



Impact of the
Economic Crisis on
Children



CONFERENCE REPORT



6-7 January 2009
Singapore

Impact of the Economic Crisis on Children

For leaders and policy makers in East Asia and the Pacific, these are the most challenging of times. Rising fuel costs. Skyrocketing food prices and food shortages. Social unrest. All have tested the mettle of governments in recent months. Now, a financial meltdown in the West threatens to cripple the East Asian and Pacific economies as well, plunging millions of people into poverty, intensifying the misery of the already poor and endangering the lives, welfare and futures of the most vulnerable of all – the region’s children.

With the vision to employ the wisest and most progressive approaches, leaders across Asia can use this crisis as an opportunity to build systems that provide social protection for their people while actually making their countries more competitive for the future.

But if the forecasts are dire, there is also cause for hope. Leaders across the region have at their command a wider range of tools and possible solutions than ever before. With the right mix of policies and programmes, analysts say, they could do much to shield their countries from the worst effects of the crisis. But they can also do more.

That was the message put forth by 150 prominent members of government, academia, international organizations and

civil society at the *Impact of the Economic Crisis on Children in East Asia and the Pacific Islands* conference in Singapore on the 6-7 of January, 2009. Convened by UNICEF, the Singapore Ministry of Foreign Affairs and the National University of Singapore Lee Kuan Yew School of Public Policy, the conference analysed the crisis and its impacts on child health, education, labour and family livelihoods and explored the best options for mounting a robust response.





The gathering was noteworthy for the participation of seven ministers from the region, including one deputy prime minister, four ministers of finance and many high-ranking government officials. Over the course of two days, experts and policy makers exchanged experiences, examined cutting-edge research, debated ideas and good practice and forged alliances to implement effective policies.

Investing in social protection systems also creates jobs – for teachers, health care workers, childcare workers, social workers, administrators and others. The multiplier effects can be enormous.

The key message was remarkable in its simplicity: scale-up and expand social protection systems and build new ones where none exist today. To leaders and policy makers struggling with diminishing fiscal resources as a result of the crisis, that may appear unrealistic. But it can be done. And there are sound practical and moral reasons to support and adopt that recommendation. It is, in fact, a visionary approach that makes economic, social and political sense. Singapore’s Minister of Community Development, Youth and Sports, Dr. Vivian Balakrishnan, said in his opening speech, “As someone once noted, we should not let a crisis go to waste.”

Most policy makers subscribe to the theory that combating a recession requires government to stimulate the economy by increasing investments in projects

that will create jobs. Often, they try to achieve this mainly by building physical infrastructure. However, social protection systems can also combat recession. “Building or expanding social protection systems can be an effective and integral part of economic stimulus and recovery programmes,” said Anupama Rao Singh, UNICEF Regional Director for East Asia and the Pacific. “There is absolutely no justification for cutting programmes for children,” she added.

Most economies in the region are expected to experience slower growth in the near future. Painful as that may be, slower growth is still growth. So, the crisis also presents governments with a moral issue: making sure that children, the most vulnerable members of society, are not asked to bear the burden of a crisis they did not create.



The consequences of not including social protection measures as a component of the response can be severe. Experiences from the 1997 Asian Economic Crisis have shown that when households suffer loss of income, more children and young people drop out of school, engage in child labour and suffer from malnutrition, stunting and other health issues.

Failure to address this issue will create long-term problems for society. “The well being of our children is the best indicator of what kind of future we are going to have,” said Professor Kishore Mahbubani, Dean of the Lee Kuan Yew School. The damage to children’s health and education is often irreversible. The result is fewer healthy, educated and skilled workers. Countries with weak human capital are countries that are less competitive.

AN AFFORDABLE OPTION

Social protection systems are affordable. “The programmes needed to protect health and education are not hugely expensive,” said Dr. Mahesh Patel, UNICEF Regional Adviser for Social Policy and Economic Analysis. Dean Mahbubani noted that estimates for the total cost of feeding programmes for the malnourished children of the world are roughly \$6 billion a year – almost nothing compared to the \$8 trillion governments spent in 2008 bailing out financial institutions and other companies. “If we can find money for that, but not for the children, then



something is clearly wrong,” he said. Dr. Patel added that, “when it rains, the price of an umbrella may go up, but if you do not buy an umbrella when it is raining, then you get wet.”

Policy makers and academics based their recommendations on evidence gathered and lessons learned from the 1997 Asian Economic Crisis, with new analyses of the social and economic state of the East Asia and Pacific region today. In 1997, to achieve recovery, outside agencies required governments to focus mainly on fiscal tightening measures with some investment in physical infrastructure. Social welfare and relief for those in distress were, during the early and crucial stages of the crisis, largely ignored.

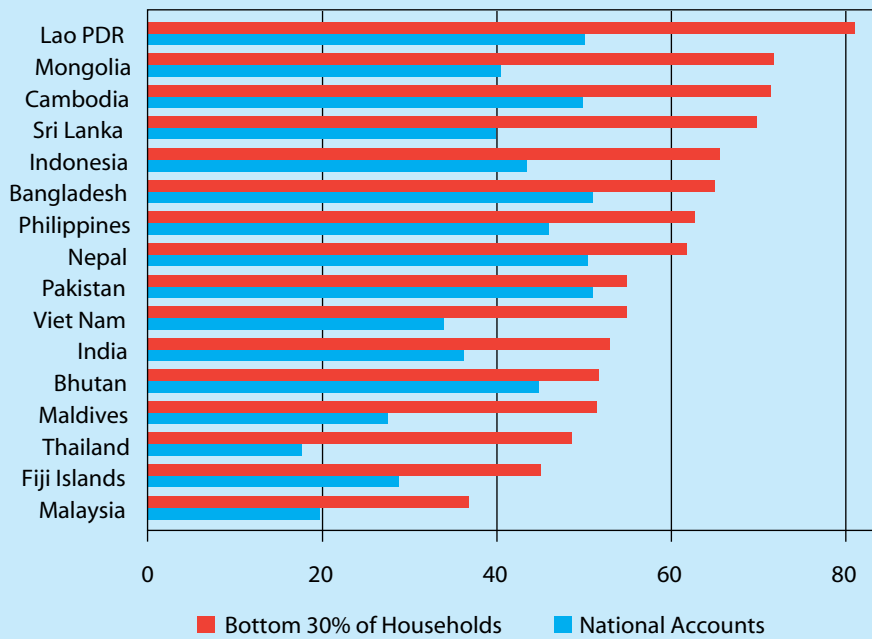
The results were disastrous. Not only did education and health indicators worsen, but unemployment and political

unrest increased as well. Governments in Thailand and Indonesia fell and riots occurred in several countries. “These impacts were totally preventable,” said Professor M. Ramesh of Hong Kong University. But the blame, Professor Ramesh said, did not rest solely with the misguided prescriptions of outside agencies.

In 1997, no country in the region had pre-existing, adequate social protection systems in place. Most believed they should concentrate on economic growth and that social development would follow. Indonesia was one nation that took that approach. “We had high economic development without social equity,” said Dr. Sri Mulyani Indrawati, Indonesia’s Minister of Finance in her keynote address at the conference. “We learned a bitter lesson from that. We do not want this crisis to disrupt our ambition to achieve the Millennium Development Goals.”



Poor Spend High Percentage of Income on Food



Source: "Key Indicators for Asia and the Pacific 2008," p 13, Asian Development Bank.

The poorest 30% spend nearly half their income on food, and the difference between the poor and the national average (which includes the poorest 30%) is significant.

Without adequate protective mechanisms, millions of poor people will be marginalized further. Social unrest is a distinct possibility and economic growth could be further threatened.

ASIA IS VULNERABLE

Despite the lessons of 1997, many East Asian and Pacific nations may be even more vulnerable to the current crisis, said Dr. Santosh Mehrotra, a senior adviser to the government of India. On the one hand, many countries have cleaned up and strengthened their financial systems and amassed substantial foreign reserves. On

the other, they have also become less self-sufficient in food production (even as the price of food imports are rising), and are more dependent than ever upon exporting to the developed countries of the West. Dr. Mehrotra warned that as the West retools its economies, the East's dependency on exports for growth may no longer be tenable. The region is home to the largest number of poor people in the world; the proportion of the population employed in the informal sector in most countries is extremely high and social protection programmes are weak or non-existent.

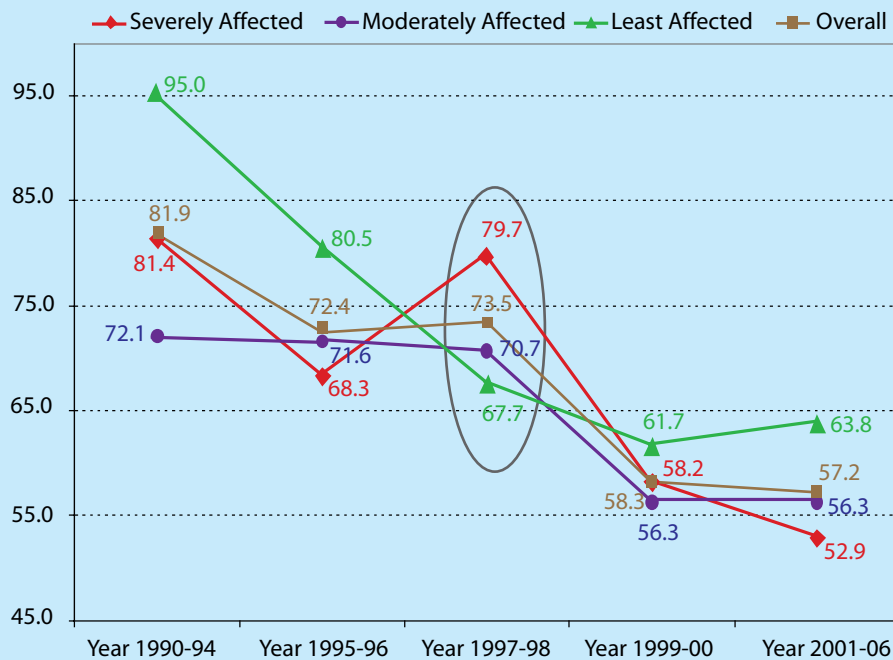
Those working in the informal sector may not be poor, but they are vulnerable. When they lose their jobs, there is no safety net. Dr. Mehrotra said that social insurance for informal workers

would be one of the most effective means of dealing with the crisis. It would immediately address the loss of income in many households. "Yet, almost no country in the region has a social insurance system for workers in the informal economy, even though they are the majority. This is something that governments must think about."

The poor already spend a much higher proportion of their income on food than those who are better off, with the poorest third spending as much as 60% of earnings on food.



Under 5 Mortality Rates (per 1,000 live births) During the 1997 Crisis



Under 5 mortality rates soared in countries severely affected by the 1997 Asian Financial Crisis. Note that the effects were more marked among the poor and in vulnerable populations. Countries experiencing more than an 18% reduction in gross domestic product are categorized as Severely Affected, those experiencing 10-18% reduction Moderately Affected and those with a decrease of less than 10% or an increase are Least Affected.

HEALTH AND EDUCATION SUFFER

A social insurance system could prevent children from suffering in terms of health and nutrition.

As incomes fall and as food prices rise, the burden on families can become tremendous. The results are higher rates of malnutrition among children and mothers and higher rates of child and maternal mortality. “Of the 9.2 million deaths of children under five years of age around the world, 35% are directly related to malnutrition,” said Dr. Zulfiqar Ahmed Bhutta, Husein Laljee Dewraj Professor at the Aga Khan University in Pakistan.

When earnings fall and prices rise, children’s education is often another casualty.

“When household incomes are reduced, many families are forced to send their children to work,” said Professor Ka Ho Mok of the University of Hong Kong. “But which families opt to make their children work, and which do not, cannot simply be attributed to poverty alone,” said Dr. June Kane, an independent expert on child protection. “Child labour is not just an economic but also a behavioural phenomenon, and the key is making sure we put in place incentives that influence behaviour in the best interests of children.” Complex sets of vulnerabilities come into play, and more research is needed to be able to accurately determine which families are most at risk.

Research, however, is scarce. A common theme at the conference was the need for more reliable data. China is attempting to scale up its social protection systems, but those

If unaddressed, the current crisis could increase rates of maternal anemia by 10-20% and prevalence of low birth weight by 5-10%. In addition, rates of childhood stunting could increase by 3-7% and wasting by 8-16%. Trend data suggest that overall under 5 child mortality in severely affected countries in the region could increase by 3-11%.





Participants agreed on the need for governments to be more active in social development.

those children and families who are most at risk in times of crisis, all children have a right to protection,” she said. Asia is not short of examples of effective social protection programmes. Thailand’s free universal health care scheme is frequently cited as a successful model of how a country in the region is providing health coverage for nearly all its people without user fees.

Asia-Pacific is the world’s most diverse region in terms of economic and political systems, cultures, languages and levels of development. These vast differences mean there is no one solution applicable to all countries.

“Government should play an important role,” said Mongolia’s Deputy Prime Minister Enkhbold Miyegombo. “It needs to develop long-term plans to promote sustainable growth and protect the poor.”

Debate still rages over some measures governments could take. Conditional cash transfers to families have been effective in keeping children in school in some countries. Others argue that they create dependence on the state. Opponents often cite the proverb that if you give a man a fish he will be hungry again tomorrow, but that if you teach a man to fish he will be able to feed himself. “That’s a false choice,” said Professor Ramesh. “We should be giving them a fish to eat while they are learning how to fish. There is no way we should not be helping families with food.” The consequences of not

undertaking the task need more information to design the best systems possible. “Social research is the basis of constructing a social safety net,” said Liu Xitang, Chief of the Social Assistance Department of the Ministry of Civil Affairs in the People’s Republic of China.

ACTION NEEDED NOW

Lack of data, however, should not deter governments from taking action. “We have to act quickly,” said Daniel Toole, UNICEF Regional Director for South Asia. “We have to balance the desire to design perfect social protection systems with the need to act quickly for mothers and children who need that protection now.”

“The best way to do that,” said UNICEF Regional Education Adviser Cliff Meyers, “is to make social protection systems universal in coverage – at least during the period of crisis. Afterwards, they can be refined, if necessary, to target those who are most vulnerable.” Child protection specialist Dr. Kane concurred. “While we have to try to target

Fees for school, including the costs of textbooks, uniforms and transportation, become unaffordable for poorer families.





doing so would be dire. “While we need to monitor the situation and to collect data on the numbers of children affected, we would all prefer to avoid these adverse effects altogether,” added Dr. Patel.

At its conclusion, the conference outlined urgent steps and measures governments should consider taking in the areas of child health, education, child labour and overall social policy. They included programmes for free education and health care, expanding systems to reach the most vulnerable and

marginalized members of societies and one-off grants to cover the crisis period. While the costs may seem considerable, the costs of doing nothing are far greater. Using education as an example, Dr. Patel said, “if you think the cost of education is high, consider the cost of ignorance.”

While it is a significant investment, financing social protection is not just a socially desirable undertaking. Policy makers should be aware that “investing in human capital is good business and good politics as well,” said Anupama Rao Singh of UNICEF.

For children, their families and for the future of the countries of the Asia-Pacific region, social protection systems are desperately needed and long overdue.

The consensus of the conference was that the time to invest in building them is now.

For more information please visit:

http://www.unicef.org/eapro/media_9170.html

