

The Impact of the Global Financial Crisis and Policy Responses in Thailand*

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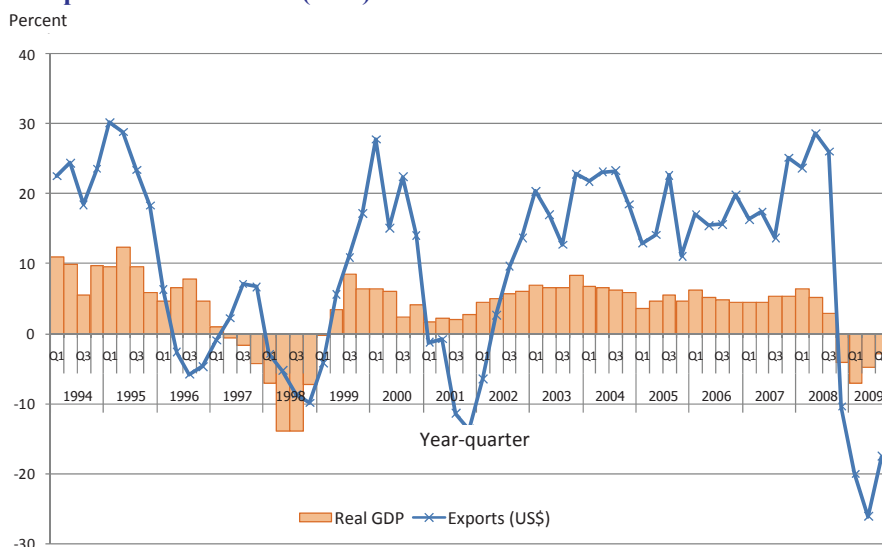
I. INTRODUCTION

About 10 years before the ongoing global financial crisis began to affect Thailand, the country experienced domestically a man-made crisis driven by speculative investment and an incorrect exchange rate policy. The large expansion of investment in the property and construction sectors that created a bubble in the Thai economy was financed by cheap dollar loans from overseas. It was followed by a shortage of labor and an increase in wages. The country lost its competitiveness owing to a steady drop in the real exchange rate, expressed as the ratio of tradable to non-tradable prices (Ammar 1999: 360). The export growth rate dropped from 30 percent annually to -5 percent within six quarters between 1995 and 1996 (Figure 1). However, the financial crisis in 1997 did not seriously affect the Western countries that were major consumers of Thai exports. It did however drastically

slow down economic activities in the property and construction sectors before spreading its effects widely among other sectors.

Thai financial institutions, which formed a major part of the problems in 1997, have learned something from the crisis and have since tended to be more risk averse. New debt instruments created outside Thailand, such as the collateralized debt obligations (CDOs) that helped cause the current global crisis, were avoided by Thai financial institutions (Chalongphob and Somchai 2009: 3). As the global crisis started outside Thailand in 2008, its effects were channeled into the Thai economy through the demand for Thai exports. The impact on exports was greater than that of the 1997 crisis (Figure 1), since the Thai economy depends so much on the export of goods and services. Exports account for about 60-70 percent of Thailand's GDP.

Figure 1 Growth of Exports and Real GDP (YoY)



Sources: National Economic and Social Development Board and Bank of Thailand.

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The effects of both crises passed through different sectors and then had different impacts on various social groups. In this paper, we illustrate the impact of the crises, particularly the current global crisis, on social groups, using survey data collected by the National Statistical Office. In response to the crisis, the Thai government, along with governments in other countries around the globe, introduced many projects aimed at stimulating the economy. We explore whether or not some of the stimulus projects helped people cope with the crisis.

II. THE IMPACT OF THE GLOBAL CRISIS ON VARIOUS SOCIAL GROUPS

Theoretically, any crisis triggered overseas would reduce the demand for goods and services, including Thailand’s export of goods and services. The Thai export sector would subsequently reduce production and the use of the factors of production. Employment in the export sector would be expected to decline. Workers in that sector may lose their jobs or get lower pay. The labor force participation rate may decline as finding jobs becomes difficult. These factors would affect the demand for the country’s goods and services. Ultimately, the country could expect to record lower economic growth.

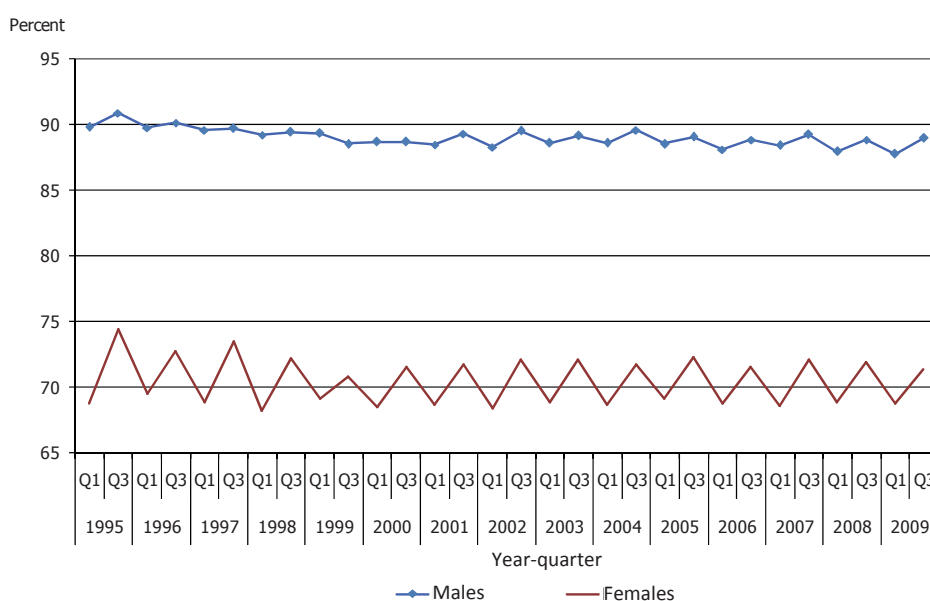
Figure 2 shows that the male labor force participation rate is about 15 percentage points higher than that of the rate for females. However, the labor force participation rate among males has been declining gradually. More young males in the age group 15-24 years are now tending to continue their studies instead of entering the labor market. Seasonality has more influence on the

female labor force participation rate than that of males. Many females enter the labor market in the rainy season (in the third quarter (Q3) of the year) to work in the agricultural sector. The 1997 financial crisis caused the female labor force participation rate to drop temporarily. By contrast, the global crisis that started in 2008 seems to have had no impact on either male or female labor force participation rates.

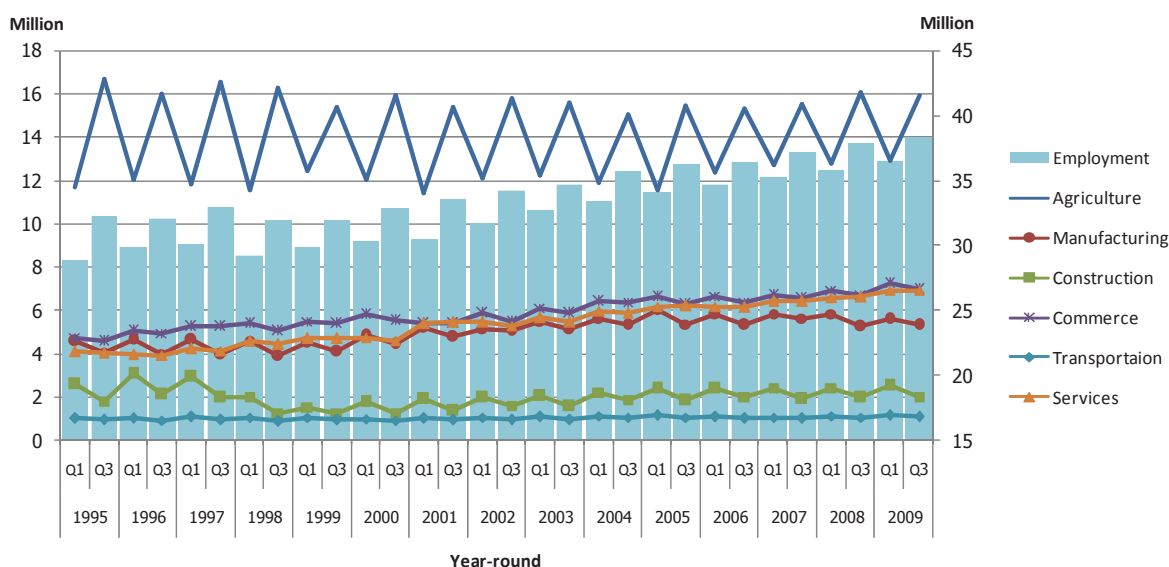
Employment in Thailand can be characterized as employment in the formal and informal sectors. Seasonality has a strong effect on employment in both markets, as unskilled labor can be mobile between the markets. Those who work as employees in the non-agricultural sector are considered to be working in the formal sector (Worawan 2004: 12). They receive social insurance in many forms and get protection from the Labor Protection Law. In this report employees are treated as a subset of workers. Employees get paid for their employment but workers may or may not, e.g., unpaid family workers. Employment in the formal sector accounts for about 43-47 percent of total employment.

Total employment increased by approximately 500,000-700,000 workers per quarter in 2009. However, employment in the manufacturing sector declined by 360,000 workers in Q3 of 2008 compared with the same quarter in 2007. It dropped by 230,000 workers in Q1 of 2009 compared with the same quarter in 2008. The decline of employment in the manufacturing sector seems to have been small compared with total employment, i.e., 36-38 million workers in Q1 and Q3 in 2009 (Figure 3). During the 1997 crisis, many low-skilled employees who lost their jobs in the formal sector moved to work in the informal sector. In 2009, such incidents were not so significant.

Figure 2 Labor Force Participation Rate



Source: Labor Force Survey, National Statistical Office.

Figure 3 Employment by Sector

Source: Labor Force Survey, National Statistical Office.

If further exploration is carried out about the social groups that felt impacts from the crises, it is found that social groups were not the same in 1997 and in 2008 (Tables 1-4). The crisis in 1997 reduced employment by 35-36 percent in terms of the total hours employed in construction (Table 1). The persons severely affected were workers from the northern and northeastern parts

of the country (Table 2). However, the crisis in 2008 had the strongest impact on the manufacturing sector. Employment in manufacturing declined by about 5-9 percent in Q3 of 2008 and Q1 of 2009. Because factories are concentrated in Bangkok and surrounding provinces in Central Thailand, workers in these areas felt a stronger impact than those in other regions of the country.

Table 1 Percentage Change in Hours of Employment, by Sector

	Q1	Q3	Q1	Q3	Q1	Q3
	1996		1997		1998	
Agriculture	2.12	-7.36	-1.65	4.87	-4.27	-2.16
Manufacturing	2.25	-1.04	-0.71	-7.55	-13.91	2.53
Construction	20.09	16.23	-4.90	-10.14	-35.05	-36.07
Commerce	7.81	8.37	2.92	1.21	-4.38	-0.35
Transportation	2.80	-4.70	6.31	-4.28	-8.41	-2.50
Services	-1.86	-3.01	6.91	-4.38	3.27	16.88
	2007		2008		2009	
Agriculture	2.78	3.03	0.64	4.97	0.33	-0.05
Manufacturing	0.16	3.43	0.79	-4.90	-8.84	-0.08
Construction	0.83	-5.58	1.86	3.30	0.72	1.49
Commerce	-0.56	2.65	3.57	2.00	3.56	4.36
Transportation	-3.60	-3.89	6.14	6.11	2.42	3.42
Services	4.03	2.78	2.62	3.66	2.41	5.19

Source: Labor Force Survey, National Statistical Office.

Table 2 Percentage Change in Hours of Employment, by Region

	Q1	Q3	Q1	Q3	Q1	Q3
	1996		1997		1998	
Bangkok and metropolitan area	7.60	3.73	1.45	-6.07	-12.46	0.03
Central	3.05	0.57	0.16	-3.26	21.06	59.43
North	0.67	-2.12	0.91	-3.63	-46.04	-39.83
Northeast	7.78	-6.94	-0.48	8.30	-28.27	-41.39
South	1.63	1.24	0.47	-3.14	52.64	83.22
	2007		2008		2009	
Bangkok and metropolitan area	0.51	-0.21	4.04	-3.63	-4.55	3.27
Central	2.92	1.32	1.80	-3.33	-8.34	1.26
North	-0.38	2.43	1.15	6.65	5.65	2.62
Northeast	2.05	4.00	1.47	7.68	7.08	1.57
South	0.14	1.95	2.54	1.40	-1.36	2.04

Source: Labor Force Survey, National Statistical Office.

Table 3 Percentage Change in Hours of Employment: 1996-1998

	1996		1997		1998	
	Q1	Q3	Q1	Q3	Q1	Q3
By sex						
Male	4.34	-1.26	0.36	-0.67	-7.76	-0.87
Female	4.46	-3.59	0.24	1.71	-8.75	-2.14
By age group						
15-19	-1.20	-12.29	-15.44	-12.74	-20.61	-10.02
20-29	4.68	-2.67	-1.61	-1.32	-12.79	-4.28
30-39	4.09	-1.45	1.06	-0.95	-7.49	0.83
40-49	6.15	1.57	4.40	5.01	-2.93	1.30
50-59	0.85	-2.00	4.46	3.11	-3.04	1.50
60 and older	14.70	-4.32	3.31	11.71	-5.51	-5.08
By education						
Primary or lower	4.15	-4.08	-2.05	-0.10	-11.80	-7.02
Lower secondary	9.54	11.38	4.94	0.13	2.80	15.99
Upper secondary	-1.38	-5.37	15.17	13.87	6.85	18.76
Lower vocational	4.62	-0.05	8.50	2.27	-6.16	8.74
Upper vocational and diploma	-7.90	-8.92	7.32	-0.63	8.09	26.24
Bachelor's degree or higher	9.07	8.57	12.91	-0.65	5.52	26.04
Total	4.39	-2.29	0.31	0.37	-8.17	-1.43

Source: Labor Force Survey, National Statistical Office.

Table 4 Percentage Change in Hours of Employment: 2007-2009

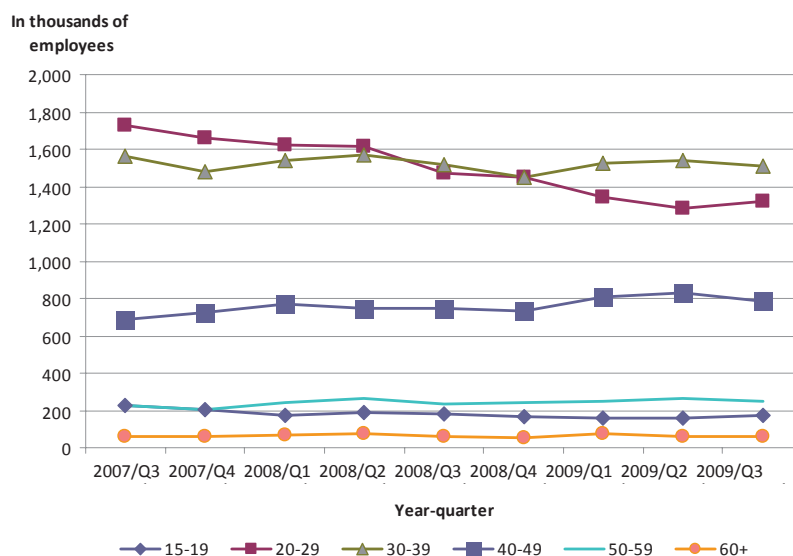
	2007		2008		2009	
	Q1	Q3	Q1	Q3	Q1	Q3
By sex						
Male	1.41	2.08	1.32	2.65	0.30	2.09
Female	1.43	2.45	2.73	2.27	-0.49	1.74
By age group						
15-19	0.92	-1.19	-3.91	-5.99	-0.68	2.92
20-29	0.28	0.19	-0.07	0.90	-4.11	-1.89
30-39	-0.71	-0.05	0.43	1.49	-1.16	-0.39
40-49	1.53	2.66	2.51	3.62	1.88	2.42
50-59	4.89	7.03	7.20	6.77	3.23	5.80
60 and older	7.55	8.87	4.60	2.03	3.45	12.11
By education						
Primary or lower	-0.93	0.45	-0.70	0.33	-1.35	0.28
Lower secondary	6.87	6.26	3.27	5.40	-0.67	2.19
Upper secondary	11.04	5.43	5.31	6.94	4.24	4.45
Lower vocational	1.29	4.11	1.44	-1.66	5.60	8.55
Upper vocational and diploma	3.31	8.61	11.89	3.51	-1.98	5.77
Bachelor's degree or higher	-1.54	1.17	8.46	7.68	2.79	4.68
Total	1.41	2.08	1.32	2.65	0.30	2.09

Source: Labor Force Survey, National Statistical Office.

Tables 3-4 show more detail about workers who were affected by declining hours of employment. Female and young workers were more strongly and negatively affected in both crises. The shortage of workers in 1996 drove youth to enter the labor market. When the effects of the crisis hit the labor market, youth were the first group to feel the impact. Low-skilled workers with primary or lower education lost their jobs when the construction sector collapsed. However, in 2008, there was no bubble in the Thai construction sector. Rather, it was employees in the age group 20-29 that were most severely affected, particularly if they worked in the manufacturing sector (Figure 4). This could be more serious if the crisis is prolonged, because this age group is at an early stage of establishing their families and

some might have to take care of aging parents as well. Losing their jobs would mean a deterioration of the fortunes of the whole family too.

However, having a job does not mean that a worker is better off in comparison with what would have been in the absence of a crisis. About 20-25 percent of the employees who still had jobs in 2009 were adversely affected by the crisis one way or another. In Q1, when the growth rate was at its lowest level (-7 percent), about 6 percent of the employees worked fewer hours per week, 11 percent received lower wages and 4 percent suffered both impacts (Table 5). A higher proportion of employees received lower wages in Q2 and Q3. Figures 5-7 confirm the incidence of these phenomena.

Figure 4 Number of Employees in Manufacturing

Source: Labor Force Survey, National Statistical Office.

Table 5 Impact of the Global Crisis on Employees (percentage of employment)

Impact on employees	Percentage		
	2009/Q1	2009/Q2	2009/Q3
1. Same hours of work	75.94	76.07	79.31
2. Reduced hours of work	6.09	5.25	2.70
3. Reduced earnings	10.94	12.35	12.66
4. Reduced bonus or benefits	1.57	1.12	1.07
Lines 2 and 3 above	4.45	4.52	3.72
Lines 2 and 4 above	0.68	0.43	0.26
Lines 3 and 4 above	0.33	0.26	0.27

Source: Labor Force Survey, National Statistical Office.

The average hours of work of employees in manufacturing declined from 48.5 per week to 46.3 per week. Full-time employees worked 40 hours per week. Employees with a university degree usually worked fewer hours per week than others because they receive higher wages. Low-skilled employees work around 48-50 hours per week. However, after the global crisis, their working hours declined by about 1-4 hours per week. Employees with a vocational education had the worst reduction in hours worked compared with their normal period of employment (Figure 5).

As the wage rate for average employees is low, they have to work overtime to earn enough to cover their living expenses. However, when their hours of work declined, they had lower earnings. Figure 6 shows that real overtime income (at 2002 prices) for employees in manufacturing dropped significantly among those in the age groups 15-19, 20-29, 30-39, and 40-49. As older employees were unlikely to work overtime, they got about the same real overtime income as they did prior to the global crisis. Employees with a secondary or vocational education suffered greatly from the adverse impacts of the crisis (Figure 7). Their average real overtime income plummeted by about 60 percent.

Who are more likely to lose their jobs when there is an economic crisis? According to the National Statistical Office, the number of persons unemployed increased from 550,000 in April 2008 to 820,000 in April 2009. The unemployment rate among the young workers (15-24 years old) however, jumped from 6.3 to 8.1 percent in the same period. Figure 8 shows that the unemployment rate in 2009 was not as serious as in 1999. The global crisis seems to have had a mild impact on the unemployment rate.

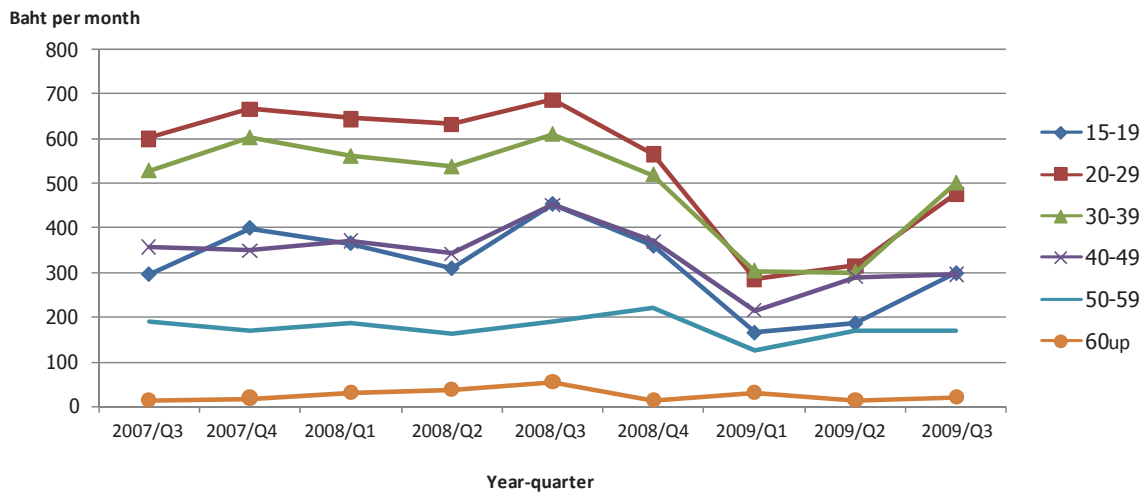
The impacts of the crisis were not distributed evenly across social groups, as shown in Tables 6 and 7. Because the workers in the youngest age group are marginal workers, they are more vulnerable to changes in the demand for labor. Their unemployment rates increased dramatically in 1998 when demand for unskilled labor in the construction sector dropped. However, the unemployment rates among the youngest age group declined in 2009 compared with 2008. The unemployment rates of the age group 20-29 increased as this age group is the prime labor force of the manufacturing sector. Employees with a vocational education seem to have been vulnerable to unemployment during both crises.

Figure 5 Average Hours of Work of Employees in Manufacturing



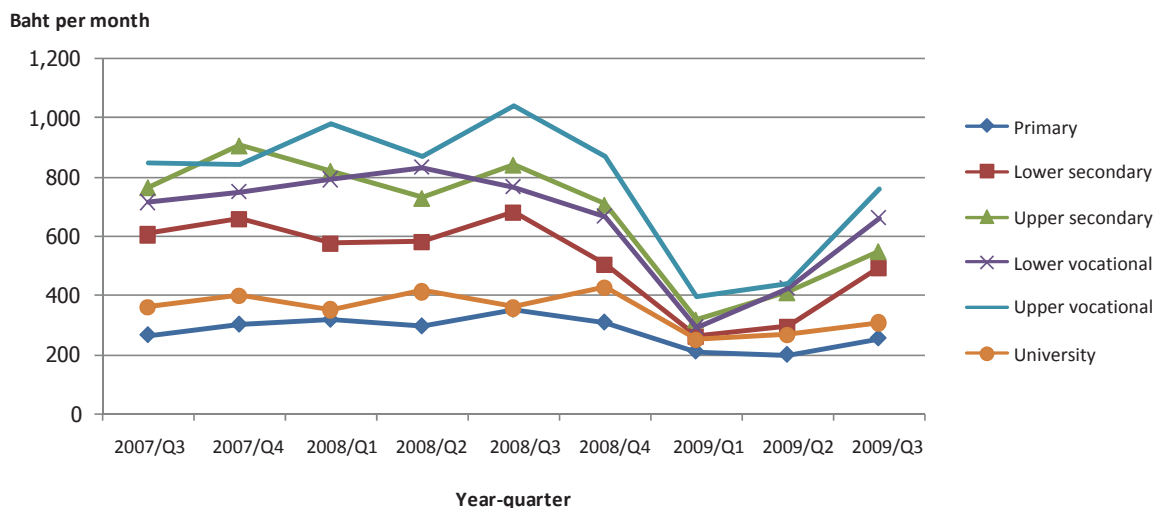
Source: Labor Force Survey, National Statistical Office.

Figure 6 Real Overtime Income of Employees in Manufacturing, by Age Group

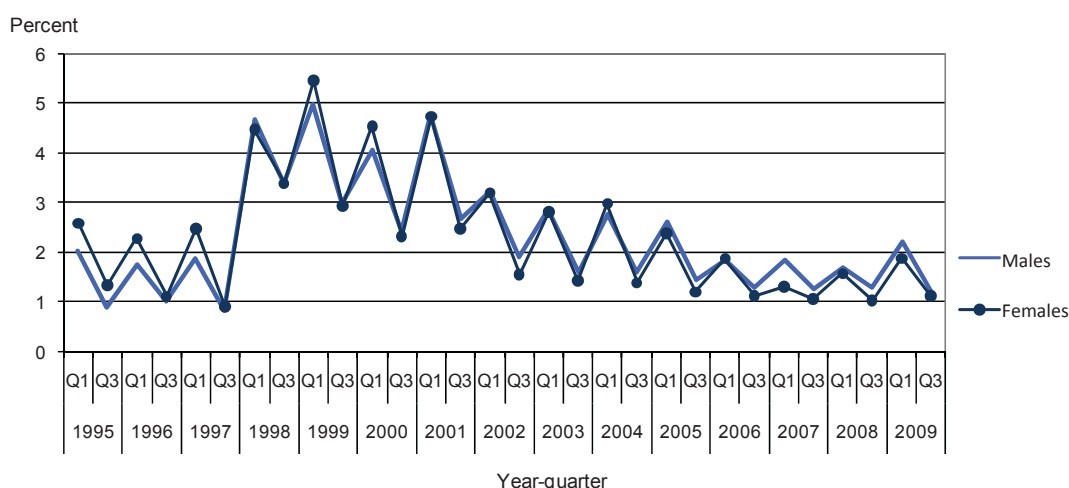


Source: Labor Force Survey, National Statistical Office.

Figure 7 Real Overtime Income of Employees in Manufacturing, by Education



Source: Labor Force Survey, National Statistical Office.

Figure 8 Unemployment Rate

Source: Labor Force Survey, National Statistical Office.

Table 6 Unemployment Rate (%): 1996-1998

	1996		1997		1998	
	Q1	Q3	Q1	Q3	Q1	Q3
By age group						
15-19	5.4	2.9	5.0	2.1	11.4	7.1
20-29	3.3	1.9	3.8	1.6	7.8	5.8
30-39	1.3	0.5	1.4	0.5	3.4	2.5
40-49	0.9	0.4	0.9	0.4	2.4	1.9
50-59	0.8	0.5	0.9	0.4	1.6	1.4
60 and older	0.5	0.7	0.8	0.3	1.5	0.9
By education						
Primary or lower	2.0	0.9	2.0	0.6	4.4	2.6
Lower secondary	2.6	1.2	3.1	1.3	5.8	4.2
Upper secondary	2.1	2.2	2.2	1.4	6.0	5.5
Lower vocational	2.1	2.9	2.7	1.6	4.1	6.3
Upper vocational and diploma	2.2	3.1	3.2	3.5	5.1	7.8
Bachelor's degree or higher	1.3	1.6	2.0	1.7	3.1	5.4
By region						
Bangkok and metropolitan area	1.2	1.3	1.4	1.0	2.0	2.5
Central	1.1	0.8	1.4	0.9	7.8	3.6
North	2.6	0.8	2.0	0.8	3.0	4.7
Northeast	3.0	1.3	3.4	0.7	3.1	2.9
South	1.0	1.1	1.2	1.3	3.9	3.4
Total	2.0	1.1	2.2	0.9	4.6	3.4

Source: Labor Force Survey, National Statistical Office.

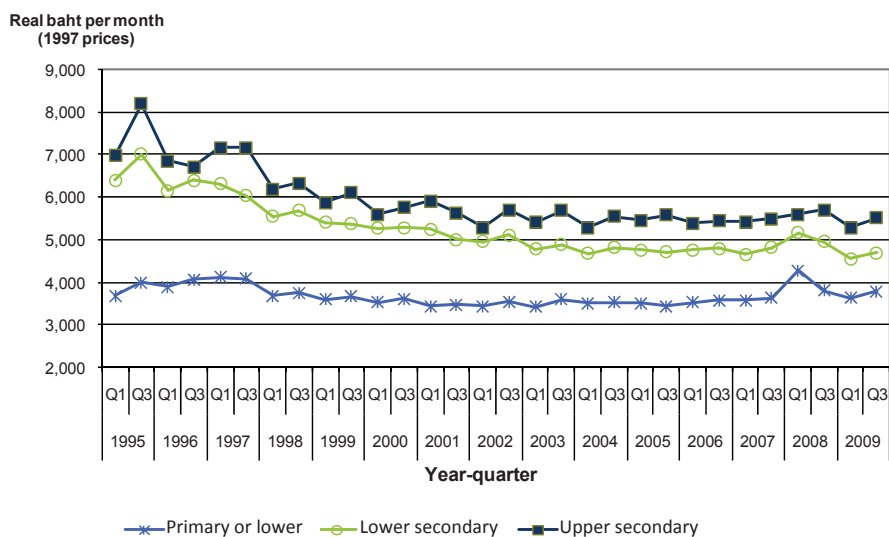
The real earnings (including wages, overtime income, and bonus) of Thai employees have been declining even in the period of no crisis (Figures 9 and 10). Employees with a primary education earn only Bht 3,500-4,000 (about US\$ 106-121) per month. They earn only half of what those with upper secondary education earn and only a quarter of what those with a university degree earn. Employees with a university degree earn around Bht 14,000-17,000 (about US\$ 424-515) per month. Following the crisis in 1997, the real earnings of this group have fluctuated around Bht 15,000 per month.

Unskilled employees are vulnerable to poverty. The minimum wage rates have been set low, at Bht 206 (about US\$6.20) per day in Bangkok, and Bht 151 (about US\$ 4.60) per day in small provinces in 2010. However, many employees earn wages that are below the minimum wages. Employees should be protected by the Labor Protection Law so that they would earn at least minimum wages. In Q3 of 1997, 3.3 million employees were earning wages below the minimums set by law. In the same quarter of 2009, there were still 3.2 million employees earning wages below the minimums.

Table 7 Unemployment Rate (%): 2007-2009

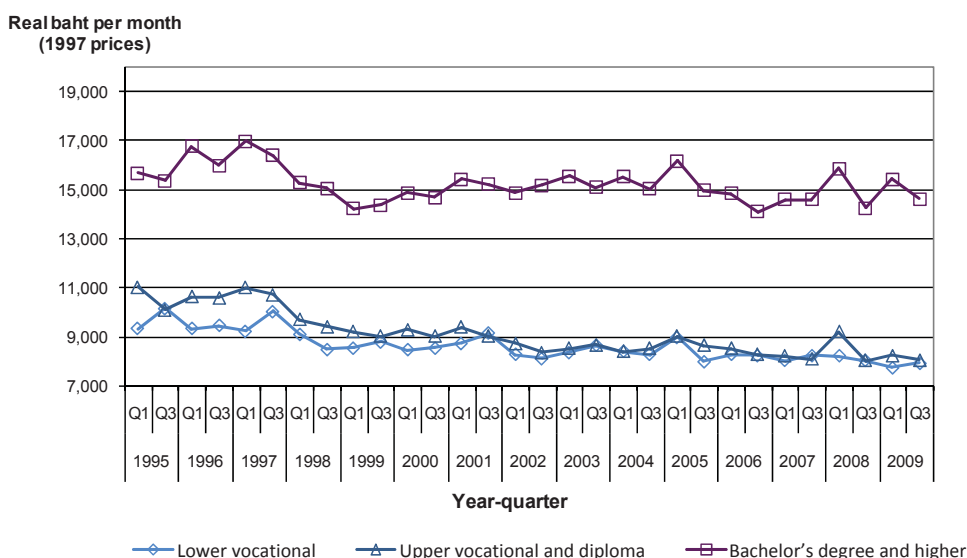
	2007		2008		2009	
	Q1	Q3	Q1	Q3	Q1	Q3
By age group						
15-19	7.0	4.9	8.3	5.9	7.6	4.5
20-29	3.8	2.7	3.5	2.9	5.3	3.0
30-39	1.0	0.7	1.1	0.7	1.3	0.8
40-49	0.6	0.5	0.8	0.4	0.7	0.4
50-59	0.5	0.4	0.5	0.2	0.6	0.3
60 and older	0.3	0.2	0.2	0.1	0.4	0.1
By education						
Primary or lower	1.1	0.6	1.1	0.6	1.2	0.6
Lower secondary	2.5	1.9	2.6	1.7	3.4	1.9
Upper secondary	2.0	1.4	2.2	1.9	3.1	1.1
Lower vocational	1.8	2.2	2.0	2.0	3.5	2.2
Upper vocational and diploma	3.6	2.2	2.1	2.8	3.2	3.1
Bachelor's degree or higher	2.4	2.3	2.3	2.1	2.6	2.2
By region						
Bangkok and metropolitan area	1.2	1.3	1.5	1.3	1.4	1.2
Central	1.2	1.4	1.3	1.4	1.9	1.3
North	1.6	1.3	1.6	1.1	1.8	1.2
Northeast	2.2	1.0	2.2	1.0	2.4	1.0
South	1.4	1.1	1.3	1.3	2.6	1.4
Total	1.6	1.2	1.7	1.2	2.1	1.2

Source: Labor Force Survey, National Statistical Office.

Figure 9 Real Earnings of Unskilled Employees

Source: Labor Force Survey, National Statistical Office.

Figure 10 Real Earnings of Skilled Employees



Source: Labor Force Survey, National Statistical Office.

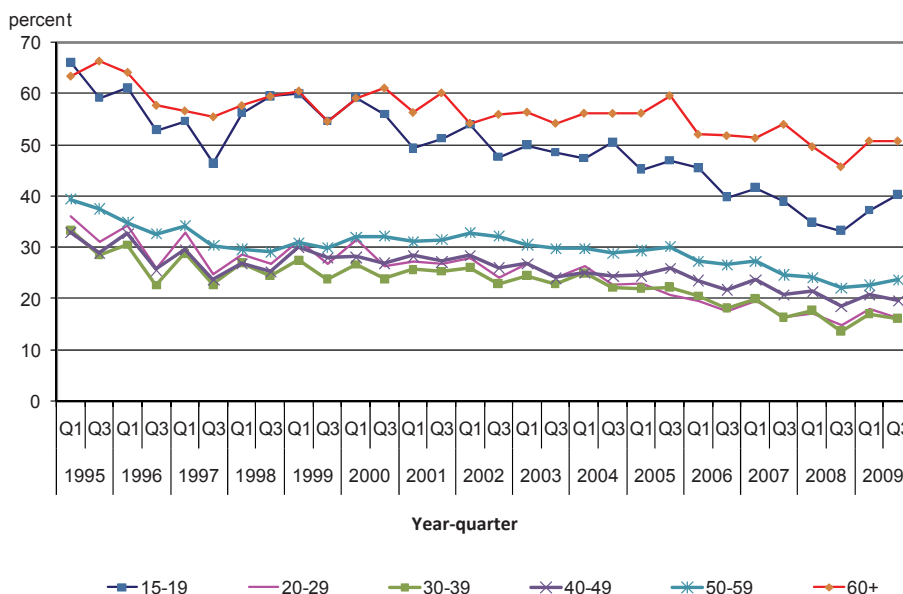
Figure 11 shows that high proportions of employees in the age groups 15-19 and 60 and older earning less than the minimum wages are not protected by the minimum wage law. It is not surprising that most of those who earn less than the minimum wages have a low level of education (Figure 12). Although the incidence of this phenomenon among the younger age group has improved, in 2009, the proportion in the age group 15-19 earning less than the minimum wages increased, repeating the experience of this age group following the 1997 crisis when the proportion increased from 47 percent to 60 percent.

Vulnerability to poverty among those with an education higher than the primary level was not sensitive

to shock or growth. The trends in the proportion of such employees moved around the same figures over time (Figure 12). This was contrary to the proportion of those with primary or lower levels of education, the proportion of which had been declining when there was no financial or economic shock.

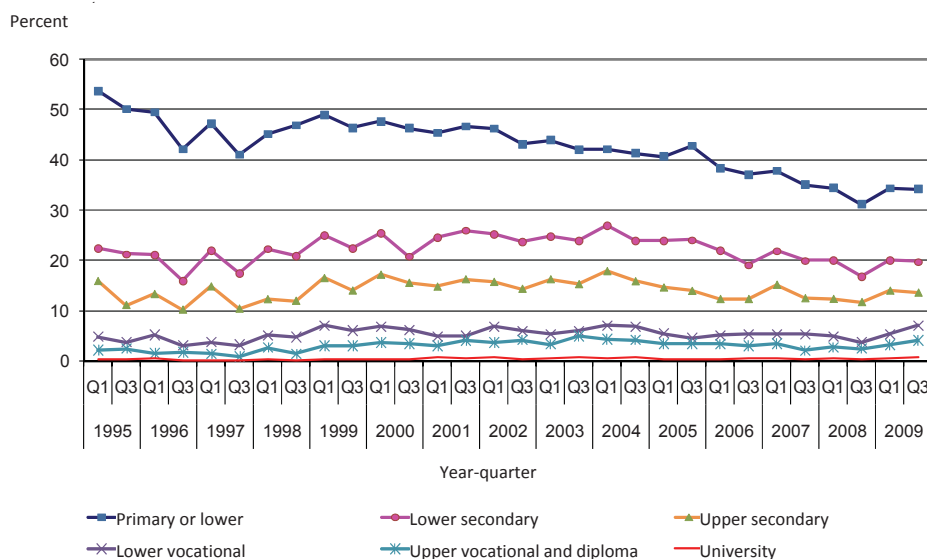
The under-protected employees are in the agricultural sector (Figure 13). Even now, about 50 percent of agricultural employees earn less than the minimum wages. In 2009, the proportion of employees in manufacturing who earned less than the minimum wages increased by 2 percentage points. Thus, the impact of the global crisis on this proportion has been rather mild.

Figure 11 Employees Earning Less than the Minimum Wages, by Age Group



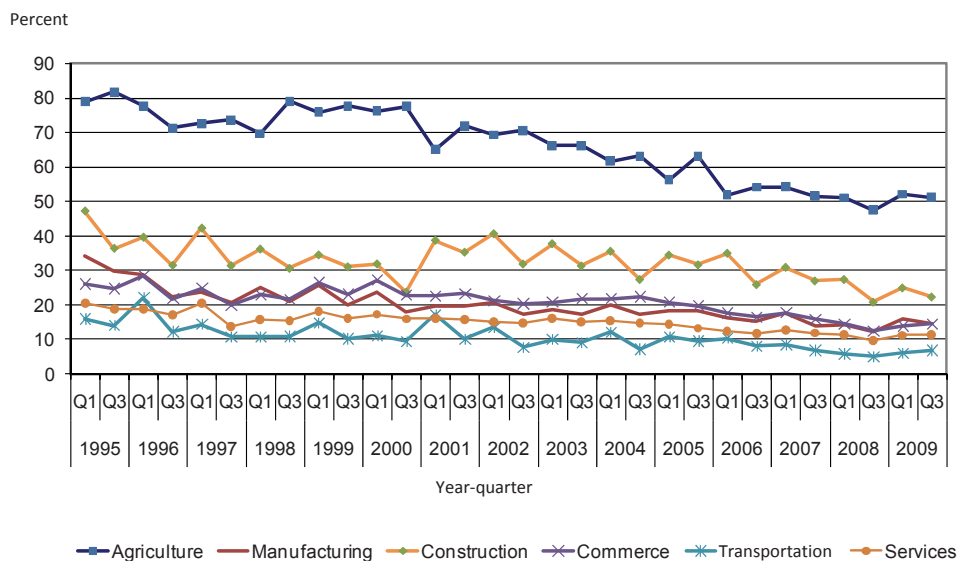
Source: Labor Force Survey, National Statistical Office.

Figure 12 Employees Earning Less than the Minimum Wages, by Education



Source: Labor Force Survey, National Statistical Office.

Figure 13 Employees Earning Less than the Minimum Wages, by Industry



Source: Labor Force Survey, National Statistical Office.

The well-being of households can be measured by their consumption. Using the most recent Socio-Economic Surveys (SES), in 2007 and 2008, it is found that household consumption increased in 2008 (Figure 14). Food consumption was about 35-40 percent of total consumption. However, it is too soon to investigate the impact of the global crisis on household consumption; we must wait until the 2009 SES data are available.

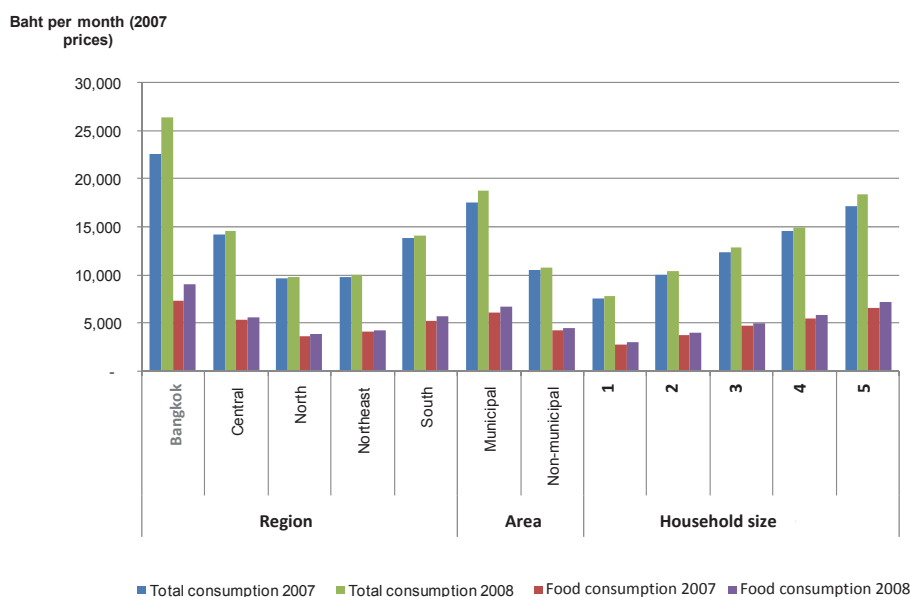
III. POLICY RESPONSES

To mitigate the impact of the global crisis, the current government introduced stimulus package-I,

comprising 18 projects in 2009 valued at more than Bht 200 billion, or about 2 percent of GDP. The 18 stimulus projects include the following:

- Agricultural price guarantees (Bht 123,581 million)
- Tax measures (Bht 40,000 million)
- 15-year free education (Bht 19,001)
- Bht 2,000 cash handouts (Bht 18,970 million)
- Sufficiency economy fund (Bht 15,200 million)
- So-called 5x6 subsidies (Bht 11,409 million)
- Bht 500 cash for the elderly (Bht 9,000 million)

Figure 14 Household Consumption



Source: Socio-Economic Survey, National Statistical Office.

- Training for the unemployed (Bht 6,900 million)
- Health volunteer support (Bht 3,000 million)
- Irrigation project (Bht 2,000 million)
- Housing for junior police officers (Bht 1,890 million)
- Dust-free roads (Bht 1,500 million)
- Health station improvement (Bht 1,096 million)
- Blue-flag scheme (Bht 1,000 million)
- Tourism promotion (Bht 1,000 million)
- Small reservoir construction (Bht 760 million)
- Promotion of small and medium-sized enterprises (Bht 500 million)
- Restore national confidence (Bht 325 million)

The measures that the Thai government used were not different from those of other countries, such as the United States of America, the United Kingdom, Japan, and other countries in Asia. These governments wanted to boost spending in their economies. However, the results from their projects may still be unclear as people and the private sector are uncertain about their future.

One interesting project is the Bht 2,000 cash handout or so-called “Bht 2,000 check.” The government has given Bht 2,000 to three types of employees, provided that their wage income was below Bht 15,000 per month. The first type of employees comprise current members of the Social Security Fund and former members who are currently receiving benefits, e.g., unemployment insurance benefit or sickness benefit. The second type are government employees, including village heads and pensioners. The last type are employees in local government administration, employees under

autonomous organizations founded by the constitution or by other laws, men conscripted into the armed forces, employees in state enterprises, and teachers in private schools. About 6 million people were declared eligible to receive the check.

The National Statistical Office of Thailand interviewed 7,800 household members in the Bangkok municipal area in May 2009. It found that about 50 percent of the sample had received the Bht 2,000 check, although not all of them decided to use it (Table 8). Nonetheless, about 95 percent used the check: about 72 percent of that proportion for purchasing consumer products. It is interesting to see that 78 percent of those who received the check did not spend more than what they normally spent. This might have been because, in the period when they received the check, the Thai economy had not recovered from the crisis. People were not sure about their future employment and earnings. They had learned from experience that the effects of the 1997 crisis were more than a year. A recent review (Pawin and Nada 2009: 16) also shows that the multiplier effect of fiscal policy in many countries in the short-run is rather small, between 0.2 and 1.0.

Besides the stimulus package, the government tried to slow down lay-offs by reducing social security contributions. In normal times, employer and employee have to contribute the equivalent of 10 percent of wages in order to be covered for sickness, death, maternity, invalidity, child allowance, old-age and unemployment insurance benefits. The employer and employee each share the contribution equally. The government contributes the equivalent of another 2.75 percent of the employee’s wages to the Social Security Fund. In July 2009, the government temporarily reduced the contribution rates from both employers and employees, from 10 percent to 6 percent. The rates returned to normal in January 2010.

Table 8 Impact of the Bht 2,000 Check on Consumption

Question	Answer	%
Did you use the Bht 2,000 check?	Yes	95.2
	No	4.8
On what item did you spend the money?	Education	3.9
	Tourism	2.9
	Consumer goods	71.8
	Luxury goods	2.9
	To pay debt	11.3
	Buy bond or other funds	0.3
	Give to parents or relatives	4.8
	For celebration	0.8
	Others	1.4
Did you spend more than normal?	Spent the same amount with or without the check	78.4
	With check, I spent more than normal.	21.6

Source: Opinion Survey on Bht 2,000 Check, National Statistical Office.

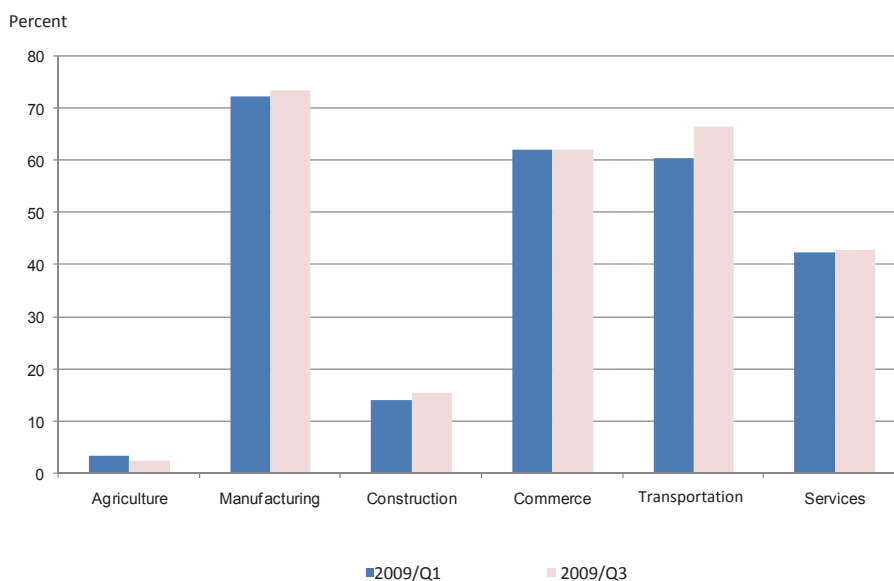
This policy may have a small impact on the labor market for two reasons. First, social security contributions represent only a small cost for firms, which do not decide on lay-offs based on this cost. When the demand for their products is low, firms have to reduce the use of this factor of production, i.e., labor. However, the policy might help firms to earn extra money. Second, the coverage of the social security system is still low, and many firms avoid contributing money to the Social Security Fund. According to the Social Security Law, all non-agricultural firms have to contribute to the Social Security Fund. The survey in 2009 showed that only 70 percent of employees in the manufacturing sector were covered by the law (Figure 15). For employees in other sectors, coverage was lower.

During the crisis, it was difficult for a person to find a new job. The government tried to help those unemployed by extending the period that they would be eligible for receiving unemployment insurance benefits.

For those who were involuntarily unemployed, the period for receiving the benefit was extended from six months to eight months. However, the extension did not apply to voluntary unemployment. Those who voluntarily quit their job without cause received the benefit for only three months. The policy was in effect from January to December 2009.

Figure 15 shows that a large proportion of employees were not covered by social insurance benefits, including the unemployment insurance benefit. The extension of the unemployment insurance benefit helps only a small proportion of unemployed persons. Only 26 percent of employees who were laid off in 2009 received the unemployment insurance benefit (Table 9). A smaller proportion received severance pay. The Labor Protection Law requires that firms must pay laid-off employees based on the duration of their employment. When the coverage of the law is limited, government policy intervention may work ineffectively.

Figure 15 Percentage of Private Employee with Social Insurance



Source: Labor Force Survey, National Statistical Office.

Table 9 Percentage of Those Unemployed Covered by Unemployment Benefits

Employees who lost their jobs in 2009 Q1, by causes	Unemployment insurance benefit				Received severance pay	
	Not a member of Social Security Fund	Do not qualify	Unemployment insurance-waiting period	Receive benefit	No	Yes
Firm is out of business	70.80	15.39	7.54	6.26	70.80	15.39
End of contract	71.67	20.68	2.07	5.58	71.67	20.68
Laid off	35.64	13.10	25.32	25.95	35.64	13.10
Quit	28.96	19.33	21.56	30.15	28.96	19.33

Source: Labor Force Survey, National Statistical Office.

IV. CONCLUSION

The ongoing global crisis has affected the demand for the export of goods and services from Thailand. Its impact on economic growth has been small compared with that of the 1997 financial crisis, and it has had a short-term impact on employment in the manufacturing sector. The social groups involved with the manufacturing sector suffered adverse effects. Employees who were in the age group 20-29 years, or who had a secondary or vocational level of education lost income owing to a lower number of hours worked overtime. Government policies to stimulate employment may not be effective because the coverage of the Social Security Law is low. The impact of stimulus package-I is not clear as the short-term multiplier effect tended to be small.

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