploring the potential of those policies in Asia by means of reviewing regional experience, comparing approaches and appropriateness of different schemes either as crisis/emergency response mechanisms or as a strategy for long-term recovery and sustainable development, and extracting lessons for implementation (e.g. for institutional coordination mechanisms; monitoring and evaluation; the role of national and local authorities, private sector, community organizations, and households).

This working group was facilitated by Martin Gasser (ILO-ITC). There were four resource persons who provided technical inputs to the working group: Jude Esguerra (Philippines), Asad Sayeed (Pakistan), Tito Yepes (Colombia) and Moazam Mahmood (ILO).

Sharing of experiences on CCT and EGS

The first part of the working session was a sharing of experiences of the Conditional Cash Transfer programme in the Philippines and the proposed Employment Guarantee Scheme in Pakistan.

Conditional Cash Transfer (CCT)

Mr. Esguerra gave a short presentation on the Conditional Cash Transfer programme currently being implemented in the Philippines. He emphasized that the CCT was introduced due to the country's slow progress in reducing poverty (poverty rate increased between 2003 and 2006), falling of education indicators (i.e. net enrollment rate, drop out rate) and troubling health indicators (i.e. maternal mortality rates). The Philippines' CCT is funded by the World Bank. It provides P6,000 per year/per household (US\$130) for health and nutrition and P3000 per year/per child (US\$65) for 10 months up to a maximum of 3 children per household. The conditions specified are regular preventive health checkups and vaccines, attending daycare/preschool at least 85% of the time, pre-natal care for pregnant women, attending mothers' classes, parent effectiveness and responsible parenthood seminars. The CCT is being managed by the Department of Social Welfare and Development (DSWD).

Initial implementation resulted in increased investments in health and education facilities by local governments. However, challenges remain. The financial capacity of localities needs to be improved. The CCT is a program that addresses chronic poverty, not transient poverty; hence, it needs to be complemented with other programs. There are other risks leading to poverty traps that need to be addressed such as school dropout when parents lose employment and income shocks due to fall in mining and agricultural commodity prices and reduced demand.

Employment Guarantee Scheme (EGS). Mr. Mahmood, Mr. Yepes and Mr. Sayeed provided information and shared their views on the proposed Employment Guarantee Scheme (EGS) for Pakistan. EGS is being considered as a key policy measure to respond to the crisis in Pakistan. A severe economic and social crisis consisting of three converging edges has hit Pakistan: (a) a BOP crisis caused by exploding oil prices in 2008, (b) falling exports caused by the global financial crisis, and (c) displacement of a large population in the Northern regions caused by the intensification of the War on Terror. The result is a huge depression on both foreign and domestic demand. Growth projections for 2009 and 2010 are being revised downwards every quarter as new data for the real sector become available. Unemployment and poverty which had been mitigated by growth trends till 2007 had begun to increase. One estimate of poverty showed an increase from 24 per cent to 30 per cent over the last two years.

It is within this context and with the support of the tripartite constituents in Pakistan that the ILO proposed to do a feasibility study and draw a technical design for an Employment Guarantee Scheme that would provide for an employment floor and cushion the economy allowing it to rebound. It would offer a number of days of employment at a minimum wage and use the labour as an input for public investment in infrastructure creating public value out the transfers. An EGS will meet three key conditions: one, create jobs demand in a situation where growth is constrained by domestic demand allowing the economy to bottom and rebound. Two, enable Government to make a strong case for fiscal space for the EGS with the IMF. And three, provide a critically needed employment and social floor in northern regions through a phased EGS.

Advantages and disadvantages of CCT and EGS and other issues

Following the presentations by the resource persons, a number of questions and issues were raised by the participants: the advantages and disadvantages of a cash transfer programme and an employment guarantee scheme, their relative appropriateness as an emergency response, and how best to implement, coordinate and monitor these types of programmes.

Main conclusions of the Working Group are:

- (1) Sustainable growth must be secured through a combination of instruments including employment floor and income security. Cash transfers (unconditional and conditional) and employment guarantee schemes have been extensively used in many countries.
- (2) These programmes do not necessarily need to compete with each other as they have complementarities. CTs and EGS can form building blocks for a social protection system in Asia, which remains weak.
- (3) CCTs and EGS have advantages and disadvantages, strengths and weaknesses. Cash transfer programmes promote human capital development and address chronic poverty, but are less appropriate to address shocks, which could lead families to further poverty.
- (4) On the other hand, employment guarantee schemes have multiplier effects and promote local economic development. It is rights-based and provides income security especially in times of crisis. By providing income through productive work, other benefits are gained at the individual and household level, such as increase in purchasing power, greater sense of dignity, and personal fulfilment. Cash transfer programmes and EGS help ensure that basic social needs are better met by poor households.

- (5) The "final outcome" of poverty reduction is not necessarily achieved because there are many factors beyond the scope of CTs such as weak physical and social infrastructure and low quality of services. The EGS can add value in this area. Experience in India, where the largest EGS ever is active since 2006, shows significant impact on local labour markets, e.g. increase in agricultural wages and reduced rural-urban migration, as well as the potential to mobilize local stakeholders around issue of good governance.
- (6) CTs and EGS have different institutional requirements. Local institutional capacity is critical in implementing both types of programmes. Local governments, in particular, have crucial roles in the delivery of both schemes. Capacity building of local institutions is important and phased implementation of such schemes, such as the one foreseen in the proposed EGS in Pakistan, may allow for gradual build-up of local institutional capacity.
- (7) There are design issues that need to be examined further such as: minimum wage setting, targeting process and kind of work to be undertaken in the EGS. The targeting process for beneficiaries of both programmes should be transparent and need to be based on verifiable criteria to avoid capture by interest groups and prevent conflict among beneficiaries.

(Report by: Lourdes Kathleen Santos, ILO Geneva)

5. STUDY TOURS

Based on the topics of the working groups, a range of study visits was organised with the objective to:

- Compare the findings and conclusions with the reality of the field
- Become aware of major challenges in the implementation of more generic policy recommendations

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 To detect new perspectives on crisis responses that might not have been discussed previously during the meeting

GROUP A: Bio-Gas Project run by the Cooperative Setiakawan in Tutur, a subdistrict of Pasuruan

Visit to a Green Jobs initiative based on a community-led strategic planning workshop (LED Local Forum), which identifies cooperatives and tourism as key drivers for the local economy.

Tutur, which is also known as Nongkojajar, is a sub-district of Pasuruan. Nongkojajar is the gateway to Bromo Mountain. It is 600 to 1300 meters above sea level with a temperature ranging from 15 to 24 degree Celsius. Nongkojajar has a total population of 48 million. It is surrounded by fertile land that is suitable for agriculture. Apples, potatoes, cabbage, carrots, melon, and durian are among the fruits and vegetables that grow in the area. Coffee is another major product of the town. Nongkojajar is also the biggest fresh milk producer in East Java.

The participants visited two sites in Nongkojajar - the biogas project supported by HIVOS (a Dutch aid agency) and the LED Forum (see elaboration below).

BIO-GAS PROJECT

The biogas project has the following objectives:

- to increase the number of quality domestic bio-digesters to 8,000,
- to ensure continued operation of all bio-digesters installed under the programme,
- to maximize the benefits of the operated bio-digesters, in particular the use of slurry,
- to develop the capacity of organisations and institutions for the continued and sustained development of the bio-digester,
- to develop financial services to enable poor households to participate in the biogas programme, and

 to effectively exchange knowledge between all relevant actors in the programme.

The biogas project in Nongkojajar started in May 2009 and will be supported by HIVOS until 2012. The target is to construct up to 12,000 plants. A total amount of 2 million rupiah is provided as subsidy to the households. Credit facilities for the households are also being established.

The project has strong private sector involvement. Local companies and cooperatives are fully engaged in the plant construction and maintenance. Four local partner organizations are involved in the project.

The biogas project has provided a number of benefits to the community. It provides energy for cooking and lighting that is environmental-friendly. Time for cooking, cleaning and collecting fuel wood has been reduced. This time reduction for these tasks have freed up the women, who did these tasks, and allowed them to engage in other productive activities such as small livelihoods. There was also an improvement in the sanitation in the community. Further, indoor air pollution was reduced. The biogas project was able to create employment and increase the incomes of the households.

The biogas project is an example of a local system that has implications nationally. It fosters community participation and is self-driven. Responsibility and accountability of maintaining the plant lies with the actual users and not an intermediary. There are questions though on health and safety issues as well as on upscaling and continuous financing of the project. Further, it was not evident how the youth directly benefit from this program.

THE LED FORUM

The LED forum is headed by Mr. Khusnan, leader of a 30-year old dairy cooperative (KPSP Setia Kawan) with over 7,000 members.

The LED Forum is made up of the following members: Provincial Government/Regency, CU Sawiran, BRI, BNI Syriah, HIVOS, Vegetable farmers, flower association, Condido, NTIC Souverir, KPSP and the ILO.

A number of economic development projects were launched through the LED Forum. These include the NTIC (Nongkojajar Tourist Information Center), Emboen Souvenir Local Production, Bromo Agrofestival, Biogas project, and the waste management project.

The presence of the LED Forum in Tutur improved human resources in the area. It has also improved the cooperation among actors involved in local economic development. Further, through the initiatives of the LED forum job opportunities have created especially for the youth, hence, reducing migration from rural to urban areas and benefiting the local development of Nongkojajar.

The LED forum also showcased the strong public-private sector partnership in the area and how the LED process has facilitated the unleashing of the economic potentials of the area.

There were concerns raised though about the LED Forum particularly on its sustainability. There appears to be a lack of a roadmap for the LED Forum. Its link to a national system or structure is also unclear. Further, it seems that the LED Forum is highly dependent on the ILO, bringing up the question, what will happen when ILO exits from Nongkojajar? Will the LED Forum continue and remain sustainable on its own?

(Report by: Lourdes Kathleen Santos, ILO Geneva)

GROUP B: Launch of the Employment Service Center in a subdistrict of Pasuruan

Participation in the launching evening of the Employment Service Center at the local job fair and visit to a private vocational training centre for migrant workers.

JOB FAIR & EMPLOYMENT SERVICE CENTER

The job fair was given an impressive opening by the local authorities, and was well attended by locals from the surrounding area. Represented at the fair were over 40 companies from inside and outside the district, representing some 1,800 potential job opportunities. The stated aim of the event was to better match local labour market supply with the demand for labour in the Pasuruan area and beyond, and to address some of the hardships and social problems associated with high local unemployment (which stands at 18 per cent, according to officials). The job fair, it was hoped, would be the first catalyst for greater and more regular face-to-face engagement between job seekers and employers.

Officials also noted concerns about the fast growing labour force in the area and the fact that despite robust recent economic growth, corresponding rates of job creation have not kept sufficient pace. In addition, they reiterated the priority of the national government to improve the competitiveness of Indonesian workers against neighbouring countries something that requires replications of these kinds of services and events across the country. At the local level, the district chief said his office were working to develop partnerships with local industry to develop the skills required by local and regional employers, and thus address the current skills deficit, particularly among youth.

The fair itself was fairly well laid out. Under a temporary tent were several rows of booths and stands, each one containing a different employer and with various promotional materials and giveaways also available. Employment service staff were in some booths ready to provide demonstrations to job seekers of the types of services available on the centre's website. Job seekers were mostly congregated outside the job fair waiting for the official opening.

Comments by participants

A stronger PR campaign is required for the job fair and employment service centre, as well as for garnering the participation of a broader array of firms (manufacturing firms Some participants also suggested a need for the centre to seek information of jobs available nationally, as well as locally, to encourage greater mobility and flexibility of the labour force.

Concerns were raised about sustainability, since there appeared to be little scope for continued public funding to hold regular job fairs in the district. Holding one once a year, as officials said they had hoped, was unlikely to make a major impact on unemployment, it was argued.

Questions were also raised about the "value-added" the job fairs were providing to local job seekers. In the absence of specific career/job counseling and advisory and referral services for clients (to training opportunities, small business development services, and so on), some participants questioned whether the job fair was providing much more than what could already be found by looking in local and national newspapers.

MIGRANT WORKERS TRAINING CENTER

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There was some initial confusion on arrival at the centre, with some participants thinking that this was "the" employment service centre noted on the trip agenda. However, this was a privately owned training centre for female migrants, specializing in domestic work for households in Hong Kong and Singapore. The company that runs the centre has branches nationwide, and also offers training services for prospective migrants to the electronics sectors of neighbouring Malaysia (mostly men). Nationwide, it sends 250 female workers into these occupations abroad every month.

According to the centre's owner, who is also a local politician, Indonesia receives RPH100 trillion in remittances from overseas citizens every year. More than 200,000 leave the country annually for work, mostly to more developed Asian neighbours and the Middle East.

Overall, the centre looked impressive, with modern facilities/equipment, lots of space, and an articulate and bright group of staff. Students at the centre, all of which were young females between the ages of 18 and 30, undergo two main types of training: (1) language instructions for their host country (English or Cantonese, 200 hours basic); and (2) skills for domestic work, including washing, ironing, cooking, vacuuming, child care and looking after elderly and disabled people. In addition, the owner stressed that before accepting women onto the course, each has to undergo a comprehensive psychological test to ensure they are mentally suited to the rigors of migration and adaptable to the challenges they may face in their host country. Most students seemed eager to learn and were indeed excited about the prospect of moving abroad for employment.

Concerns were raised on several levels, however. First was the cost. Students were attracted to this particular centre by the prospect of not having to pay anything until they were employed in their host country. Unlike some other centers, all fees relating to training, recruitment, travel and visa arrangements are deferred until students are earning. Once in the host countries, workers will then typically expect to work 7 days a week for around 7 to 8 months on an extremely low salary, since these fees will be subtracted from their monthly pay packet until the company recoups its initial outlay (plus a sizable "markup" percentage). Despite this, few women seemed to have reservations; many noted that despite the poor salary, this was infinitely better than what they could expect at home. Most have come from poor families in rural areas where \$2-a-day poverty is commonplace. After 7 months, the typical gross salary for the workers was said to be around USD490.

Other concerns were raised about the recruitment procedure of the centre's students. It was revealed that in East Java alone there are 79 similar centers offering pre-migration training for domestic workers, and owing to this competition many actively seek prospective students in their villages of origin with a range of gifts and incentives (TVs are commonly offered, for example). This prompted questions about the management and regulation of this system, which from the outset appears to prey on young women with few skills and opportunities and encourages voracious competition based on "selling migration" rather than explaining it. When asked, the owner of this particular center admitted that many of the women trained there are keen to leave the country in order to get away from difficult family circumstances such as abusive marriages and restrictive social and cultural norms.

There were also worries about the support (particularly psychological and emotional) these workers have access to while abroad, and what happens to them at the end of their standard two-year contract. The owner admitted that it was not his company's responsibility to provide any support to workers once they are overseas, but he maintained that Indonesian consular support is readily available to all domestic workers working in both Hong Kong and Singapore. "Softer" forms of support, such as to alleviate anxieties related to long periods of confinement and isolation, it seems, a scant consideration for labour sending companies. Moreover, in terms of "reintegration" policies of returned migrants (after their two-year contract), few –if any- companies appear to offer any guidance or support.

On trafficking and exploitation, the owner conceded that despite the safeguards put in place by his company (such as minimum age requirements and background checks of age and identity), a better overall system of management and regulation is required nationwide.

Regarding the ILO's potential involvement, it was suggested that these training centres should incorporate key principles such as international labour standards to its training curricula (particularly in terms of workers "knowing their rights"), as well as working with the ILO to make specific recommendations to receiving countries on the protection of domestic and other migrant workers working within their borders. In addition, it was also considered useful for the centres to expand their "advisory and counseling" capacity for prospective migrants, and potentially, returnees also (since many would benefit from advice on how to put their savings and newly obtained skills to good use back home). However, whether such services can or would be provided effectively by a private actor is still up for debate.

(Report by: David Williams, ILO Bangkok)

Opening of the Job Market Fair

40 Companies were present, representing some 1,800 potential job opportunities



Migrant Workers Training Center

Provides language instructions and skills for domestic work, including caregiving to children and elderly



photos by Annie van Klaveren

GROUP C: Poncokusumo, "agropolitan area" in a subdistrict of Malang

Visit to a vocational training center, conceived in partnership between the local government and the community to answer the need for infrastructure development through the promotion of rural development activities.

MALANG VOCATIONAL EDUCATION DEVELOPMENT CENTER (VEDC)

VEDC Malang is one of 12 VEDCs under the Ministry of National Education. The Centre annually accepts approximately 1,000 trainees, of whom 50 per cent are teachers from other establishments, 25 per cent are private sector workers, and other 25per cent, from technical schools or from general public. The Centre provides baccalaureate type, and short-term training. For teachers and private sector workers, the centre helps upgrade skills. 100 per cent of those having obtained the baccalaureate have been able to find employment.

VEDC Malang is a unique example of public-private partnership concerning skill development, particularly in the context where the collaboration between training institutions and private companies has not been common. Sustainability of the Centre, including effective provision of training, would depend on its ability to meet the skill requirements of various industries, as well as its viable financial management.

GOTONG RAYONG IN WRINGINANOM VILLAGE

Gotong royong is a tradition of cooperation often in the form of collective work. Our group visited a site of road construction by community people supported by the local government. Once consolidated, this route connecting two villages is expected to contribute to promoting tourism being developed in the locality, which in turn would provide a potential for income and employment generation of the people.

This is a good example of people contributing their labour, supported by the government, for the common purpose of local development. Its sustainability nevertheless appeared to depend largely on the strong leadership of the current governor, who will complete his tenure in a year.

BIOGAS PROJECTS IN GADING KEMBAR VILLAGE, JABUNG / KAN JABUNG DAIRY COOPERATIVE

HIVOS has been implementing, with the coordination by a dairy cooperative (Kan Jabung), a biogas project, with an aim to enhance environmentally friendly energy and utilization of manure. Despite initial skepticism among community people due largely to the high amount of investment, the interest has been growing. 100 units have been established. The group visited a biogas facility being set up, and another being in operation. We also visited the Kan Jabung cooperative, which is also known for dairy products.

This was a good example to show the importance of environmentally and economically viable use of energy, in terms not only of implementing a relevant project, but also of building awareness among stakeholders. This case also indicated the importance of understanding the scope of a local economic development project: i.e. genuine impacts of the biogas project which, despite the prevalent claim for its community-wide benefits, are de facto limited to the household level.

COMMENTS: ISSUES AND NEW PERSPECTIVES

Community initiatives - government support

Joint consultation among national and local level stakeholders, particularly community people, is critical, in order for the viable design of local economic development project / programme, including the confidence building. The case of gotong royong demonstrated a key role that the local government (more specifically a governor) can play in this process. It also indicated a need to consider a mechanism to sustain the momentum regardless of the changes in the government, such as district level regulations to facilitate community works/community-based initiatives.

Partnership building

The importance of multi-level, multi-stakeholder collaboration should be underlined. Particular attention needs to be drawn to ensuring inter-ministerial/departmental collaboration within the government. At the same time, public-private partnership is critical for local economic development, such as the case of VEDC where a public training institution provides skill training to respond to the demands by the private sector. Public-private partnerships can be essential also for the management of a training centre itself.

Synergy

A key to "success" is to design a project in such a way as to have different activities reinforce each other. The case of dairy cooperative demonstrated this: i.e. its members generate income from dairy products, while saving money from the use of biogas (and potentially fertilizer).

Financial support

Provided that it is carefully designed, subsidies are instrumental in stimulating interest of community people in local economic development. This was the case of the local government subsidy for the biogas project.

Environmental concern

The need to raise awareness on environment cannot be over-emphasized, not only among community people but also among other stakeholders. In the case of the biogas project, villagers, cooperative staff nor local government officials seemed to be fully aware of (potential) health and sanitation risks of setting up of the biogas facilities adjacent to the living compound.

Infrastructure

As the case of gotong royong demonstrated, infrastructure development can contribute to local economic development through, for instance, the effective use of local resources such as labour. The interface between infrastructure development and local economic development needs to be considered further.

Local context and needs

There are many valuable lessons to learn not only from abroad but also within a country. In this regard, a key issue is to design, implement and evaluate a project taking into consideration the local context. A potential for replication also needs to be carefully examined. A "best practice" in one locality may not be a "best practice" in another. The case of VEDC Malang showed a possibility to provide affordable training which meets the local needs. Its replication in other localities in Indonesia and other countries can be assessed based on the specific needs and contexts of respective localities.



GOTONG RAYONG

is a tradition of cooperation often in the form of collective work. The road construction is being carried out by community people supported by the local government. Once consolidated, this route connecting two villages is expected to contribute to promoting tourism in the locality.



LOCAL FESTIVAL

at the Poncokusumo Sub-district

Photos by Alice Vozza

6. OPEN SPACE

The Open Space Methodology allowed participants to set the agenda and convene working groups to discuss in greater detail themes that interested them the most and to raise issues that were not sufficiently (or not at all) addressed during the foregoing sessions (emerging issues). Below is a summary of the selected Open Space discussions.

TOPIC

SUMMARY OF DISCUSSIONS

What should be the research priorities of OECD in the area of local economic development? (Led by Cristina Martínez-Fernández, OECD)

Some of the research priorities identified are: (1) The impact of trade integration on new patterns of employment, (2) Reform of labour market intelligence with consideration for efficiency and equity (including active labour market policies especially for workers with less mobility), (3) Role of labour market institutions in mediating employment services and social protection for informal workers, (4) Migration and mobility of workers and their impact on demographic change (including issues related to immobility among people with inadequate skills), (5) Role of local governance institutions in facilitating economic development and social protection (and identifying institutional channels for decent work).

Role of remittances in local economic development (Led by Charles Bodwell, ILO Bangkok, and Paul

Remittances have a positive role in cushioning the impact of crisis in the region. Evidence has shown, however, that proceeds from remittances typically go into household consumption with little link to local economic development: Consumption patterns support good Barker)

produced outside the locality, entrepreneurship has limited support, remittances do not reach recipients in remote communities. Yet there is a huge potential that can be tapped for economic recovery and local development. We need to know more: How much remittances are coming in locally? What is the role of savings banks? What How can we work with the private sector? What is the strategic role of government?

Local strategies for promoting SME development and preserving jobs

There are different types of local strategies for preserving jobs. This working group explored possible programme components of such strategies. In the US, there is so-called economic gardening, which is a model for growing small businesses where the latter are assisted in improving jobs and revenues. The group discussed the importance of good business environment at the local level, the role of taxes and subsidies, and the need for supportive infrastructure. The group discussed business visitation programmes, creating a network of local resources and information on what companies are doing in the local economy. At the macro level, there are competitiveness indices that determine which states or provinces have more competitive conditions. One conclusion the group drew was that without public support to "buy down" the costs of business development services, it is difficult for business development services for small businesses to survive.

Developing a local economic development course for local officials (Led by Jesus Macasil, ILO Manila)

A local economic development course is being envisaged in response to a request in the Philippines by the Mayor's Development Center, the capacity building arm of the network of city and municipality mayors. The need for this was also found in several other Asian countries where economic and other related functions are being devolved. ILO is well-placed to facilitate this process given that it has tools and expertise available throughout the organization, including at the International Training Centre. A number of training components are discussed, including the use of peer influence to motivate and reinforce participants (in this case, mayors and local officials) into action. A course on local economic development needs no buy-in among local officials especially where mandates for economic planning and development are devolved to local executives and local councils. A course for local chief executives can focus on the following topics: What are the problems, who are the stakeholders, what is local economic development, what are the good practices, what actions What can we recommend when it comes to infrastructure development for local economic development? (Led by Nori Palarca, ILO Manila)

have to be taken.

ILO has recent experience in promoting an employment approach using community contracting to provide immediate relief and recovery after disaster. It also focused on disaster risk preparedness. In Pakistan, the same approach was taken and women were employed in the process. Groups trained in community contracting are often contracted by government for public works subsequently. Thus, the advantages of community contracting include employment benefits, skills transfer, instilling a sense of ownership in the infrastructure developed, and use of local resources. Ownership of infrastructure leads to better maintenance and community participation results to transparency and accountability. Community contracting furthermore provides savings of about 20 per cent of project cost. The working group recommended the following: Orient local government leaders so that they recognize the potential of community contracting; local government units should initiate training programmes in anticipation of infrastructure needs.

Value chain development for green jobs (Led by Hideki, ILO Delhi)

The working group discussed the benefit of using value chain approach to develop green jobs. The value chain approach is very useful in term of translating technical and ecological issues into business development opportunities. The working group discussed possible means of integrating environmental issues in value chain tools. Among the options are: inclusion of environment-related questions in structured questionnaires; adding recycling processes into the elaboration of production chains; adapt environment auditing tools within value chain methodologies. A question was further raised as to how the complex processes of value chain development (and now including green jobs) can be delivered in a simple way among target groups that have limited capacities. Simple participatory methods, e.g. of data collection, are stressed. The importance of identifying key drivers of change was highlighted. Can Nestle be a change agent? Can subsidies be provided linked to technology transformation plans? How can the change process be sustainable? There are no clear answers but there is now ongoing effort to develop an appropriate manual and the learning continues.

Developing a policy brief on local responses to the As part of capacity building and sensitization of local officials, a guide will be developed over the next months targeted at local officials about how they may deal with the global economic crisis. The working

global crisis (Led by Kees van der Ree, ILO Geneva)

group participants were invited to comment on the proposed structure of the guide. The guide will have three parts: (1) Context setting (how is the crisis felt at the local level), (2) Why local governments should act (because markets cannot solve the crisis and there is need for government to provide social protection); and (3) What local stakeholders can do (in order to support local development and to do things better). The booklet or guide will present evidences to support its message.

How can one design and implement a social and employment floor (Led by Aurelio Parisotto, and Moazam Mahmood, ILO Geneva)

The working groups started with the premise that cash transfers (CTs) and employment guarantee schemes (EGSs) have improved purchasing power during the global crisis when exports drop and domestic economies collapse. These provide a cushion to poor and near-poor groups and prevent them from slipping into poverty. Though CTs and EGSs have complementarities, EGSs can provide countercyclical effects more than cash transfers. EGS is rights-based and provides social protection though job creation. EGSs have been used extensively. The Philippines and Indonesia have used CTs while India has carried out EGS. ILO is helping Pakistan in implementing EGS as well. EGSs can have poor results however if not properly explained and if poorly targeted. By way of providing recommendation, the group emphasized the importance of using the right policies for the intended target groups, of involving local stakeholders in identifying and justifying target groups, and of engaging financial institutions, which potentially fund these social protection schemes.

7. EXPERTS PANEL

Conclusions

Using an interactive fish-bowl methodology, the objective of the concluding panel was to: a) draw conclusions on the main lessons learnt from this expert meeting, b) forward recommendations regarding policy action at the local, national and international level, and c) suggest specific next steps to be taken by organisers and other experts in the meeting.

Selected experts were gathered in a concluding panel. This panel included Cristina Martínez-Fernández (OECD), Andrés Rodríguez-Pose (LSE) and Aurelio Parisotto (ILO Geneva).

During the course of discussion, other experts were asked to join the group and share their views – Dixon Yasay (League of Municipalities of the Philippines), Komara Djaja (Coordinating Ministry for Economic Affairs), and Patana Bhandhufalck (Ministry of Labour in Thailand).

The participants sat in the outer circles. They were invited to sit inside when they wished to share their views. This is called a Fishbowl Session. The panel was moderated by Kees Van Der Ree (ILO).



Photo: Alice Vozza

Question:

Have we developed any new view on the crisis?

Diversity. Cristina Martínez-Fernández noted that the impact of the crisis in the Asia Pacific has been quite diverse. Some countries have had a high exposure to the crisis (such as the Philippines, Indonesia, Viet Nam and Cambodia) while others have had relatively less exposure (Bangladesh).

Others have experienced decelerated growth (such as Malaysia and Singapore) whereas the impact on some has been sectoral. This is so in Cambodia where 10 percent of factories have closed; in Viet Nam where SMEs are now experiencing difficult access to finance; in Malaysia were exports have declined by 16% and in the Philippines where 40 per cent of exports were affected.

Vulnerabilities at the root. Andrés Rodríguez-Pose noted that the crisis has exposed longstanding vulnerabilities – something which has been overlooked given Asia's massive growth in the past years. This growth had been fueled by dependence on exports and in a few sectors, which made many countries vulnerable. The crisis therefore provided the occasion to generate internal markets and to develop more robust underpinnings for future growth within the region.

Invisibility. Aurelio Parisotto remarked that someone entering Asia from Europe and the US would think that that there is not a major economic crisis in the region. This is explained in two respects. First is that Asia is currently leading the world economic rebound, thanks to a vigorous and prompt policy response made possible by sound economic frameworks and the resilience of its large domestic markets. Countries in the region had learnt macroeconomic lessons from their experience with the Asian crisis in the late 1990s.

While China is leading the economic recovery, one set of countries, including India, Indonesia, Viet Nam and Bangladesh is growing at respectable rates between 4-8 per cent. Another set of countries, including Philippines, Pakistan and also Nepal are growing between 1 and 3 per cent not due to fiscal measures -though some have benefited from it- but thanks to remittances of overseas workers and multilateral finance.

Higher income economies in the region from Japan and Korea to Malaysia and Thailand are experiencing negative growth rates, a result of the sharp decline in global demand for consumer durables and investment goods.

Nonetheless, there is a crisis. Positive rates of growth have to set against large pockets of underemployment and poverty. A social crisis is invisible also because the indicators are not there and timely statistics are not available. And it is a multiple crisis. There is a serious food crises, political crises, social crises plus labour market tensions.

The first to be affected by the global downturn were industrial workers in the formal economy – those above the poverty line. The effects are now spreading out among the poorer populations. Furthermore, the impact of the crisis on the poorer households will be felt in many years, e.g. as families underinvest in nutrition, education and health.

Question:

What is the role of local governance?

Labour markets. Cristina Martínez-Fernández states that labour markets at the local level are hardest hit. The lack of a skills policy, of local economic development strategies, and the absence of labour market intelligence – all of these affect the ability of local governments to cope with the crisis. If one is able to link policy and institutional levers with the crisis, then this can become a channel for recovery and for achieving decent work.

Skills development, for instance, is important but which skills are important in the crisis context? The field visit to the migrant training center provides an interesting insight into what kinds of skills should one invest on. For instance, will housekeeping skills be useful when migrants return home? Can one instead improve the scope of the skills learned beyond simple housekeeping? The women in the migrant training center can learn not only ironing, cooking and making beds but also plumbing and fixing household equipment like washing machines.

Local governance, not simply local governments. This crisis is a challenge for local governments. Local governments are thrust into the limelight especially as national governments realize that they cannot cope with everything. The overall context is that of decentralization. Indonesia, the Philippines and China are the most fiscally decentralized. But there is a pressure of time in times of crisis and the risks and challenges are great.

Policies need to be adapted to the situation. For instance, there is a temptation of doing things that are popular in the short term but are not strategic in the long term. Fiscal measures are carried out on the principle of increasing purchasing power, but for this solution to succeed, firms must have the capacity to weather the crisis and meet local demand.

The task is enormous. Interventions have to do with skills upgrading, infrastructure development, firm and sectoral support. But before one embarks on anything, one has to realize that local governments cannot do it all. There has to be as shift in paradigm from local governments to local governance – that is, engaging the entire network of local stakeholders.

Mr. Rodríguez-Pose said that the crisis is an opportunity for local governments to showcase a new and stronger decentralized governance structure. A transformation from a system of government to a system of governance needs to take place. Local governments can help craft and influence the fiscal policy and fiscal space, Mr. Parisotto pointed out. Participatory processes at the local level need to be undertaken to ensure transparency.

Sustainability. Another challenge is to craft strategies that can be socially and environmentally sustainable – to make sure that the solutions of today do not become problems of tomorrow.

The focus of recovery strategies, including that of fiscal stimulus, must be on rethinking strategies: focus more on domestic demand and address equity issues. Economic growth must be powered by small and medium enterprises and fuelled by one's own population, especially the poorest population. Public policy must reinforce this type of economic restructuring.

Statistics and policy options. Policy choices have to be anchored on reliable statistics. Policy options are being made now that must be based on statistics in order for local governments to craft intelligent options. For instance, fiscal policies must be informed by data on their productive impact; reduced taxes for the middle class must be assessed against their impact on improving purchasing power; cash transfers must be able reach their target groups and objectives.

During crises, local government budgets are often the first to get cut. We need to have a mechanism for measuring impact and for allocating resources to local governments.

Opportunity to showcase local governance. Mr. Yasay states that the crisis is an opportunity for local chief executives like him to show their worst or best in terms of local governance.

He stated that the discussions reveal to him some renewed approaches. They emphasized the importance of relying not on one sector alone. They also brought out the important role of local governments in the recovery process, especially in health delivery, social services and education. Local economic development is only one of the main concerns, but it must be given prime emphasis.

Then there is the question of equity. In his town, income has increased over the past five years. But poverty has also increased. So who benefits from all the economic growth?

Finally, he sees the critical importance of creating and capturing greater economic value in the locality.

Coordination at all levels. Mr. Djaja states that there are many complex issues in governance and yet public agencies are uncoordinated. National agencies have their own plans. The infrastructure ministry has its own plans and so does the finance ministry. Local governments wait for guidance from national governments and the guidance is delayed or never comes. Yet, upon closer look, national governments often also do not know what is going on locally. They come in with good practices which local governments should replicate. Meanwhile local governments feel that national agencies are not involving them. There is much to be done in terms of coordination, training and information sharing.

Question:

What to do now?

Some measures mentioned in the final set of discussions:

- Creating appropriate institutions so that local governments can take development in their own hands
- Involvement of localities and greening of production
- Diversifying local economies
- Training in diagnosing needs and policy options
- Creating indicators
- Creating social security
- Transforming skills, including improving quality of jobs

Asia should not wait to see what policies have helped in Europe. It's for Asia to show the way out of the crisis.

(Report by Sandra Yu, ILO Bangkok, and Lourdes Kathleen Santos, ILO Geneva)



MALANG, INDONESIA, 1-3 DECEMBER



PARTICIPANTS

SUPPORT TEAM

Mr. Amin Ruhul Ms. Actis Cristiana

Directorate of Technical Education **ITCILO**

Assistant Director Logistics

ruhulamin51@yahoo.com c.actis@itcilo.org

Turin, ITALY Dhaka, BANGLADESH

Mrs. Anityasari Maria Ms. Alicia Ruth

Dept. of Industrial Engineering ITS Interpreter

Academic & Researcher ruthalicia@yahoo.com

m_anityasari@yahoo.com.au Jakarta, INDONESIA

Surabaya, INDONESIA

Ms. Kustiadi Yvonne Mr. Araujo Basilio

Center for Administration of Overseas Cooperation, ILO

Ministry of Home Affairs

Head of subdivision/desk officer for Europe,

America and Africa

araujobasilio@yahoo.com

Ms. Lestari Sri Jakarta, INDONESIA

ILO Mr. Barker Paul

Logistics Department of Labour

srilestari@ilo.org Group Manager, Workplace Policy

Jakarta, INDONESIA paul.barker@dol.govt.nz

Ms. Tansil Yuliana Wellington, NEW ZEALAND

Interpreter Mr. Bento Mau Bere Carlos

Secretariat State For Vocational Training and

Employment

Chief of Department of Self Employment

cb105_69@yahoo.com

Dili, TIMOR LESTE

Logistics

ikartini@yahoo.com

Jakarta, INDONESIA

yuliana_tansil@yahoo.com

Jakarta, INDONESIA

Mr. Bertelmann Frank

Routes out of the crisis: strategies for local employment recovery, skills development & social protection in 49 Asia

GTZ RED

Advisor GTZ RED

sari@red.or.id

Jakarta 12920, INDONESIA

Mrs. Bhandhufalck Patana

Ministry of Labour

Senior Labour Official

patanafalck@hotmail.com

Bangkok, THAILAND

Mr. Bodwell Charles

ILO

Enterprise Specialist

bodwell@ilo.org

Bangkok, THAILAND

Mrs. Cacho Ma. Lourdes Kathleen

ILO

Technical Officer

santos@ilo.org

Geneva, SWITZERLAND

Mr. Cao Quang Dai

General Department of Vocational Training

Director of Department of Occupational Skill

cao_quangdai@yahoo.com

Hanoi, VIET-NAM

Mr. Chatani Kazutoshi

ILO

Technical Officer (Economist)

chatani@ilo.org

Jakarta, INDONESIA

Mr. Chowdhury Khurshed Alam Chowdhury

Bureau of Manpower Employment and Training

Director General

nurulislam@bmet.org.bd

Dhaka, BANGLADESH

Mr. Cognac Matthieu

ILO

CTA - JOY Project

cognac@ilo.org

Jakarta, INDONESIA

Mr. Dararasmy Sirivongsone

Ministry of Labour and Social Welfare

Technical Officer

sirivongsone@hotmail.com

Vientiane, LAO PEOPLE'S DEMOCRATIC REP.

Mrs. De Leon Lilian

League of Municipalities of the Philippines

Executive Director

alliagem@yahoo.com

Cubao, Quezon City, PHILIPPINES

Mr. **Djaja** Komara

Coordinating Ministry for Economic Affairs

Special Advisory Law and Institution

kdjaja@ekon.go.id

Jakarta, INDONESIA

Mrs. Efiyanti Alfiana Yuli

Islam University, Malang

Lecturer of Economy Development

alfi_huda@yahoo.com

Malang, INDONESIA

Mr. Encarnacao Fernando

ILO

Youth Employment and Community Empowerment

encarnacao@ilo.org

Dili, TIMOR LESTE

Mr. Esguerra Patrocinio Jude III

Institute for Popular Democracy

Executive Director

jude.esguerra@gmail.com

Quezon, PHILIPPINES

Ms. Fujioka Rika

ILO

Technical officer

Fujioka@ilo.org

Bangkok, THAILAND

Mr. Gasser Martin

ITCILO

Programme Officer

m.gasser@itcilo.org

Turin, ITALY

Mr. Gaujac Christian

CCCL Surabaya

Manager

direksi@ccclsurabaya.com

Surabaya, INDONESIA

Mr. Giguere Sylvain

OECD

Head of the LEED Division

sylvain.giguere@oecd.org

Paris, FRANCE

Mr. Gilani Saad ILO Senior Program Officer (UN Reforms) saad@ilo.org Islamabad, PAKISTAN Ms. Gunawan Janti ILO, LPC Surabaya yanti@ilo.org Surabaya, INDONESIA Mr. Howlader Abdul Kader National Coordination Committee for Workers Education (NCCWE) Member Secretary augustina@ilo.org Dhaka, BANGLADESH Ms. Ikelberg Jenny ILO Programme Officer Enterprise development ikelberg@ilo.org Hanoi, VIET-NAM Mr. Irfan Afandi ILO, LPC Malang irfan@ilo.org Malang, INDONESIA Ms. Irhamni Milda ILO National Economist milda@ilo.org

Jakarta, INDONESIA

Mr. Irianto Djoni

East Java Office of Tourism and Culture Head eastjava@indosat.net.id Surabaya, INDONESIA Mr. Is Anwar Training Center Singosari Head of Training center Singosari janti@ilo.org Malang, INDONESIA Mr. Kagohashi Hideki ILO Enterprise Development Specialist kagohashi@ilo.org New Delhi, INDIA Mrs. Kanika Nong Ministry of Labour and Vocational Training Deputy Director Kanikanong@yahoo.com Phnom Penh, CAMBODIA Mr. Khan T.I.M. Nurunnabi Khan ILO Programme Officer nabi@ilo.org Dhaka, BANGLADESH Ms. King Dejardin Amelita ILO Specialist king-dejardin@ilo.org Geneva, SWITZERLAND Mr. Koesnan Koesnan Routes out of the crisis: strategies for local employment recovery, skills development & social protection in **KPSP**

LED Forum Leader Tutur

kpsp-njj@indo.net.id

Malang, INDONESIA

Mr. Le Duy Binh

Economica

Economist

binh.le@economica.vn

Hanoi, VIET-NAM

Mr. Liao Jun

Institute for Labor Studies, Ministry of HR and Social Security

Ph.D., Associate Research Fellow

liaojun98@yahoo.com

Beijing, CHINA

Mr. Ly Tek Heng

Garment Manufacturers Association in Cambodia (GMAC)

Operations Manager

tekhengly@gmac-cambodia.org

Phnom Penh, CAMBODIA

Mr. Ma Yongtang

Institute for International Labor Studies, MoHRSS/PRC

Director & Senior Research Fellow

mayongtang@sohu.com, mayongtang@hotmail.com

Beijing, CHINA

Mr. Macasil Jesus

ILO

Programme Officer

macasil@ilo.org

Makati City, PHILIPPINES

Mr. Mahmood Moazam

ILO

Senior Specialist

mahmood@ilo.org

Geneva, SWITZERLAND

Ms. Martinez-Fernandez Cristina

OECD

Policy Analyst

cristina.martinez@oecd.org

Paris, FRANCE

Mr. Maryono Budi

ILO

National Programme Officer

budim@ilo.org

Jakarta, INDONESIA

Mr. Nguy Rith

Ministry of Labour and Vocational Training

Deputy Director

nguyrith@yahoo.com

Phnom Penh, CAMBODIA

Mrs. Nguyen Phuong Thi Thu

Center for Analysis and Forecasting

Researcher

phuong.nguyenthu@gmail.com

Hanoi, VIET-NAM

Mr. Nguyen Quang Viet

National Institute of Vocational Training

Researcher

quangviethung@yahoo.com

Ha Noi, VIET-NAM

Ms. Nguyen Thi Phuong Que

ILO

Skills Technical Assistant

que@ilo.org

Hanoi, VIET-NAM

Mr. Nour Muhamad

ILO

Local Project Coordinator

muhamad@ilo.org

Surabaya, INDONESIA

Mr. Palarca Honorio

ILO

Infrastructure and Jobs Specialist

noritpalarca2@yahoo.com

Makati City, PHILIPPINES

Mr. Parisotto Aurelio

ILO

Senior Economist

parisotto@ilo.org

Geneva, SWITZERLAND

Mr. Pes Roberto

ILO

Youth Employment and Enterprise Development Expert

pes@ilo.org

Dili, TIMOR LESTE

Mr. Prajitno Agus

Provincial Development Agency

Head of Technical Division

dinas-binamarga@malangkab.go.id

Malang, INDONESIA

Mr. Prasetya Robertus Agung

CV. Karya Wahana Sentosa

Director

kwas_indesign@yahoo.com

Yogyakarta, INDONESIA

Mrs. Pronosari Maria Epik Pronosari

YCAP/Yogyakarta Central Java Community Assistance Program

Livelihood Adviser

maria_epik@yahoo.com;maria.epik@yogjacap.com

Yogyakarta, INDONESIA

Mr. Rahman Kaihan Naqibur

Bangladesh Employers' Federation (BEF)

Member of the Executive Committee

kaihanrahman@gmail.com

Dhaka-1000, BANGLADESH

Ms. Rini Veronica Saptarini

Forum on Inter Company Communication in Lampung, Indonesia

Daily Chairperson

saptaconsultant@yahoo.com

Lampung 35127, INDONESIA

Mr. Rodríguez-Pose Andrés

London School of Economics

Professor of Economic Geography

a.rodriguez-pose@lse.ac.uk

London, UNITED KINGDOM

Mr. Sasaki Satoshi

ILO

Specialist on Enterprise Development and Job Creation

sasaki@ilo.org

Beijing, CHINA

Mr. Sayeed Asad

Collective for Social Science Research

Director/Senior Resarcher

asadsayeed@gmail.com

Karachi, PAKISTAN

Mr. Schultz Michael

YCAP/Yogyakarta Central Java Community **Assistance Program**

Livelihood Manager

michaeltschultz@gmail.com

Yogyakarta, INDONESIA

Ms. Sembiring Julia Caffelany

HIVOS

Programme Officer

j.sembiring@hivos.or.id

Jakarta, INDONESIA

Mr. Skjaerlund Gorm

ILO

Advisor Vocational Training

skjaerlund@ilo.org

Jakarta Pusat 10250, INDONESIA

Ms. So Ga Young

ILO

Junior Research Officer

g2integration@ilo.org

Geneva, SWITZERLAND

Mr. Soebandi Warman

ILO

National Programme Offier EIIP Programme

warman@ilo.org

Jakarta 10250, INDONESIA

Mr. Sugarda Ardha Prapanca

Pacific Rekan Prima

General Manager

ardhaps@yahoo.com

Jakarta, INDONESIA

Mr. Syed Nazar Ali

Workers Employers Bilateral Council of Pakistan

Secretary / Director

nazarali.dmts@gmail.com

Karachi, PAKISTAN

Mr. Sziraczki Gyorgy

ILO

Senior Economist

sziraczki@ilo.org

Bangkok, THAILAND

Mr. Ter Ellen Michiel

ILO

Technical Advisor

terellen@ilo.org

Phnom Penh, CAMBODIA

Mr. Troppe Mark

National Institute of Standards and Technology

Manager of Strategic Partnerships

mark.troppe@nist.gov

Gaithersburg, UNITED STATES

Mr. Van Der Ree Kees ILO Programme Manager vanderree@ilo.org Geneva, SWITZERLAND Ms. Van Klaveren Annie ILO Local Economic Development Technical Officer vanklaveren@ilo.org Geneva, SWITZERLAND Mrs. Vozza Alice **ITCILO** Programme Officer a.vozza@itcilo.org Turin, ITALY Mr. Williams David ILO TECHNICAL OFFICER williams@ilo.org Bangkok, THAILAND Mr. Yepes Tito ILO Consultant mail@titoyepes.com Geneva, SWITZERLAND Ms. Yu Sandra ILO Local Strategies for Decent Work Specialist yu@ilo.org Bangkok, THAILAND