Impact of the 2008-09 Global Economic Downturn on the Labor Market of Thailand

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Abstract

Starting in 2008, a sequence of crises hit the world economy and East Asian. Thailand was not spared. The country experienced a massive increase in food and fuel price resulting in an increase in the cost of living to all households. Those in rural area were more affected than their counterparts in urban area due to the fact that food consumption held a substantial share in rural CPI basket. To maintain the family standard of living, other family members in particular women had to participate in labour market. Female labour force participation in rural area increased by 2.5 percentage points from 2007 to 2009.

Along with the harmful impact of high inflation, the U.S. financial crisis arrived Thailand towards the end of 2008. The growth rate of real GDP began to decline from the second half of 2008 and contracted for most of the 2009 period. The demand for workers in export sector reduced subsequently. Yet the impact was more severe and happened earlier for men than women.

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The real wage for both women and men in rural area declined between 2007 and 2009 as a result of an accelerate increase in food and fuel prices. Again men experienced a decline in their real wage larger than that of women. Overall, the monthly real wage in rural areas decreased while it increased by roughly 9% in urban areas. Workers in rural area, therefore, were more affected by the economic downturn in 2008 than in 2009. Wage workers also experienced hour works reduction during the recession. In 2008, men in all work statuses were more affected than women. Though their situation improved later in 2009, it happened only in the informal sector.

For the employment opportunities, the number of informal workers in particular unpaid family workers increased at a rate higher than wage workers. Once the financial crisis developed its full blow in 2009, it was only non-wage sector that continued to grow while the wage sector contracted.

Concerned with the economic development of the country as well as the upcoming 2011 general election, Prime Minister Abhisit Vejjajiva was afraid that the widening gap between the rural poor and the urban elites not only hindered the poverty reduction affords of his government with regard to various policy response to the crises, but also could have a profound influence on the outcome of general election that he intended to call upon at some point in 2011. He, therefore, needed to know that which social groups were most affected by the global crises, and whether any additional measures were necessary to better shelter them.

Keywords: Employment Opportunity, Informal Worker, Workers in Rural and Urban Areas

ผลกระทบของวิกฤติเศรษฐกิจโลกในปี 2008-2009 ต่อตลาดแรงงานไทย

อมรรัตน์ อภินันท์มหกุล

บทคัดย่อ

จากปัญหาวิกฤติเศรษฐกิจที่ส่งผลกระทบต่อเศรษฐกิจโลกและภูมิภาคเอเชียตะวันออกในปี 2008 นั้น ประเทศไทยก็ได้รับผลกระทบจากวิกฤติเศรษฐกิจโลกด้วย ระบบเศรษฐกิจไทยต้องเผชิญกับการเพิ่มขึ้นอย่างรวดเร็วของราคาอาหารและเชื้อเพลิงที่มีผลให้ค่าครองชีพของครัวเรือนเพิ่มสูงขึ้น โดยประชาชนในภาคชนบทได้รับผลกระทบมากกว่าผู้อยู่อาศัยในเขตเมือง เพราะสินค้าอุปโภคและบริโภคเป็นค่าใช้จ่ายที่มีส่วนแบ่งค่อนข้างสูงในดัชนีราคาผู้บริโภคในเขตชนบท เพื่อรักษาระดับมาตรฐานการครองชีพของครัวเรือน สมาชิกอื่นในครัวเรือนโดยเฉพาะอย่างยิ่งแรงงานหญิงต้องเข้าสู่ตลาดแรงงานมากขึ้น ในระหว่างปี 2007-2009 แรงงานหญิงในชนบทได้เข้าร่วมกำลังแรงงานเพิ่มขึ้นร้อยละ 2.5

นอกจากอัตราเงินเฟ้อที่สูงแล้ว วิกฤติการเงินของสหรัฐฯ ก็เริ่มส่งผลต่อระบบเศรษฐกิจของไทยในช่วงปลายปี 2008 อัตราการเติบโตของผลิตภัณฑ์มวลรวมในประเทศที่แท้จริงเริ่มหดตัวลง นับแต่ครึ่งหลังของปี 2008 และตลอดปี 2009 อุปสงค์ต่อแรงงานในภาคส่งออกลดลงอย่างต่อเนื่อง โดยแรงงานชายในภาคส่งออกได้รับผลกระทบมากกว่าแรงงานหญิง

ค่าจ้างแรงงานที่แท้จริงของแรงงานทั้งชายและหญิงในภาคชนบทลดลงในช่วงปี 2008-2009 อันเนื่องจากการเพิ่มขึ้นของราคาสินค้าในหมวดอาหารและเชื้อเพลิง โดยแรงงานชายในภาคชนบทได้รับผลกระทบมากกว่าแรงงานหญิงเช่นกัน โดยภาพรวมแล้ว ค่าจ้างแรงงานรายเดือนที่แท้จริงในภาคชนบทลดลง แต่ค่าจ้างรายเดือนที่แท้จริงในเขตเมืองกลับเพิ่มขึ้นประมาณร้อยละ 9 จึงกล่าวได้ว่าวิกฤติเศรษฐกิจในช่วงปี 2008 มีผลกระทบต่อแรงงานในชนบทมากกว่าวิกฤติที่เกิดขึ้นในปี 2009 นอกจากนี้ ลูกจ้างรายวันต้องเผชิญภาวะการถูกลดจำนวนชั่วโมงการจ้างงาน แรงงานชายในทุกสถานภาพการทำงานได้รับผลกระทบจากวิกฤติเศรษฐกิจในปี 2008 มากกว่าจากวิกฤติในปี 2009 และแม้ว่าสถานภาพการจ้างงานในช่วงปลายปี 2009 จะดีขึ้น สถานการณ์ดังกล่าวก็เป็นจริงเฉพาะกับการจ้างงานนอกระบบเท่านั้น

สำหรับโอกาสการมีงานทำนั้นจำนวนแรงงานนอกระบบโดยเฉพาะอย่างยิ่งลูกจ้างภายในครัวเรือนที่ทำงานโดยไม่ได้รับค่าตอบแทนนั้น เพิ่มขึ้นในอัตราที่สูงกว่าลูกจ้างที่ได้รับค่าตอบแทน และเมื่อวิกฤติทางการเงินได้ส่งผลกระทบอย่างเต็มที่แล้วในปี 2009 จำนวนแรงงานนอกระบบก็เพิ่มขึ้นอย่างต่อเนื่องในขณะที่จำนวนแรงงานในระบบหดตัวลง

เมื่อคำนึงถึงอนาคตการพัฒนาทางเศรษฐกิจของประเทศ และการเลือกตั้งทั่วไปที่จะมีขึ้นในปี 2011 แล้ว นายอภิสิทธิ์ เวชชาชีวะ นายกรัฐมนตรีมีความกังวลว่า ความแตกต่างทางรายได้ระหว่างคนจนในชนบทและผู้มีรายได้ในเขตเมือง นอกจากจะเป็นอุปสรรคต่อการแก้ปัญหาความยากจนของรัฐบาล และต่อสัมฤทธิผลของนโยบายกระตุ้นเศรษฐกิจหลายมาตรการที่ภาครัฐกำลังพยายามขับเคลื่อนแล้ว ความเหลื่อมล้ำทางรายได้ก็อาจมีผลต่อผลการเลือกตั้งทั่วไปที่กำลังจะมีขึ้นในปี 2011 ด้วย ฯพณฯ ท่านนายกรัฐมนตรี อภิสิทธิ์ เวชชาชีวะ จึงต้องการค้นหาว่าแรงงานกลุ่มใดคือผู้ที่ได้รับผลกระทบจากวิกฤติเศรษฐกิจโลกมากที่สุด และภาครัฐจำเป็นต้องดำเนินมาตรการอะไรบ้างเพื่อช่วยเหลือผู้ได้รับผลกระทบดังกล่าว

คำสำคัญ: การจ้างงาน โอกาสการมีงานทำ แรงงานนอกระบบ แรงงานในเขตเมืองและชนบท

At the end of December 2009, after reading through the executive summary of an analytical report on the economic situation in Thailand, Prime Minister Abhisit Vejjajiva could not help but be worried about the economic well-being of the country. The overall thrust of the analysis – itself a digest of various research reports that had been prepared by the Office of the Secretary of the Prime Minister -- was that the measures that Mr. Abhisit's government had implemented to date to combat the economic crises that had begun in mid-2007 had had limited effect on the most vulnerable groups in the population. In particular, it was disconcerting to the Prime Minister to read that despite the 116.7 billion Baht stimulus package that his government had put in effect the previous December, the World Bank country report on Thailand that was cited in the executive summary had found no evidence of the effectiveness of that initiative in shielding the most vulnerable groups from the negative impacts of the crisis that had swept into the country from its point of origin in the United States.

Especially worrisome was the finding that the combination of food and fuel inflation, combined with a decline in demand for Thai exports during the global economic contraction, had significantly widened the gap between the country's rural poor and the urban elites. Absent effective countermeasures to arrest this trend, the Prime Minister feared that the widening gap might well precipitate social unrest and thereby threaten political stability. Mindful of his intentions to dissolve the House of Representatives and call a general election at some point in 2011, Mr. Abhisit knew that social and political instability would, in all probability, profoundly impact the election results, quite possibly leading to his party's loss of the reins of government to the main opposition party.

Indeed, the Prime Minister had *thought* that his government's earlier economic stimulus efforts had in fact been targeted toward the most vulnerable groups. But, according to the conclusions contained in the report on his desk, this had not been the case. In order to go before the voters with a strong record on economic and other issues of vital importance to the citizenry, Mr. Abhisit knew that he now needed to find out which social groups were most impacted by the global crises and then, if their needs had not yet been met by earlier policy measures, devise measures with which to better shield them. Time was of the essence because any additional stimulus measures would require time to show results -- and, the planned election was, at most, about eighteen months away.

Overall Impact of Global Crises on the Thai Economy

Thailand's current economic difficulties had their origin in two consecutive global developments: First, the rapid increase in fuel and food inflation that began in mid-2007, in consequence of a relentless rise in the prices of energy, particularly oil, and second, the 2007-08 implosion of the housing sector in the United States and the subsequent near-meltdown of the U.S. economy, with its profound negative impacts on many aspects of the global economy.

In most countries in the West, these events had a "snowball effect," triggering the worse recession (the so-called "Great Recession of 2008-09") since the 1930s -- with massively rising unemployment, record levels of bankruptcy among both institutions and individual households, corporate and financial bail-outs of unprecedented scope, rapidly shrinking gross domestic products (GDP), and in some countries (e.g., the U.S.) dramatically sinking currency values. Financial institutions in most Asian nations had largely avoided investing in the obscure (and ultimately toxic) financial instruments that had fueled the housing bubble (and burst) in the U.S. and U.K., and were thus largely insulated from the *direct* "domino effect" of financial crises that had impacted country after country in the West. However, there was no escaping the *secondary* impacts of the economic and financial implosions that shook the very foundations of the economies of the industrialized West.

By mid-2008, the economic "tsunami" that was initially set in motion by these two global forces had struck much of the interlinked and interdependent world economy, including Thailand's trading partners in East Asia – the lone Asian exceptions being China and, to a lesser extent, India. Thailand was not spared.

Indeed, the Kingdom was subjected to a double blow – i.e., rapidly rising inflation throughout 2008 and into 2009, as well as a pronounced decline in the export sector due to both the rapid increases in cost of production that reduced the competitiveness of Thai industries and a pronounced decline in demand for Thai exports in the aftermath of the

U.S.-triggered global recession. More specifically, beginning in 2007 and continuing into 2008, the country experienced a massive increase in food and fuel price resulting in an increase in the cost of living in all households. Poor families were more affected since food consumption constituted a major portion of their total household expenditures. Further, those in rural towns and the countryside were more severely impacted than their counterparts in urban centers. As shown in Exhibit 1, the Consumer Price Index (CPI) in rural areas rose higher than in urban areas due mostly to the substantial share of the rural CPI basket represented by food consumption. As a result, in 2008, the poverty incidence, which measured the percentage of households under the poverty line, climbed up by almost a full percentage point in rural areas (Exhibit 2).

The dramatic nation-wide rise in inflation had an equally profound impact on real wages. First, inflation precipitated a decline in real wages, a decline that hit men particularly hard because of their role as the main source of family income. The net effect of the deterioration in real wages for men was an increase in workforce participation by other family members (including housewives, children, and the retired elderly), as households strove to supplement their income to counteract the effects of declining real wages. As shown in Table 1, although the labour force participation of men in both urban and rural areas remained nearly constant from 2007 to 2009, female labour force participation, particularly in rural areas, increased steadily by 2.5 percentage points.

Increased female participation in the labour force tended to take one of two routes – agricultural endeavors or trade and service endeavors. While their participation in both sectors helped serve as a buffer for family income (thereby enabling their families to avert slippage into poverty), neither route could fully overcome the effects of the deterioration of real wages. Increased participation in farming endeavors was an illustrative case in point: Even though the farming segment in rural areas responded to increased inflation by increasing the prices for their agricultural products, these output price increases were largely overwhelmed by the relentless increases in *input* prices for fuel and fertilizers. Hence, higher prices for farm output did not lift family income. Similarly, increased female participation in trades and services could not make up for the decline in real wages because the vast majority of workers in this sector earned low wages and had no unemployment insurance to help sustain them when they found themselves in search of new employment.

Along with the harmful impacts of high inflation, by the end of 2008, Thailand was also being buffeted by effects of the U.S. financial crisis. Exhibit 3 shows that the year-to-year growth of real GDP began declining in the second half of 2008 and continued contracting for most of the 2009 period. A World Bank report attributed 95% of this decline to the precipitous drop in the external demand for Thai products, as economic conditions in Thailand's main trading partners (e.g., the U.S.) took their toll on the proclivity to consume imported goods. Since the export sector accounted for about two-thirds of Thailand's GDP, the deterioration in demand for exports mirrored the growth pattern of changes in the constant GDP (see Exhibit 4).

As can be seen in Table 2, the decline in the export market was accompanied by reduced demand for workers and therefore increased unemployment in the export sector – a plunge that soon spread to all other sectors of the economy. Employment in the manufacturing sector -- in particular, the hi-tech industries -- declined for both men and women during the crises periods of 2008 and 2009. However, the impact on men happened earlier and was more severe than was the case with women. Approximately 166,000 men were laid off from the manufacturing sector compared to 136,000 women. The unemployment incidence for men in 2008 was 4 percentage points higher than that of women, whereas nearly the entire decline in women employment happened later in 2009.

In addition, Table 2 also suggests that the 6.7 percent increase in women participation in agricultural sector -- equivalent to an increase of 389,000 workers -- corresponded to an enormous decline of women employment in the construction sector. By its nature of work, construction was a strenuous task that resulted in a higher demand for male than female workers. In general, female wages for women in the sector were lower because of their lower productivity. However, when demand for farming workers experienced a dramatic jump due to a rise in food prices, agricultural wages bounded up. A higher return in agriculture induced a number of women from other lower paid jobs to migrate back into agriculture. In addition, some women also returned to work on their family owned farms because of the labour shortage in agricultural areas.

The net result was that the number of unpaid family workers in the agricultural sector trended upwards along with the increase in food prices.

Although the rate of employment in trade, as well as in hotel and restaurants, increased for both genders during the crises period of 2008 and 2009, employees in these sectors mainly worked as informal workers who did not have any insurance coverage for unemployment. Yet, their financial and/or family situations were such that they could not afford to be unemployed indefinitely. They had to find a means to earn a living. Thus it was that the trade and service sectors provided job opportunities mostly to those who could not find alternative employment elsewhere.

Impacts of Global Crises on Different Demographic Groups

Because workers in general differed in their personal and household characteristics, sectors of employment, spatial dispersion, etc., the impacts of the exogenous economic and financial crises that struck Thailand in 2008 and 2009 differed across social groups. To get at those differential impacts on workers and household welfare, an understanding of the structure of Thailand's labour market was essential.

Structure of Employment

Informal Workers

Per Exhibit 5, approximately two-thirds of the labour market in Thailand consisted of informal rather than formal workers. Informal workers were those who did not have any insurance coverage for accidents, illness, and unemployment. They thus were vulnerable to all sorts of risks. In addition, they lacked any type of assurance of continuity of income in retirement since the social security program in Thailand was compulsory only for workers with an employer. The law required both employees and employers to contribute 5% of workers' salary to the social security fund. Self-employed workers such as taxi drivers, street merchants, and unpaid workers in households (e.g., housewives, children, and elderly members) were thus outside the social security net. Moreover, having an employer was a necessary but *insufficient* condition for income security in retirement. That is, with an estimated 60% of businesses in Thailand operating in a *tax avoidance* mode,[i] with no payments into the social security program, most workers were in essence employed in an underground economy with no prospects whatsoever for retirement income security.

According to the National Statistics Office, the 2008 food price crisis precipitated an 800,000 increase in workers in the informal sector, while the employment in the formal sector decreased by merely 100,000 persons. Thus, these data supported the earlier finding that the employment opportunities during the food price crisis were of low quality. Increasing family food bills caused more non-workers household members -- in particular, women -- to enter the labour force even in unsecured and low-paid jobs.

Sectors of Employment

Like other countries, Thailand had a labor market in which the majority of the participants were men, i.e., 54% for men *versus* 46% for women (see Table 3). About two-thirds of the labour force resided in rural areas, with slightly more than half working in the agricultural sector. Agriculture was thus the major sector of employment, absorbing about 40% of the labour force; yet, its share of the real GDP was less than 10 percent (Table 4).

Outside of agriculture, manufacturing and trade (including wholesale and retail, hotels and restaurants) were the major sectors of employment, accounting for another 30% of workers. An additional one-tenth of men worked in construction, while another 12% of women worked in the public sector. In sum, agriculture, manufacturing, trade, and construction were the main sectors of employment in the Thai economy, along with public and social services. Collectively, they contributed to more than 80% of the country's GDP.

As compared formal with the informal sectors, agriculture and trades were the largest sectors of employment for self-employed and unpaid-family workers (see Table 5). Nearly 60% of non-wage workers were engaged in agriculture and another almost 16% in wholesale and retail trades. By contrast, government was the largest employer in the wage sector with a 33% share of employment, whilst manufacturing and wholesale and retail trades employed another 28.2% and 14.3% of wage workers, respectively.

Educational Levels of Workers

On average, workers in the formal sector possessed a higher level educational attainment than their counterparts in the informal sector. In fact, there was a pronounced inverse relationship between level of educational attainment and participation in the informal sector (see Exhibit 6). Whereas the greater part of informal workers (43.1% or an equivalence of 10.5 million labour force) had attained less than a primary education, the modal educational attainment level in the formal sector (30.6% or an approximation of 4.3 million workers) was that of a university degree. Most of the low-paying jobs in the informal sector consisted of relatively simple tasks with limited scope for the exercise of ingenuity and discretion, and hence did not require any specific skills. However, with no social insurance and extremely limited earnings, unskilled labour was far more susceptible to shocks than skilled labour. Unskilled labour could easily be laid off at times of declining market demand for their output, and then rehired when the market rebounded.

Employment by Age Groups

Thailand was an ageing society, with workers in the 40-64 age ranges, along with those in the 25-39 age ranges, accounting for more than 80% of the labour force. Work force participants in urban areas were slightly younger than their rural counterparts because of labour migration of younger people to the cities in search of better job opportunities. As revealed in Table 6, during the period 2007 to 2009, the labour force participation of the 15- to – 24-year-old segment of the younger generation had gradually declined for both genders in both urban and rural areas.

Further, the elderly comprised a larger portion of the informal than the formal sector, 11.6% versus a mere 2.1%, respectively (see Exhibit 7). Retired workers who were affected by the dual crises and who could no longer find a job in the formal labour market had little choice other than low-wage jobs in the informal market or assistance in conducting a family business as unpaid family workers. Thus it was that the exogenously induced double crises negatively impacted not only the welfare of the young but also that of the elderly.

Given these wide ranges of differences in work force attributes among different social clusters, the economic and financial difficulties that had swept into the country would have differential impacts from one social group to another. It was with reference to these kinds of differential impacts that the Prime Minister had resolved that if his earlier initiatives had failed to have the intended impact, then the starting point for any new round of government assistance would necessarily have to be a concerted effort to address the needs of those whom the economic downturn had hurt the most.

Impacts of Crises on Labour Market Outcomes

The impacts of the crises on labour market could be classified broadly into three areas – i.e., the impacts on wage rate, hours worked, and employment opportunity. Here again, these impacts differed across social groups.

Impacts on Real Wages and Total Hours Worked

Because of the earlier-noted accelerated increases in food and fuel prices, the rate of inflation in rural areas rose at a higher rate than that in urban areas. As a result, the real wage for both women and men in rural area between 2007 and 2009 declined (see Table 7). But, of the two genders, men experienced the larger decline in real wages. Moreover, the monthly real wage in rural areas decreased while increasing by roughly 9% in urban areas. Therefore, workers in rural area were more affected by the 2008 economic downturn than by the 2009 one.

For total hours worked, Table 8 reveals that hours worked per week for both genders declined during the recession periods of 2007 and 2009, particularly in the wage sector. Men in all work statuses were more affected than women in 2008. Though their situation improved later in 2009, the improvement was limited to just hours worked in the informal sector.

An earlier 2009 special report compiled by the National Statistics Office at the urgent request of the Office of the Prime Minister shed additional light on the magnitude of the decline in real wages and total hours worked. Based on a special survey asking employed workers how they were affected by the financial crisis, the results revealed that about a quarter of employed workers had been affected to some degree by the U.S. financial crisis. While 11% of employed workers underwent a wage cut, about 4% experienced a reduction in both income and hours worked. An additional 1% of workers received less fringe benefits. (See Table 9 for a complete summary of the survey results.)

Impacts on Employment Opportunity

As suggested in Table 10, the increase in employment between 2007 and 2009 was largely driven by the increase in the number of informal workers -- in particular, unpaid family workers – and not by the increase in wage workers. Moreover, by the time the financial crisis became full blown in 2009, only the non-wage sector continued to grow, while the wage sector contracted.

These results were consistent with changes in the rate of unemployment by age groups and levels of education presented in Table 11. Although the nation-wide unemployment rate remained at a constant 1.2 percent between 2007 and 2009, many things happened underneath this number. Firstly, the unemployment rate for those at 40 years of age and above declined during the food price crisis due to the fact that older people reentered the labour market in order to help pay for family food bills. However, their renewed work force participation was mostly confined to the non-wage sector. Secondly, the fact that almost all the rates of unemployment increased in 2009 suggested that workers in all age groups and at all levels of education were negatively affected by the financial crisis. Note worthily, however, the unemployment rates for those of ages 15-19 and/or with an upper secondary education actually declined.

Government's Efforts to Date to Shield the Most Vulnerable Citizens

In response to, first, the 2007-08 fuel and food inflation crisis and, second, the 2008-09 economic downturn, Prime Minister had, since assuming office in December 2008, introduced various economic stimulus packages aimed at softening the impact of the financial crisis and stimulating the economy. Shortly after taking office, the Abhisit government had approved a supplementary budget of 116.7 billion Baht to fund the first stimulus package targeted at alleviating the food and fuel price crisis, as well as providing new social protection schemes for the poor.

Some of the relief measures for tackling the food crisis were carried over from the previous government. These included those initiatives aimed at keeping the cost of living low by reducing the excise tax on gasohol and diesel, freezing the price of LPG gas for cooking, offering free travel on non-air conditioned buses and free railway travel in third class, free water and electricity up to a monthly limit, and the extension of free education from 12 to 15 years with government paying 70 percent of tuition fees, textbooks, and student uniforms.

Beyond these carryover policy initiatives, the Abhisit government added a one-time 2,000 Baht handout (*"Check Chuay Chart"*) to 8.1 million Social Security Fund members and 1.3 million to those state-owned enterprise employees and public officers who earned less than BHT 15,000 a month. These monies were paid out in vouchers that were intended to be cashed and used for consumption. This scheme, which cost a total budget of BHT 19 billion, met with the criticism that the majority of the poor who worked in the informal sector did not benefit from the program at all.

In addition, the government launched a capacity-building program for the unemployed (*"Tonka Archeep"*) at the beginning of 2009. The program aimed to provide vocational training for 500,000 unemployed workers, including training for the mega-public infrastructure projects in which government planned to invest the following year. As of September 2009, 173,000 had already completed the program. The Ministry of Interior claimed that the program had helped 150,000 trainees to find jobs and another 20,000-30,000 to run their own business.

Later in the year, in recognition that Thailand was an ageing society with those of age 60 and above constituting 10% of the population, Prime Minister Abhisit announced another cash transfer -- this time 500 Baht a month to about 5 million senior citizens starting in April 2009. This senior income transfer was a universal system in which all Thai citizens aged 60 years and over could apply for the allowance without any means testing of their income level. Due to the program design as an ongoing income supplementation for the elderly, the budgeted program cost of BHT 9 billion at the onset was expected to increase every year in line with the rise in the number of Thai elderly. However, with the 2009 cost of living for the poverty line set at Baht 1,500 a month, this old-age income transfer scheme encountered criticism that it was not well targeted to address the needs of the poor.[ii] Indeed, it was with reference to this program, among others, that the Work Bank had reported there was no evidence of the effectiveness of the policy response insofar as the sheltering of the most vulnerable groups was concerned.

Urgency of the Need to Identify the Most Affected Groups and Deliver Help

The continuing criticisms of his earlier policy responses to help shelter the vulnerable from the impacts of the economic global downturn left the Prime Minister perplexed and not a little skeptical, as did the dismissive reaction to his initiatives by well-regarded institutions such as the World Bank. Even though he could readily acknowledge that his efforts had by no means been a panacea for the nation-wide impact of the global downturn, Mr. Abhisit had been under the impression that they had nonetheless made a difference in the lives of the most vulnerable segments of the society. How could anyone, he thought to himself, say that his government's latest initiative, the income supplementation for the elderly, was not aimed at one of the most vulnerable groups? To be sure, he continued to muse; the amount (Baht 500 per month) probably needed to be revised upward as soon as budgetary allocations could be found. But, in his mind, that was an altogether *separate* issue from the critics' charge that the program had not targeted the right demographic group. Similarly, with respect to his (and the previous government's) other initiatives, how could anyone charge that the Baht 2,000 per person to Social Security Fund members or the capacity-building program for the unemployed and so on had not targeted a couple of the more vulnerable groups?

Notwithstanding his doubts about the validity of the allegations, as well as whatever hard analysis underlay them, the Prime Minister knew that mere retorts of disagreement over the conclusions drawn by the critics would come to naught. Thus, it was that with the labour market data in hand and the stinging criticisms on his mind, he resolved then and there to undertake his own examination of the totality of available data to prove the critics wrong.

Time was of the essence, not just with respect to the plan to call a general election at some point in 2011, but more immediately with respect to the need to complete the analysis in time to present his findings at the first Cabinet meeting following the New Year holidays. Adding further urgency to the matter was the Cabinet's earlier call for an evaluation of all existing public assistance programs in order to determine whether they should be carried over into 2010. Finally, there was the Prime Minister's plan to launch a second stimulus package of about Baht 1.43 trillion (5% of GDP) at some point early in the new year in order to finance nearly unprecedented levels of infrastructural investments across the country. It was important, in his view, that this massive new injection of public funding into the economy be seen as an extension of the soundness and effectiveness of the initiatives undertaken to date. With that final thought, he launched into his own analysis of the data, fully confident that a more thorough analysis would yield results affirming the effectiveness of his government's efforts to date.

Exhibit 1: Inflation in Rural Area was higher than the Average Rate of the Whole Country.

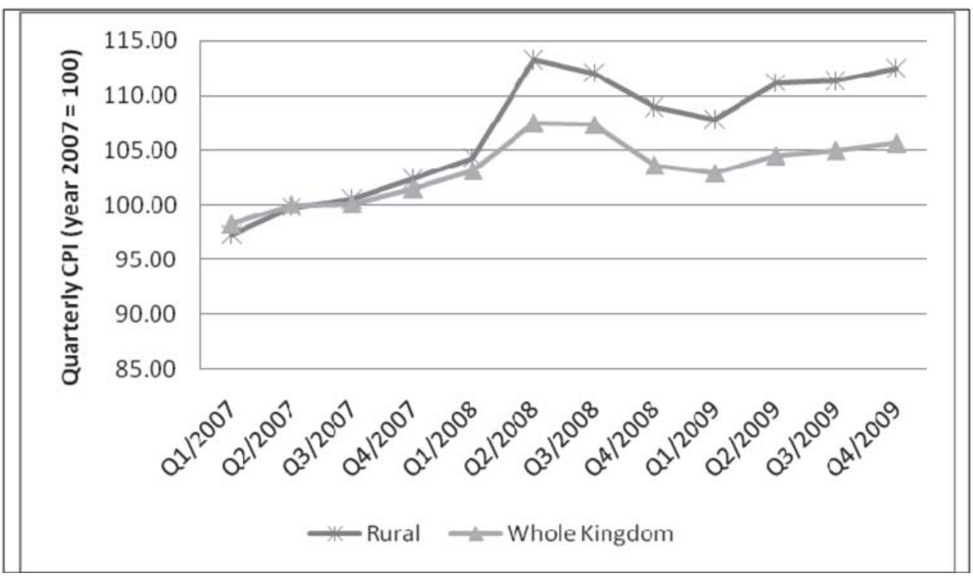

Exhibit 2: Poverty Incidence in Rural Area was much higher than in Urban Area.

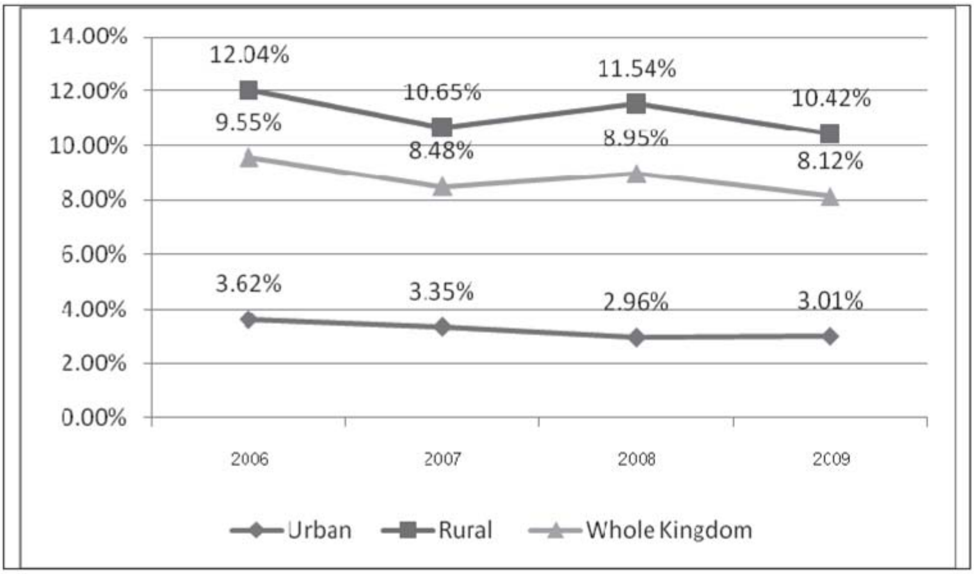

Exhibit 3: Thai Economy experienced Negative Growths during the US Financial Crisis Mainly due to a Sudden Decelerate of the World Demand for Export

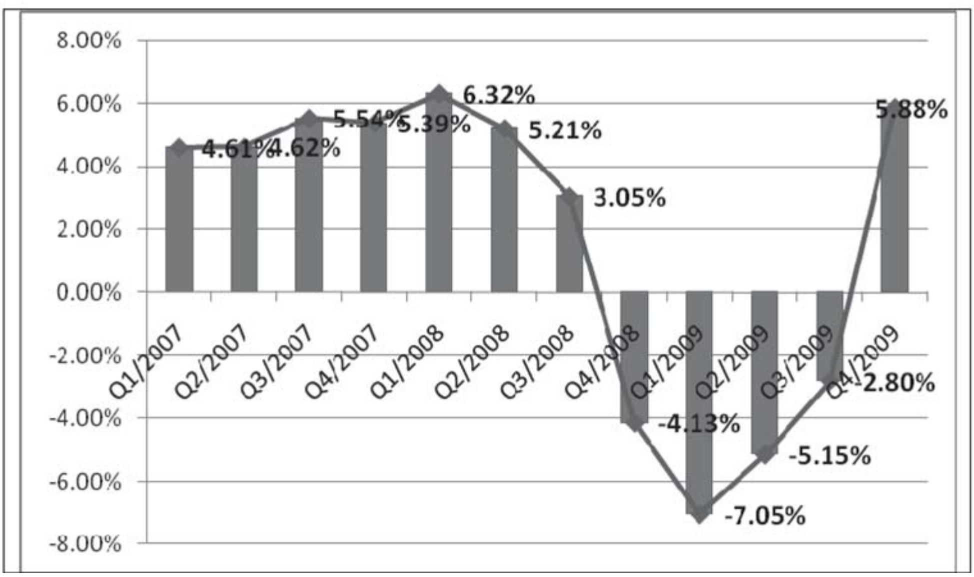

Exhibit 4: Percentage Change in the Value of Total Export followed the Same Pattern as Changes in GDP.

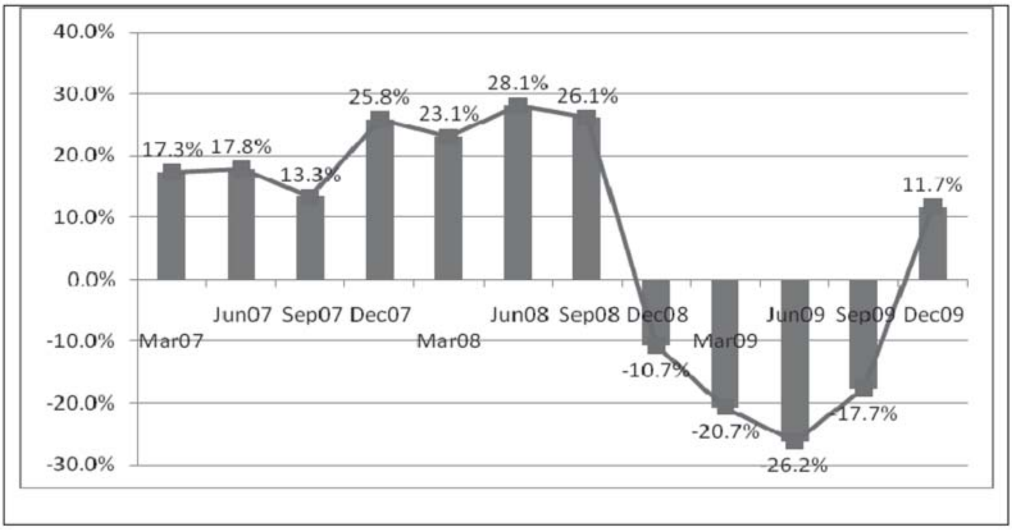

Exhibit 5: About Two-Third of Thailand Labour Force Work in the Informal Sector

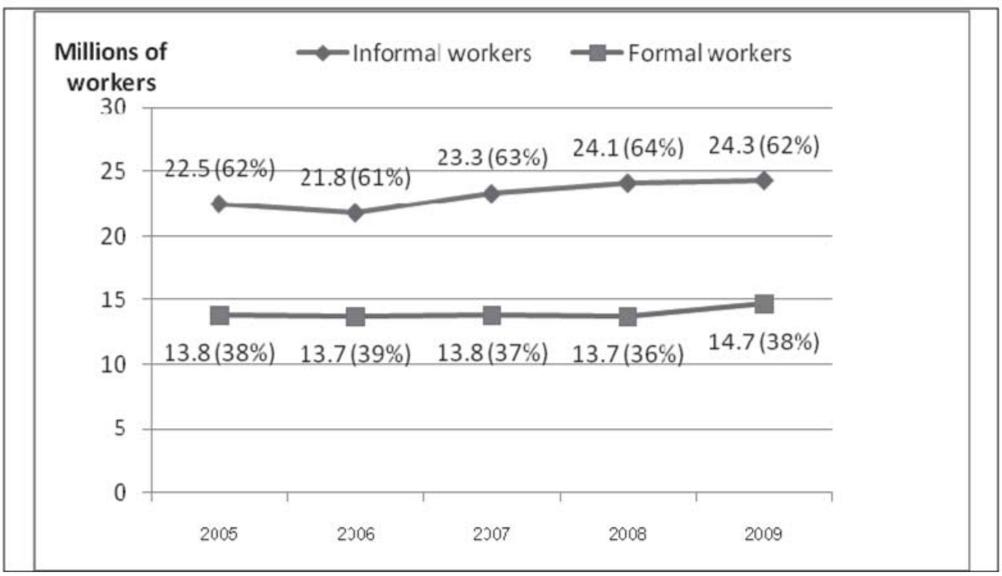

Exhibit 6: % Share of Formal and Informal Workers by Level of Education (2009 Data)

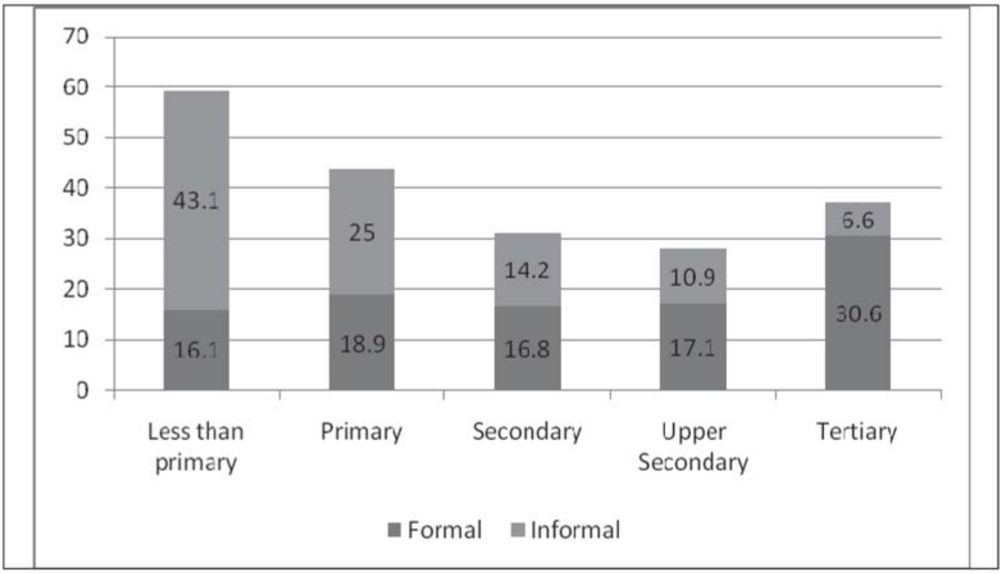

Exhibit 7: % Share of Formal and Informal Workers by Age Group (2009 Data)

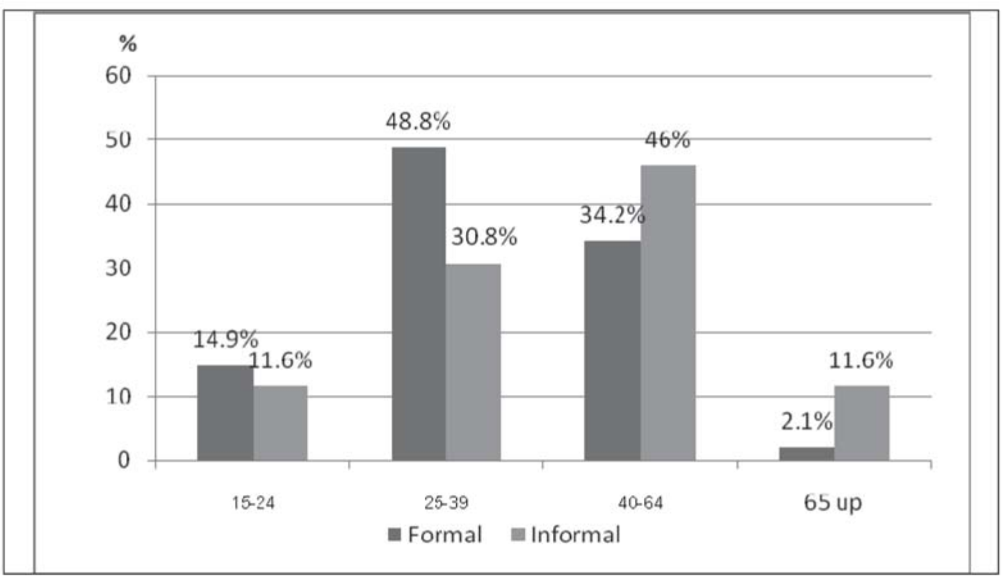

Table 1: Basic Labour Market Statistics for Men and Women

	2007		2008		2009	
	Male	Female	Male	Female	Male	Female
LFP (rural)	82.5	63.0	82.9	65.2	83.0	65.5
LFP (urban)	78.3	63.4	78.7	63.8	78.3	64.5

Source: Thailand Labour Force Survey from 2006-2009.

Table 2: Percentage Change in Employment of the Top Five Industries with the Largest Share of Employment

Sector of Employment	2007		2008		2009	
	Male	Female	Male	Female	Male	Female
Agriculture	-0.7%	-0.2%	1.4%	6.7%	3.6%	1.1%
Manufacturing	2.4%	0.3%	-4.3%	-0.3%	-2.0%	-4.3%
Construction	1.2%	3.7%	3.8%	-7.6%	4.9%	9.8%
Wholesale and Retail Trade	1.4%	-0.5%	1.9%	5.2%	3.9%	6.7%
Hotel and Restaurants	1.6%	2.3%	2.0%	2.7%	10.1%	5.7%

Table 3: Number of Employment in Agricultural Versus Non-Agricultural Sectors divided by Genders and Areas of Employment

	2007		2008		2009	
	Male	Female	Male	Female	Male	Female
Urban Area						
Agriculture	539,228 (9%)	339,945 (6%)	549,670 (9%)	356,029 (7%)	602,951 (10%)	374,766 (7%)
Non-Agriculture	5,212,915 (91%)	4,905,575 (94%)	5,322,126 (91%)	5,014,860 (93%)	5,324,013 (90%)	5,090,956 (93%)
Rural Area						
Agriculture	7,328,715 (53%)	5,422,687 (50%)	7,426,412 (53%)	5,795,122 (50%)	7,662,735 (53%)	5,841,559 (50%)
Non-Agriculture	6,532,522 (47%)	5,468,935 (50%)	6,697,675 (47%)	5,697,930 (50%)	6,876,765 (47%)	5,925,597 (50%)
Total Participation	19,613,380 (55%)	16,137,141 (45%)	19,995,882 (54%)	16,863,941 (46%)	20,466,464 (54%)	17,232,878 (46%)

Source: National Statistics Office, Thailand.

Table 4: Share in Employment and GDP by Sectors

Sector of Employment	2007		2008		2009		% Share in GDP*		
	Male	Female	Male	Female	Male	Female	2007	2008	2009
Agriculture**	**40.1%**	**35.7%**	**39.9%**	**36.5%**	**40.4%**	**36.1%**	8.6%	8.8%	9.2%
Mining	0.3%	0.1%	0.3%	0.1%	0.2%	0.1%	2.2%	2.2%	2.3%
Manufacturing	**13.6%**	**18.7%**	**12.8%**	**17.9%**	**12.2%**	**16.7%**	39.3%	40.1%	38.6%
Utilities	0.4%	0.1%	0.5%	0.2%	0.4%	0.1%	3.3%	3.3%	3.5%
Construction	**10.1%**	2.3%	**10.2%**	2.0%	**10.5%**	2.2%	2.3%	2.3%	2.2%
Trade***	**19.0%**	**25.9%**	**19.0%**	**25.8%**	**19.6%**	**26.9%**	17.5%	17.3%	17.7%
Transport	4.5%	1.0%	4.8%	1.0%	4.6%	1.0%	10.1%	9.9%	9.7%
Finance	3.0%	3.0%	3.0%	3.1%	2.8%	3.0%	7.3%	7.6%	7.9%
Public and Social Services	8.6%	**11.7%**	9.2%	**12.2%**	9.1%	**12.6%**	7.3%	6.5%	6.9%
Other	0.3%	1.5%	0.3%	1.2%	0.2%	1.3%	2.0%	2.0%	2.1%

Source: National Statistics Office, and the Office of the National Economic and Social Development Board.

Note: * % share in GDP were in the 1988 constant price; ** agriculture consisted of agriculture, hunting, forestry and mining; *** trade consisted of whole sale, retails, repair of vehicles and household goods, and, hotel and restaurants.

Table 5: Shares of Formal and Informal Workers by Industrial Sectors (2009 Data)

	Formal	Informal
Agriculture	7.8%	**59.1%**
Manufacturing	**28.2%**	5.5%
Construction	8.0%	3.8%
Wholesale and Retail Trade	**14.3%**	**15.9%**
Hotel and Restaurants	4.8%	7.8%
Transportation	3.8%	2.4%
Public and Social Services	**33.1%**	5.5%

Source: National Statistics Office.

Table 6: Employment by Age Groups

	2007		2008		2009	
	Male	Female	Male	Female	Male	Female
Urban Area						
- 15-24	11.8%	10.9%	11.7%	10.4%	10.4%	9.7%
- 25-39	43.4%	45.5%	42.8%	45.0%	41.0%	43.0%
- 40-64	42.0%	41.2%	42.6%	42.2%	45.6%	44.8%
- 65 up	2.7%	2.4%	2.8%	2.4%	3.0%	2.4%
Rural Area						
- 15-24	15.3%	12.3%	15.6%	12.6%	10.4%	12.7%
- 25-39	36.5%	38.2%	35.7%	37.5%	41.0%	36.5%
- 40-64	43.3%	45.8%	43.8%	46.3%	45.6%	47.1%
- 65 up	4.9%	3.7%	5.0%	3.6%	3.0%	3.7%

Source: National Statistics Office, Thailand.

Table 7: Overall Monthly Real Wages between 2007 and 2009 changed differently in Urban and Rural Areas

	URBAN		RURAL	
	Male	Female	Male	Female
Real Monthly Wage	**9.5%**	**8.9%**	**-7.2%**	**-5.3%**
Agriculture	-20.0%	-3.5%	-6.2%	-5.2%
Manufacturing	9.8%	8.6%	-5.2%	-4.3%
Trade	4.1%	2.6%	-5.0%	-6.6%
Public and Social Services	8.1%	4.8%	-11.6%	-14.5%

Source: Thailand Labour Force Survey from 2007-2009.

Table 8: Total Hours Work per Week for all Work Status declined during the Crises Periods

	2008/07		2009/08	
	Male	**Female**	**Male**	**Female**
Wage workers	-2.7%	-1,9%	-2.0%	-2.0%
Self-employed workers	-0.1%	0.5%	0.2%	-0.6%
Unpaid Family workers	-10.6%	-2.0%	0.4%	0.6%
Total	**-4.6%**	**-1,1%**	**-0.5%**	**-0.7%**

Source: Thailand Labour Force Survey from 2007-2009.

Table 9: % of Workers who were affected by the Financial Crisis in 2009

% of Workers	Q1	Q2	Q3
1. Having the same hours works	75.94	76.07	79.31
2. Declining in total hours works per week	6.09	5.25	2.70
3. Declining in hourly wage	10.94	12.35	12.66
4. Declining in bonus and fringe benefit	1.57	1.12	1.07
Both 2 and 3	4.45	4.52	3.72
Both 2 and 4	0.68	0.43	0.26
Both 3 and 4	0.33	0.26	0.27

Source: Thailand Labour Force Survey in 2009.

Table 10: Although the Number of Employment increased for all Classes of Workers, the Degree of Informalization increased

	2008/07		2009/08	
	Male	**Female**	**Male**	**Female**
Wage workers	2.5%	4.4%	-0.5%	-0.8%
Self-employed workers	-0.2%	1.3%	3.9%	5.6%
Unpaid Family workers	6.6%	8.3%	7.8%	3.6%
Total	**2.0%**	**4.5%**	**2.4%**	**2.2%**

Source: Thailand Labour Force Survey from 2007-2009.

Table 11: Changes in the Rate of Unemployment during 2007-2009

	2008/07	2009/08
Age Group		
15-19	1.0	-1.4
20-29	0.2	0.1
30-39	0.0	0.1
40-49	-0.1	0.0
50-59	-0.2	0.1
60 and above	-0.1	0.0
Education		
Primary and Lower	0.0	0.0
Secondary	-0.2	0.2
Upper Secondary	0.5	-0.8
Vocational	-0.2	0.2
Upper Vocational	0.6	0.3
Bachelor and Higher	-0.2	0.1
Total Rate of Unemployment	**1.2**	**1.2**

Source: Thailand Labour Force Survey from 2007-2009.

Endnotes

[i] Bank of Thailand. (2010). A report on *"Towards fiscal sustainability and long-term economic growth: what are the challenge ahead?"* BOT Symposium 2010.

[ii] According to Thailand Development Research Institute (TDRI, 2009) report, "the needs of the poorest were not sufficiently met by government simulation package and that the interventions, now as in previous crises in 1997, were not well targeted due to a lack of basic information that could accurately identify the vulnerable segments of the population."