

## Thailand National Report

# Employment Situation, Problems and Policy<sup>\*</sup>

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In the past Thailand, like many developing countries, was noted for its cheap and unskilled labor. Due to its rapid economic development and a major decline in its population growth rate, the country's labor surplus is now quickly disappearing. For the first time in its history, Thailand will soon face a labor shortage. This labor shortage, however, is not universal and does not affect all types of labor.

At the same time, Thailand is now facing a more competitive world market. Thus the nation must change its development strategy from labor-intensive to more value-added types of production. Manpower requirements can no longer feature cheap, unskilled labor. What is now needed is a skilled and better educated work force. Under current circumstances, it is expected there will be a shortage of skilled and semi-skilled labor in the near future. Simultaneously, the demand for unskilled labor will increase even more slowly, or even decline, resulting in an inevitable surplus of unskilled labor. How well the labor market adjusts to this changing demand pattern is crucial to the success of future economic development and the welfare of Thai laborers. This paper briefly discusses Thailand's past employment policies, its current labor market situation, present employment problems, and government policies and strategies for solving these problems.

### EMPLOYMENT POLICIES

Employment and human resources development have always been areas of concern in Thailand's National Social and Economic Development Plans (NESDPs). Although the Thai population growth rate was quite high in the past, it began to decline rapidly in the 1970s, with a concomitant change in the population structure and the numbers of economically-productive individuals. Before bringing population growth under control, the number of children entering the school system and the number of workers newly entering the labor market each year were very large. In earlier NESDPs, priorities were mainly educating and creating employment opportunities for laborers. Targets and strategies were therefore aimed at eliminating illiteracy among the general population, especially workers; expanding the school system so that all Thai children would have access to at least a primary education; reducing the wide disparity in the quality of education; and increasing employment opportunities through the promotion of labor-intensive industries. Economic growth was continually stressed in the NESDPs as it was believed to be the only way to absorb the increasing numbers of new workers entering the labor market.

By 1987, population growth had been brought under control. Efforts to expand educational opportunities led to universal primary education, and access to higher education also expanded rapidly. During the Fifth NESDP (1982-1986), however, Thailand was badly affected by the world economic recession. This resulted in low economic growth, high unemployment among educated workers, and underemployment among the less educated.

In the Sixth NESDP (1987-1991), therefore, educational expansion was brought more in line with labor market requirements. At the same time, overseas markets for Thai labor continued to receive government support. Government support for labor export was explicitly stated in the Fifth NESDP. And, for the first time, the Sixth Plan clearly recognized the importance of science and technology as tools to improve labor productivity.

During the Sixth NESDP, Thailand experienced an average yearly economic growth rate of 10.5 percent, high by any standard. This led to such a substantial increase in employment that there was virtually no open unemployment, with the exception of seasonal unemployment during the dry season. Yet signs of shortages of certain types of labor began to appear. Recognizing this problem, the Thai government realizes that for the country's labor market to remain stable, adjustment through the formal educational system is no longer sufficient. Thus the Seventh Plan (1992-1996) emphasizes non-formal education, and programs to provide lifelong continuing education, both within and outside the system, plus opportunities for workers to upgrade their skills through on-the-job training.

## **EMPLOYMENT SITUATION**

### **General Characteristics of the Thai Labor Force**

Although the output of the country's non-agricultural sectors has exceeded that of agriculture since 1985, the majority of Thailand's labor force is still employed in agriculture. In 1992, the output share of the agricultural, manufacturing and service sectors were 0.13, 0.37 and 0.50, respectively. Yet labor employment shares by sector were 0.61, 0.15 and 0.24 ([Table 1](#)). These figures clearly reflect the inequality in income and labor productivity between the agricultural and non-agricultural sectors. Approximately two-thirds of Thai laborers work as self-employed or unpaid family workers in small enterprises, while one-third are either employers or employees in private or public establishments. The Thai work force's educational attainments are generally low. In 1992, approximately 82 percent of the work force had merely primary education or even lower. Only 13 and 5 percent, respectively, had secondary or tertiary education.

### **Labor Utilization and the Supply-Demand Gap**

Open unemployment has never been a serious problem in Thailand. The rate has remained quite constant at around 3-4 percent. The open unemployment rate, however, is likely to underestimate Thailand's labor utilization problems, especially during the dry or non-farming season. Based on Labor Force Survey results, the labor force participation rate and the number of persons who reported themselves as unemployed only because they were waiting for the farming season, especially among women, varies significantly between dry and wet seasons. If either the workers waiting for the farming season, or those who were seasonally economically inactive, were added to the jobless, the unemployment rate would reach 15-16 percent during the dry season. Expansion of productive employment opportunities throughout the year is therefore obviously crucial to fighting poverty among poor agricultural households.

Under-utilization of labor among poorly-educated agricultural workers during the dry season, however, is by no means the only labor supply and demand gap. Due to a policy that emphasizes more value-added types of production, there is now a rapidly growing increase in the demand for skilled and semi-skilled labor. The educational system, unfortunately, is unable to keep pace with this changing demand pattern. Presently, the shortage is most acute in the key skill areas of science and technology. It is expected that the shortage of workers will soon spread to semi-skilled labor as well. Our present policy also generates massive lay-offs of unskilled workers in some industries which not so long ago were Thailand's leading export industries. The textile and electronics industries are two prime examples.

The mixed labor supply and demand gap described above makes Thailand both a labor exporter and importer. Export of Thai labor started in the 1970s. It increased continuously to reach a maximum in 1986 and began to decline in the years following. In 1992, about 207,000 Thai workers—0.6 percent of the total work force—went abroad to work: 46 percent to other ASEAN countries, 32 percent to the Middle East, and the remainder to other regions in Asia and Africa. Most out-migrant workers are unskilled laborers with little education. Men mainly work in construction, while women are employed in the services sector. In future, it is expected that Thai labor exports will be both smaller and more selective, especially among semi-skilled workers.

Foreign workers in Thailand can be roughly classified as legal or illegal workers. Legal workers come in

mainly with international companies. They are largely high-level administrators, managers, and technicians, plus some semi-skilled workers. Illegal workers are mostly unskilled laborers from neighboring countries. They are likely to work in wood cutting, on rubber plantations, or in the fisheries industry. These are the industries in which native laborers are now less and less willing to work.

## **Female and Child Labor**

Female labor force participation in Thailand is very high. In 1992, it peaked at just under 72 percent. This rate shows a slightly declining trend for rural areas, but an opposite, rising trend for urban areas. The majority of female laborers work as self-employed or unpaid family workers. With an increase in the share of output from the manufacturing and services sectors, the proportion of female workers who work as employees increases and the proportion who work as unpaid family workers, or are self-employed, declines over time. Still, in 1992, over 70 percent of Thai female laborers worked as self-employed or unpaid family workers, while only 28 percent were employees. Female private employees on average earn 25 percent less than their male counterparts. Female workers are also under-represented in professional and technical professions and in administrative, executive and managerial positions. Discrimination against women, both in terms of pay and employment, obviously is still very much alive in Thailand. Discrimination in the labor market also leads to discrimination in educational investment as it reduces the rate of return. Figures for 1992 showed that while 79 percent of male laborers had a primary education or lower, the figure for women was 85 percent.

Child labor is unfortunately still rife in Thailand. In 1992, approximately one-third of children aged 13-14 and two-thirds of those aged 15-19 were working. This comes to some 700,000 children and 3.9 million slightly older youths in various jobs. Together they account for about 14 percent of Thailand's total work force. The majority of children and young laborers work in the rural agricultural sector, usually as unpaid family workers. Low school enrollment beyond the primary level and poverty are mainly responsible for forcing children and the young to enter the labor market before they have the chance to acquire the knowledge and skills that would equip them for better employment as adults.

## **Labor Welfare**

Social security in Thailand is still at an early stage of development. Although there are programs, such as the national social insurance scheme, the Workmen's Compensation Fund, private or public voluntary insurance, and various government assistance programs, together all these provide only limited security and cover a minor proportion of the population.

Government officials and employees of state enterprises are the most protected group. Medical care, for instance, is assured through the Civil Servant Medical Benefit Scheme. Old-age security is provided through a pension scheme. And, as there are no lay-offs in government employment, except due to employees' misconduct, unemployment is also protected. Most benefits provided for government employees also extend to their families.

The national social insurance program is compulsory under the Social Security Act in all establishments with 10 or more workers. Recently, though on a voluntary basis, it has been extended to cover the self-employed. Benefits provided under the program are restricted to medical care and cash benefits in case of sickness unrelated to work, disability, child birth, and funeral assistance. The program is financed by tripartite contributions—employer, employee and government—each contributing 1.5 percent of the wage bill. Benefits for sickness or work-related injuries are paid by the Workmen's Compensation Fund. Contribution to this fund is compulsory for employers running establishments with 10 or more workers. Those not covered by any program can still resort to voluntary insurance, or rely on government or private assistance programs. For medical care, about 50 percent of the population is covered by one program or another, while the other 50 percent must rely on either self or family support. The national social security program will be expanded to include old-age benefits and family allowances in the near future. Once implemented, approximately 20 percent of the population will enjoy at least some old-age security. Unfortunately there is no time frame for implementation of unemployment benefits.

## **CURRENT EMPLOYMENT PROBLEMS AND STRATEGIES**

In reviewing Thailand's employment situation, four major problems stand out. First, poor education and limited skills make it difficult for laborers to adjust quickly enough to the increasingly rapid changes in a shrinking world. Second, there exists a labor mismatch: as unskilled laborers tend to be underemployed, this further aggravates the nation's already acute income disparity. Third, lack of comprehensive social security systems covering the majority of the population generates other social problems. Lastly, problems related to specific groups of laborers, such as children and women, persist. To rectify these problems, the following policies and measures are advocated:

### **Education and Lack of Skills**

Although expanding employment opportunities may eventually help to alleviate poverty, the more profound problem is low labor productivity. This is rooted in the low educational attainments of the work force in general. An education standard so low that in itself it causes poverty also generates a vicious cycle, passed on from one generation to the next. Presently, only 50 percent of those who complete primary education continue on to secondary education. The government's policy is to raise this unsatisfactory level and, eventually, to make lower secondary education compulsory. The government has already begun to grant scholarships to the children of poor families to allow them to continue their education at the secondary level. In the long run, this should increase the number of workers with education beyond the primary level. Hopefully, this future work force will be more easily trained and able to adjust more rapidly to changing employment demands.

In the short-run, increased formal education should also help solve social problems related to children and young female laborers. Greater formal education, however, will affect only the skills of new entrants into the labor market. It will take time before such compositional changes in the work force become evident. To raise the skill levels of a massive work force, on-the-job training is clearly the appropriate strategy. Thus the government's current policy is to provide more on-the-job training within both public and private establishments.

### **Labor Mismatch**

In the long run the shortage of skilled manpower can be solved only through the education system and expanded and continuous on-the-job training. To avoid negative effects on the labor shortage, however, over the short-run importation of skilled manpower will be allowed, provided it is not a threat to national security and does not conflict with national objectives. All efforts to expand productive employment opportunities, such as contract labor that allows laborers to work at home and self-employment in small enterprises, will, of course, continue. The export of labor will also continue with focus on:

*...the prevention of workers' exploitation; the protection of workers' rights; reduction of the expenses involved in traveling to work destinations; and ensuring fair labor contracts, fair wage rates, and decent working and living conditions abroad...* (Seventh NESDP, p. 159).

### **Non-universal Social Security System**

In Thailand, at present, laborers in the formal sector are only partially covered by the various security schemes. Laborers in the informal sector—agricultural workers, the self—employed, contract workers, unpaid family workers, and others—remain without any coverage at all. Those not in the labor market—children, the elderly, housewives, the unemployed—are also without coverage under any state organized insurance scheme. The only exceptions here are the families of government officials, and the employees of state enterprises or large private corporations. In times of need these groups must rely on such traditional security systems as exist within the family. Due both to past fertility decreases and growing industrialization, Thai families have become smaller and family ties have loosened. The old family security system, consequently, will be insufficient in the future. Realizing this, the government plans to expand existing programs and to establish new ones for those without adequate coverage. Healthy ties and mutual

assistance within the family will, however, continue to be encouraged, especially through family institutional development programs. Nor will social security be considered a replacement for the traditional system. Rather it will be viewed as a supplement for promoting good relationships and for maintaining security within the family.

The social security system could be expanded in two directions. The first would be to increase the portion of the population under coverage. Those who are self-employed could thus join the national social security program on a voluntary basis. In the future, other types of labor, such as contract workers, unpaid family workers or even the unemployed, could all come under the same coverage, either by statutory law or on a voluntary basis. The second means of expansion would provide more benefits for persons already insured. The program presently provides benefits only for sickness unrelated to work. It also covers other disabilities, child birth, and death. In the near future, two other types of benefits, namely old-age benefits and family allowance will also be initiated.

In addition to workers' welfare, new economic conditions also call for improvements in Thai labor protection laws and for their enforcement. Massive lay-offs due to technological changes, for instance, will not be permitted. This problem could be avoided, or at least mitigated, if firms carried out advance planning in training and retraining workers. Occupational health hazards, such as cotton dust disease and illnesses/diseases due to chemical substances, also continue to persist. Present labor protection laws are far from up-to-date and are unable to cope with these newly emerging problems. Thus employers continue to avoid their responsibility towards workers who fall victim to these occupational health disorders. Future policy hopes to provide more adequate information, to both employers and employees, on the dangers of these health hazards. Stronger measures will also be taken as regards disease prevention and health promotion. And, finally, employers will be forced to take full responsibility for all injuries caused by occupational hazards.

### **Female and Child Labor Problems**

Social and economic discrimination against women also generate additional problems for Thai society. In recognition of this, stronger efforts should be made to eliminate all forms of discrimination against women. Government policy now aims specifically at giving women equal opportunities in education and in providing them with opportunities to use and enhance their skills in activities of their own choice. The new policy recognizes that employment selection should be based on merit, not gender. Laws against employment discrimination should be enacted. Similarly, women should have equal access to credit, information and training, including women who choose to be self-employed in small enterprises. In short, the women should receive the same benefits as those enjoyed by men.

The majority of child laborers come from poor families. Often the income earned by these children constitutes a significant proportion of their families' total income. Although government policy now is to raise the legal working age from 13 to 15 years, and to make secondary education compulsory, both measures will be implemented gradually so as not to place families under undue economic hardship. During this transition period, present laws on child labor will be more strictly enforced. Employers will be obliged, for example, to provide decent working conditions for growing children and to provide them with training. Above all, Thai society should remember that these young workers represent the nation's future development. Steps must therefore be taken now, and by all concerned, to enable these youngsters to fulfill their own lives and to contribute fully to their own and to the nation's growth.

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