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Impact of the Global Financial Crisis on the Female Labour Force Participation in East and Southeast Asia

Keynes' General Theory of Employment, Interest and Money in Japan, South Korea, China and Vietnam

Topic and Research Question

This thesis addresses, based on Keynes' Theory of Employment, Interest and Money, the question of what impact the Global Financial Crisis might have had on Female Labour Force Participation in South Korea, Japan, China and Vietnam. The thesis investigates possible methods and examples for applying Keynes' theory to today's economies in East and Southeast Asia. The thesis investigates how Keynes' theory may be applied to today's economies in East and Southeast Asia, with a discussion of possible methods, and some key examples.

State of the Art

Consequently, this thesis is based on Keynes' Theory of Employment, Interest and Money as well as on the assumption of scientists specialized in gender issues (Antonopoulos, Walbys, Otake (ILO), King and Sweetman (Oxam)) and UNAIDS that the Global Financial Crisis might have a greater impact on women.

Methodology and Approach

In order to explore whether this assumption applies to South Korea, Japan, China and Vietnam, I drew on data from several official statistical yearbooks of the countries surveyed, as well as supplementary data from the International Labour Organization and The World Bank, and based my research on them, as well as on "The General Theory of Employment Interest and Money" by Keynes, stating that the volume of employment is determined by demand. Consequently, during times of crisis, employment could be enhanced by means of raising demand through investment.

I organized the chapters in line with the following functions that determine, according to Keynes, the volume of employment: the *multiplier*, reflecting whether investment will have a great or a weak impact on employment; the *rates of interest*, determining the volume of employment; and the *employment function*, reflecting the amount of investment necessary to attain full employment. Since these three functions depend on various parameters, I drew the data from the sources listed above, calculated the values concerning the various determinants, and compared the rates in the Keynesian way with each other, by summarizing them in figures and tables, in order to illustrate recent changes in these parameters and, thereby, in

investment and employment. In addition, I give an outlook on the possible extent of investment necessary to achieve full male and female employment.

Main Facts

The cross-national comparison of the parameters for the multiplier that I made, by comparing the truncated averages of the parameters in order to level off possible fluctuations caused by the economic crises (1997, 2008), indicated that Vietnam has had the strongest multiplier and, therefore, the greatest impact of investment on employment, followed by China, then Japan, and finally South Korea.

Parameter/Country	Vietnam	China	Japan	South Korea
Additional Employees	1	3	4	2
Investment Share in GNI	2	1	4	3
Unemployment Rates	1	3	2	4
Unemployment Insurance	1	2	3	4
Openness of a Country	4	2	1	3
Wealth of a Country	1	2	4	3
Total	10	13	18	19

In South Korea and Japan, the impact of investment might have been levelled off for female and male employment. In China and Vietnam, investment might have had a stronger impact on male employment.

As for the rates of interest, I aimed to determine the volume of investment by examining whether the parameters determining the amount of investment changed in line with Keynes' theory, postulating that an increase in incomes would induce people to spend their additional earnings on *consumption*, causing prices to fall. Consequently, people would have extra money left, with which to start to invest. The increase in demand would cause rates of interest to steepen, accelerating *investment* even more.

Indeed, in South Korea, investment decreased with consumption to a similar extent. Therefore, a similar level of additional consumption as that desired for investment might be necessary to increase investment. In Japan, people consumed to an extent beyond their additional income, and even at times they had shortfalls

in their incomes. Nevertheless, investment decreased as well, indicating that people were directing their extra money to consumption. It might therefore be necessary to increase additional consumption to an extent significantly exceeding the expected increase in investment to cause the rate of investment to rise in Japan. In China, the extent of fluctuations in consumption and investment varied over time, so that it remains uncertain as to what extent investment might change when additional consumption changes. In Vietnam, the additional earnings distinctly exceeded additional consumption. Since there were significant increases in prices as well, extra money in Vietnam might have been consumed by increases in prices and by investment, possibly resulting in a lower level of additional consumption than that required to bring about an increase in investment.

In the course of the third part of the thesis, I aimed to give information about the amount of investment necessary in order to attain full female and male employment, on the basis of Keynes' assumption that production will increase with increase in demand by the means of investment, leading to increases in consumption, and, therefore, in employment.

Generally speaking, in all countries but China, production exceeded demand. In South Korea, the parameters went in line with Keynes' theory with growth in additional employment being slower than growth in investment. Consequently, a comparatively large amount of investment might be necessary to cause significant changes in employment. In Japan, investments declined through half of the period studied, as did production. Although consumption was relatively unaffected by the decreases in production, employment declined, with heavy fluctuations. Therefore, a small increase in investment might be sufficient to cause a large increase in additional employment. In China, growth in employment fell to an even greater extent than growth in consumption. Therefore, a large amount of investment seemed to be necessary to attain full employment. In Vietnam, changes in investment had only little effect on additional employment, so that a larger amount of investment might have been necessary in order to attain full employment.

Provided that a rate of additional employment close to zero is a reliable indicator for employment being close to full employment, full employment might be attained in China first, then in Vietnam, in Japan and in South Korea. In Vietnam and South Korea, full employment might be attained, according to the employment function, a little bit earlier in the case of female

employment than in male employment. In China, male employment might be the first to reach full employment. And in Japan, female and male full employment might be attained at a similar time.

Results

In the light of Keynes' theory, female employment does not seem to have been impacted at this level by the Global Financial Crisis any more than male employment. Consequently, on the macroeconomic level, the Global Financial Crisis seems to have had a similar impact on the female as the male labour force.

Further investigations and the application of additional theories seem to be necessary in order to determine in a more detailed way possible shifts in the labour market, and, therefore, whether there was a greater impact of the Global Financial Crisis on female labour participation than on male labour participation, at the microeconomic level.

References

All references can be found in the full version of the MA thesis available at <http://othes.univie.ac.at>.

About the Author

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