

Globalization with Equity: Policies for Growth in Thailand



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FOREWORD

The Institute for Population and Social Research (IPSR) of Mahidol University has established a tradition in publishing socio-demographic research based on high quality data. In continuing this tradition, the Institute examines various topics that have a bearing on the quality of life of the Thai population. This report is an incursion into a sticky socio-economic issue that appears to increasingly ruffle academicians and laypeople alike.

In 1996, IPSR was designated as a member representing Thailand in the Network of National Labor Institutes in Asia and the Pacific. The economic diversity in the region has spawned various economic alliances which are aimed at harnessing and strengthening their comparative economic advantages. The Network was established to engage in cooperative ways to seek solutions to issues especially with regards to labor in the face of the globalization of the world's economy.

On behalf of Mahidol University, I would like to thank the International Labor Organization Regional Office for Asia and the Pacific (ILO/ROAP) for its partial support for this research. I hope that this research opens the gate to a continuing partnership in collaborative studies on labor issues between IPSR and ILO/ROAP.



**Professor Athasit Vejjajiva, MB (Lond.), FRCP, FRACP, FACP
President of Mahidol University**

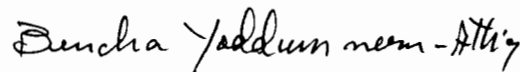
PREFACE

Globalization has been promoted as the major reason for the faster integration of economies in the world today. Whether this is good or bad for the countries concerned is a continuing puzzle as socio-demographic conditions and economic dynamism in each country vary widely.

During the later part of the 1980s, many Asian countries including Thailand experienced unprecedented growth in manufacturing exports and jobs through significant inflows of foreign direct investment (FDI). These are in response to opportunities created by globalization. However, national economic and labor-related conditions must be objectively assessed in order to identify policy initiatives that would enable Thailand's economy to continue to respond effectively to global opportunities and international competitiveness without compromising the welfare of Thai workers.

This report addresses these issues by examining changes in the economic and labor markets of Thailand within the context of the emerging world market for goods, capital, and labor. This study further assesses the industrial relations climate in the face of globalization. Secondary and primary data are smoothly woven together to provide depth to quite substantive issues. Proposed alternative directions for both policy and planning of program activities are geared towards the translation of Thailand's recent economic and demographic achievements into higher living standards and better working conditions for the people.

I hope that results of this study will be a valuable resource in understanding Thailand's future economic course.



Bencha Yoddumnern-Attig, Ph.D.
Director
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This project was successfully implemented with funding support from the Institute for Population and Social Research (IPSR) Mahidol University and the International Labor Organization Regional Office for Asia and the Pacific (ILO/ROAP). Without IPSR funding, the collection of primary data between July and November 1996 would not have been possible. For these reasons, we would like to express our sincere gratitude for the support from our funding sources.

Our deepest thanks go to Dr. Aphichat Chamrathirong, the former IPSR director and Dr. Bencha Yoddumnern-Attig, the current IPSR director for putting their faith in us while we were carrying out this ambitious economic exercise. We likewise express our thanks to the IPSR administration section headed by Khun Aurapan Hanchangsinh for logistical support. The editorial assistance of Mr. Steve Sanders and his critical comments on earlier drafts of the report are also gratefully acknowledged.

The government officers of various departments in the Ministry of Labor and Social Welfare allowed us to conduct in-depth interviews among its personnel and provided needed secondary data relevant to the objectives of the project. Special mention is due to the Director of the Labor Relation Division, Department of Labor Protection and Welfare for assisting us in making appointments with representatives of selected employers' organization and employees' organization for in-depth interviews.

Finally, for managers and workers of the ten sectors we covered, we are infinitely indebted to them for the insights they have given us on how establishments in Thailand operate and how they deal with industrial labor problems. The invaluable data they provided are useful in establishing benchmarks to better understand the industrial relations situation in Thailand.

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*The project was funded by the
Institute for Population and Social Research,
Mahidol University
and the
International Labour Organization
Regional Office for Asia and the Pacific
(ILO/ROAP).*

The objectives of the project are (1) to review changes in the economy and labor markets of Thailand within the context of the emerging world market for goods, capital and labor; (2) to describe the industrial climate in Thailand and evaluate the adequacy of existing labor-management relations and mechanisms for dealing with labor problems; and (3) to identify alternative directions for both policy and planning of program activities that will ensure translation of Thailand's recent economic and demographic achievements to higher living standards and better working conditions for its people. Unlike other studies, both primary and secondary data were employed for a more comprehensive analysis of the labor market and industrial situation in Thailand today. The primary data were collected through 42 in-depth interviews which involved ten employers and twenty employees from ten selected economic sectors, officials from twelve selected government offices, and a representative each of a workers' and an employers' organization. The broad economic sectors covered are: meat, dairy and fish products; fruits, vegetables and grain; wood and cork products; textile and garments; electronics; beverage; transportation; communication; banks and financial institutions; and restaurants.

Is globalization beneficial or harmful to the Thai economy and its industrial climate? A definite yes or no answer to this question is impossible given the many factors that need to be analyzed in detail and controlled for before we can get an indication of the direction of effects. Given the various factors considered in this study, the Thai case appears paradoxical in nature. There are several positive outcomes for Thailand deriving from its open economic position regarding trade in goods and services. The economy has shown signs of effective allocation of labor to more productive sectors; it has effectively used its comparative advantage (i.e. cheap labor) in attracting foreign direct investments and thereby boosting its manufacturing and export earnings. However, there are also indications of negative results particularly in terms of its persistently high income inequality, and from the relatively slow increase in the volume of the country's skilled and educated workforce in comparison to the economy's faster transformation from labor-intensive to technology- and capital-intensive industries to remain competitive in the globalizing economy.

From the review of the current system and procedures for labor-management relations and dispute settlement, it appears that existing institutions and mechanisms for dealing with industrial and labor issues are adequate. Certain administrative procedures, however, need to be adjusted to make the system more flexible to changes in the global market

The major switch in focus of the Eighth National Economic and Social Development Plan (1997-2001) towards improving the quality of life of the people could signal a major shift in emphasis from fiscal or economic reforms to perhaps more human-oriented labor policy reforms. The policy alternatives in the following broad areas which we have submitted in the report may be taken to underscore and supplement the policy initiatives laid out in the current national economic and social development plan: (1) the promotion of employment and training, (2) wages and productivity growth, (3) safety nets and social protection measures, (4) measures for improving the existing industrial climate, (5) protection of vulnerable groups especially children, women and migrant workers.

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Rationale and Objectives

The past two decades have been characterized by unprecedented massive movements of economic goods and services, capital investments, and human resources. Economic competition has been further heightened with the adoption by the international community of the General Agreement for Tariffs and Trade (GATT). Whether or not these globalization and trade liberalization initiatives lead to positive or negative outcomes remains speculative due to the lack of country-level assessments of social and economic changes. To address this issue, this study aims to examine changes in the economic and labor markets of Thailand within the context of the emerging world market for goods, capital, and labor.

In societies which rely on the operations of impersonal labor markets to match people and jobs, there is inherent difficulty in always producing good 'fits' between them. Changes occur rapidly in what people seek from work and what jobs provide, and mismatches are likely as needs and realities change unevenly. (Kalleberg 1982: 81)

As needs and concerns of various countries become more universal, work globalization and the resulting workplace standardization are becoming inevitable (Johnston 1991). But how does standardization of personnel policies and practices influence the existing industrial relations in a country as labor gradually becomes international? This study also aims to describe the industrial relations climate in Thailand in the context of globalization by focusing on three issues, *viz.* career development and achievement, labor-management relations and productivity. While employers are mainly concerned with productivity, workers on the other hand are concerned with the nature of work (i.e., safety, evaluation and reward systems) as it conforms with their personal needs and goals in life. The matching of organizational needs for efficient production of goods and services with individual needs and values for personal fulfillment and career growth remains unclear. This study further aims to uncover not only the matching but also the negotiation mechanisms involved in creating a congenial workplace for everyone. The importance of understanding how workers' and employers' concerns are addressed in the context of increasing international competition cannot be overemphasized.

The economic and demographic consequences of needs matching and negotiations will also be investigated. Results of the study will, therefore, help identify alternative directions for both policy and planning of program activities that will ensure translation of Thailand's recent economic and demographic achievements to higher living standards and better working conditions for the people.

The Globalization Process

Globalization, internationalization, economic and social integration and similar terms are often associated with the emerging world economy. National economies are integrated into a world economy through labor mobility, capital mobility and international trade. In this study, we refer to globalization as a movement toward the formation of a single market for goods, capital and labor. While the globalization process has increased competition and interdependence between national economies, more importantly, it has spurred the growth of the world economy. Yearly world output increased by 2.1 percent on average from 1980 to 1992 (Lloyd 1995). However, "the share of international trade to the world gross domestic product increased from 9 percent to 15 percent between 1950 to 1989 while international borrowing increased nearly tenfold between the 1970s and 1990" (Bloom and Brender 1993:2). Hence, world trade has increased much faster than the world output.

Through the multinationalization of production activities, markets have been extended, capital mobility increased, and production is being continually restructured on geographic, sectoral, and organizational grounds. Globalization has generated important changes in the structures of production. The increased competition in the global market for goods and services has led to simultaneous movements towards liberalization, specialization and concentration in all spheres of economic activity. Global restructuring has also given birth to a new international division of labor with the swelling of the service sector in the 'core' region of the world economy and with the increasing role played by marketing, product development, engineering, financial, and trade-related services in enhancing globalization (EPAC 1995).

Looking back, the fragmented economic microsystems at the end of World War II were characterized by the imposition of restrictive controls and/or protective measures such as high tariffs, quotas and other barriers, which limited national economic responsiveness to market forces. This fragmentation diminished over the past 40 years as large regions of the world became more economically and financially integrated (Griffin 1992). Over the last few decades, there was substantial increase in the international flow of capital in its various forms. International financial transactions include loans to foreign governments by private banks, intergovernmental loans, transactions in financial instruments, loans to private enterprises in foreign countries and direct foreign investment. But not all of these represent shifts of productive capacity between countries and, therefore, are not directly related to international economic integration. Direct foreign investment is a form of capital mobility that is directly linked to production. Table 1 shows that the share of direct foreign investment in world capital formation increased by nearly 50 percent between 1965 and 1985. However, virtually all the foreign investment was from industrial economies. Foreign investment, however, targets developed economies more than developing economies (only 24 percent in 1985 went to the latter group). There was very little overall change in the share of foreign direct investment that flowed to developing economies despite their increasing share of the world's labor force. The faster integration of the industrialized economies was also facilitated by their major share of world exports, i.e., 61 percent in 1950 to 71 percent in 1989 (Bloom and Brender 1993).

Table 1 Source and Target of Direct Foreign Investment, 1965-1985

	1965	1970	1975	1980	1985
Source of foreign investment					
Major industrial economies	99.8 ^a	98.0	96.6	94.9	89.0
Other industrial economies	-	1.5	2.2	3.3	9.0
Developing economies	0.2 ^b	0.5	1.1	1.9	2.0
Target of foreign investment					
Major industrial economies	66.8	73.0	60.3	74.0	67.7
Other industrial economies	-	9.2	9.5	6.4	8.5
Development economies	33.2	17.8	30.3	19.6	23.8
Direct foreign investment as a percentage of the world's capital formation					
	1.9	2.2	2.5	2.5	2.8

^a The 1965 figures include other industrial economies.

^b Based on the average for 1967-69.

Note: Major industrial economies include Australia, Belgium, Canada, West Germany, France, Italy, Japan, Luxembourg, Netherlands, Sweden, the United States, and United Kingdom. The other industrial economies are Austria, Denmark, Finland, Greece, Iceland, Ireland, New Zealand, Norway, Portugal, South Africa, Spain and Switzerland. The data exclude the socialist economic of Eastern Europe and East Asia except for Hungary, Yugoslavia, and China.

Source: Table 10 of Bloom and Brender (1993). Data were based on IMF (1984, 1988), UNCTC (1983a, 1983b, 1988)

A more fluid international situation emerged during the past five to seven years as more players joined the high-risk power politics due to the relaxation of East-West tensions and the relative decline in the US and Soviet hegemonies (Kakizawa 1992). However, the recent acceleration of the globalization process may be attributed to two main factors. First, technological improvements in transportation and communication have reduced distances between countries (Bloom and Brender 1993, EPAC 1995). This enabled firms to form a more global outlook, which led to the rapid increase in numbers of multinational corporations (MNCs) or trans-national corporations (TNCs) from the 1970s onwards. Many manufacturing firms in developed countries moved their production facilities to overseas locations due to the slow growth of domestic product markets and the high but still rising cost of labor. These moves not only take advantage of lower wages but also of growing markets in most developing countries. Although firms in the manufacturing sector have been the driving force in the globalization of production and distribution, firms in telecommunications, financial and information services sectors are following this trend at a faster pace.

Another factor which contributed to the greater integration of the world economy in recent decades is the institutional changes that have reduced barriers to trade and capital (Bloom and Brender 1993, EPAC 1995). The role of multilateral agencies was very important not only in influencing government actions to liberalize capital movement, specifically Foreign Direct Investments (FDI) based on fundamental principles of non-discrimination and transparency, but also in regulating the actions of multinational corporations. Their effectiveness at these two fronts, however, has not been equally successful. While the GATT and various regional trade agreements have facilitated international transactions through tariff reductions since the 1930s, some recent efforts to enhance economic cooperation include the expansion of GATT, the ratification of the North Atlantic Free Trade Agreement (NAFTA), furthering economic cooperation in Europe, and the integration of Eastern Europe and the former Soviet Union into the world economy (Bloom and Brender 1993).

Equity Concerns over Globalization

Ideally, further globalization is expected to reduce inequality among nations. The expansion of trade and investment flow as the world shifts toward more open economic policies and a greater reliance on market forces could decrease income inequality by causing the convergence of labor costs and other factor prices. Incomes are expected to converge as a result of capital mobility, i.e., when capital moves to labor-abundant locations and increases domestic production. The uneven distribution of capital and labor and, more importantly, differences in labor costs and productivity between nations pose a serious concern on the interim situation before the realization of such an outcome, particularly for developing countries which have disproportionately large labor force populations. In 1990, the world's labor force was 2.3 billion which is more than double the number in 1950 (ILO 1986). The same ILO source shows that developing countries increased their share of the world labor force from 66 percent in 1950 to 75 percent in 1990 and their share is expected to further increase to 83 percent of the projected 3.6 billion world labor force population in the year 2025 due to the rapid population growth in these parts of the world..

Although the size of the labor force is an important determinant of a country's productive capacity, the quality of its labor force determines the value and quantity of goods and services produced. The human capital embodied in a country's labor force is represented by the education, work experience and skills of its workers (UN 1973). Available data suggest that the world's human capital is increasing as levels of formal education of younger cohorts of workers continue to out pace that of their older counterparts. The average years of schooling of the labor force population in ages 25 to 29 was 7.1 years in 1980, which is about 2 years more than for those in ages 45 to 49 (Bloom and Brender 1993). The proportional increase in schooling was much greater in developing countries, which helped narrow the wide education gap between industrial and developing countries. Bloom and Brender (1993) also showed that residents in developed countries aged 45-49 had, on average, three times the number of years of education of their counterparts in developing countries, while developed

country residents in the age-group 25-29 had twice the average education of those in developing countries.

There has also been a marked increase in the world's real labor productivity (output per worker) for all sectors since 1960, with greater expansion in the industrial and service sectors (see Table 2). Despite recording the highest labor productivity growth in agriculture than the other sectors in developed countries, the small change in the agricultural sector productivity of developing countries, which employ about 97 percent of the world's labor in this sector, held down the world average for agricultural labor productivity.

Table 2 Productivity of the World Labor Force by Economic Sector, 1960, 1970 and 1980 (GDP per economically active person in 1980 US dollars)^a

Region	Agriculture	Industry	Services	Total
World				
1960	\$505	\$7,106	\$7,004	\$2,938
1970	489	7,705	7,723	3,510
1980	706	11,146	10,884	5,442
Developed countries				
1960	2,398	7,793	8,808	7,132
1970	3,285	9,663	10,154	9,097
1980	6,665	15,251	14,478	14,102
Developing countries				
1960	312	2,451	2,329	815
1970	318	2,709	2,331	953
1980	487	5,366	4,172	1,904

^a Using the U.S. GNP deflator

Note: The data do not include Eastern European economies except of Hungary and Yugoslavia, or the socialist economies of Asia except for China. The developing countries are considered to be all countries except the more development countries, i.e., Australia, Canada, Japan, New Zealand, the United States, European countries and the republics of the former Soviet Union.

Source: Table 6 of Bloom and Brender (1993). Data were based on ILO (1986) and IMF (1984).

As labor productivity differentials between the developed and developing economies continue to increase, income inequality has also increased dramatically since the 1960s. The Gini coefficient for real Gross Domestic Product (GDP) per capita increased sharply from 0.44 in 1960 to 0.55 in 1988, while the Gini coefficient for Gross National Product (GNP) per capita rose from 0.71 in 1970 to 0.85 in 1989 (see Table 3). The income ratios of the richest 20 percent of the population to the poorest 20 percent of the population also reveal trends of increasing inequality. In 1988, the richest 20 percent of the world's population enjoyed an income 17.1 times

greater, on average, than the income of the poorest 20 percent of the world's population, largely due to the faster economic integration among industrialized economies than between industrial and developing economies. Hence, there is increasing marginalization of the least developed economies and growing international income inequality as the gap in labor productivity between developed and developing countries continues to increase.

Table 3 Distribution of the World Income

Year	Real GDP per capita ^a		GNP per capita	
	Gini Coefficient	Ratio of top 20% to bottom 20%	Gini Coefficient	Ratio of top 20% to bottom 20%
1960	.44	11.1	n/a	n/a
1970	.50	13.9	.71	31.9
1980	.53	16.0	.79	44.7
1990	.55	17.1	.85	54.4

^a Measured in purchasing power parity terms

Note: The distributions in this table were calculated assuming that within each country every person received the per capita income of that country. That is, intra-country inequalities in the distribution of income were ignored. The effect of this assumption is to underestimate the degree of global inequality.

Source: Table 1.1 in Griffin and Khan (1992). Data were based on the United Nations Development Programme.

Through the growth of manufacturing exports and jobs with significant inflows of FDI, several Asian countries were able to respond to opportunities created by globalization as reflected in their high economic growth performance. For these countries, including Thailand, national economic and labor-related conditions must be objectively assessed in order to identify policy initiatives that would enable Thailand's economy to continue to respond effectively to global opportunities and international competitiveness without compromising the welfare of Thai workers.

Organization of this Study

To provide a concrete background, information base and recommendations that will aid in the design of policies and standards that would make wages and work conditions in Thailand competitive and fair, this study is divided into three main parts. In Part I, although a comprehensive impact analysis in this study is not possible due to lack of appropriate controls, the changes in Thailand's economic and labor market situation will be analyzed in the context of globalization and trade liberalization using available secondary data and relevant research. The economic analysis will include a review of the trends in the country's economic growth, trade and capital flow as well as

an analysis of income distribution by economic sector and key population subgroups. The analysis of the labor market situation in the face of globalization will cover the following topics: (1) overall trends in employment and unemployment, with a special look at cross-border labor flows; (2) changes in occupational and industrial structures; (3) changes in skill composition, skill needs of the economy, and policies on employment and skill formation; (4) terms and conditions of employment including the casualization of the workforce; (5) trends in wages and disparity of income distribution by gender, major sectors and regions; (6) changes in policies, regulations and treatments of child labor and migrant workers; and (7) impact of migrant workers on the Thai economy.

Part II evaluates the adequacy of existing labor market institutions and mechanisms in response to labor market changes, with special focus on the three major agents or actors in the industrial relations milieu: the workers, the employers and public/private institutions and actors that mediate and/or influence the climate for labor and management negotiations. Included in the detailed analysis is a review of the (1) changes in career development and motives among workers; (2) changes in management style and technology utilization for higher production output; (3) growth and development of workers' and employers' organization; (4) development and response mechanisms of public and private institutions involved in industrial labor relations; (5) changes in labor laws and regulations on trade union activities; (6) new trends in labor-management relations which include both collective bargaining and consultations; (7) issues and coverage of collective bargaining agreements; and (8) functioning of dispute settlements.

Part III draws on results from the first two parts of the study and presents suggestions for policy initiatives that would create a more harmonious industrial relations climate and greater labor productivity and competitiveness without compromising individual workers' welfare, particularly wages and work conditions.

Data Sources and Research Methodology

Secondary data analysis was employed for Part I and most of Part II. Frequency distributions and crosstabulations were provided in various parts of the report to aid in the better understanding of the current labor situation and to support many of our assertions.

Part II, however, also involved primary data collection. Forty-two in-depth interviews were conducted between July and November 1996. Officials from twelve government offices at the Ministry of Labour and Social Welfare (MLSW) and a representative each of a workers' and an employers' organization were interviewed in addition to ten managers/employers and twenty employees from ten selected economic sectors. The ten broad economic sectors covered are: meat, dairy and fish products; fruits, vegetables and grain; wood and cork products; textile and garments; electronics; beverage; transportation; communication; banks and financial institutions; and

restaurants. Details concerning the sampling, data collection and analysis procedures used in our qualitative data are provided in Appendix-A.

We were successful in making interview appointments for only four of the ten original enterprises selected due to various reasons. If there was an internal problem in the originally drawn sample enterprise, an interview appointment was often refused. Six of the ten sample enterprises were second, third or fourth choices in their respective sectoral list. This indicates that our results from in-depth interviews are likely to provide a positively biased labor-relations condition since we covered only enterprises whose managers/owners agreed to have the interviews. Despite this data limitation, we hope our results could provide baseline data for future research in developing more testable hypothesis within the framework of a balanced labor-relations condition.

PART I

ECONOMIC AND LABOR MARKET CHANGES IN THAILAND IN THE CONTEXT OF GLOBALIZATION

Globalization and the Thai Economy

1. Economic Growth of Thailand

Globalization appears to have opened new channels for Thailand's economic expansion. Thailand recorded a double-digit economic growth rate of around 10.4 percent for the period 1986-1990 (see Table 4), which is considered to be the golden era of the Thai economy. Thailand was one of the countries with the highest growth rates in the world for that period, even surpassing the growth rates of most industrialized economies (Group of 7 or G-7). However, Thailand's impressive growth is likely to slow down in the early 1990s, but the continuing export expansion is likely to encourage a growth rate of around 7-8 percent, which would still be higher than the G-7 growth. Thailand's rapid industrialization over the last decade is characterized by significant shifts in the structure of production, with the share of GDP from services rapidly increasing. The rapid growth of exports and tourism has been driving the growth of the Thai economy. Most exports from Thailand are driven by huge foreign investment, particularly in the manufacturing and service sectors. Private investment, merchandise export and import sectors are expected to continue growing in the 1990s but not at such high rates as in the 1986-1990 period.

Income from tourism is also high and has continued to increase at about 9 percent per year between 1991-1996 (see Table 4). Although tourism has played an important role in providing the foreign exchange necessary for a stable growth path, increasing concern about AIDS and other factors such as its effect on environmental conditions may jeopardize its key role in Thailand's economic development. In the interim, the flow of tourist arrivals remains steady and does not appear to be influenced by these concerns as yet.

The inflation rate in Thailand varies, i.e., there are changes in the consumer price index or CPI. It has increased from 3.3 percent in 1986 to 5.9 percent in 1996. While the inflation rate declined to 4.5 percent in 1992, the increasing trend continued until 1996. The increasing inflation rate can be explained by external factors such as increasing commodity prices and changes in the exchange rate, particularly the exchange rate between the baht and US dollar (TDRI 1994). The same TDRI (1994) study also suggests that there is not enough evidence to prove that any overheating of the domestic economy has caused the inflation rate in Thailand to increase.

Table 4

Thailand's GDP, Inflation Rate, Merchandise Trade and Trade Balance

	1987	1988	1989	1990	1991	1992	1993	1994	1995
World Economy									
G-7 Growth	-	-	-	-	1.3	1.8	2.5	2.8	2.8
OECD Growth	-	-	-	-	-	-	1.2	2.6	2.9
<u>THAILAND</u>									
GDP Growth (%)	9.5	13.2	12.0	10.0	8.1	7.6	7.8	8.2	8.8
Inflation Rate (%)	3.3	3.8	5.4	6.5	5.7	4.5	5.0	5.5	5.9
Merchandise Trade (billion bath)									
Exports	284.8	403.6	516.5	615.7	720.5	815.2	921.4	1,071.3	1,239.0
(growth %)	-	(41.7)	(28.0)	(19.2)	(23.6)	(13.1)	(13.0)	(16.3)	(15.7)
Rice	34.6	38.8	44.7	36.0	30.6	28.9	-	-	-
Other foods	68.8	79.5	98.9	110.4	116.4	121.4	-	-	-
Manufacture	159.8	200.6	341.3	436.5	537.3	639.5	-	-	-
Other exports	21.6	25.8	27.6	32.8	37.4	41.3	-	-	-
Imports	374.2	513.7	636.6	759.6	968.7	1,025.7	1,150.3	1,305.5	1,506.6
(growth %)	-	(37.3)	(23.9)	(19.3)	(15.6)	(5.9)	(12.2)	(13.5)	(15.4)
Trade Balance	-89.4	-100.1	-124.0	-143.9	-248.2	-210.5	-228.9	-234.2	-267.6
(as % of GDP)	-	-	-7.3	-11.7	(-7.7)	(-8.5)	(-8.9)	(-10.8)	(-11.5)
Income from Tourism	-	-	-	-	115.7	109.9	130.2	145.1	171.6

Sources : TDR (1989, 1992, 1994) and NESDB (1996).

Note: "-" indicates not applicable

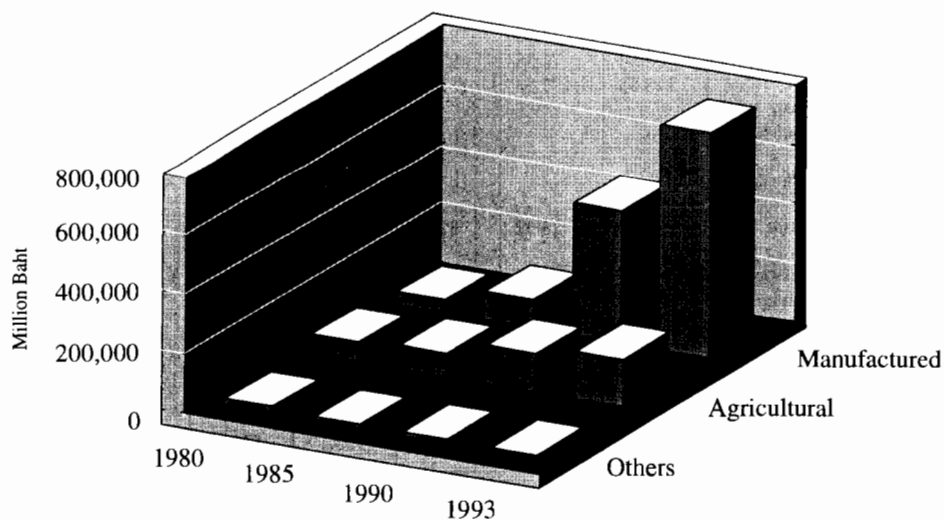
2. International Trade

Thailand's economic growth has also been characterized by considerable increases in both merchandise imports and exports, with the latter consistently lagging behind the former. Higher oil prices not only increased the already high import value, which in turn widened the trade deficit and the current account deficit, but also destabilized the economy in terms of inflation and production growth (TDRI 1989). Import growth markedly dropped in 1992 as a result of the slump in the world economy and the introduction of the Value Added Tax (VAT) system to replace the business tax in the domestic economy, which generated a rundown of stocks and delays in new orders.

Prior to 1985, the share of agricultural exports had always been larger than that of manufactured exports. The value of manufactured exports surpassed the value of agricultural exports for the first time in 1985. From that time on, manufactured exports have been increasing at 30-40% per year, while agricultural exports have been growing at 5-10 percent per annum. By 1990, the value of manufactured exports was over 3 times greater than that of agricultural exports (see Figure 1).

Figure 1

Thai Merchandise Export



Source: Figure 1 in TDRI (1994)

During this first phase of restructuring, the bulk of Thailand's manufactured exports consisted mainly of labor intensive products, such as garments, shoes, artificial flowers, and gems and jewelry. The production base for many of these industries shifted from the Asian NIEs to countries such as Thailand and other Southeast Asian economies as a result of changes in comparative advantage, as the Asian NIEs shifted to more sophisticated and technologically intensive exports. Thailand's comparative advantage as a production base for labor-intensive manufactured products has quickly eroded, however, as a result of international competition for lower labor cost with countries like China, Indonesia and Vietnam.

In 1988-1989, Thai labor intensive manufactured exports were growing at the rate of 50% per annum, but it significantly decreased to 6.9 percent in 1993 (see Table 5). Fortunately, the persistently high export growth rate of medium-high technology manufactured products compensated for the declining growth rates of labor-intensive manufactured exports. Exports of items such as computers and parts, electrical appliances, electrical circuits apparatus, and machinery and mechanical appliances were growing at an average of 36 percent per annum between 1988 and 1993. In 1993, the value of medium-high technology manufactured exports caught up with labor-intensive manufactured exports, which was growing at 18 percent per annum, on average, during the same period (see Table 5).

Table 5 Merchandise Export Items, 1988-1994.

	1988	1989	1990	1991	1992	1993	1994
Labour Intensive Products (Million Baht)							
Textiles	64.05	105.18	92.27	119.35	123.48	129.57	106.38
Others	54.60	72.35	92.85	104.41	117.24	127.63	105.24
Total	118.65	177.53	185.12	223.76	240.72	257.20	211.62
Average Growth 1988-1993(18.0%)		49.6	4.2	20.9	7.6	6.9	11.6
Medium-high technology Products (Million Baht)							
Electrical circuits apparatus	29.89	26.52	32.78	44.21	56.70	75.62	76.32
Electrical appliances	6.27	18.85	32.52	47.87	60.36	62.63	64.52
Machineries and Mechanical appliances	16.49	31.15	45.43	57.45	70.42	90.80	84.76
Total	61.71	90.18	130.29	176.3	223.16	281.44	227.40
Average Growth 1988-1993(35.7%)		46.1	44.5	35.3	26.6	26.1	37.1
Total Manufactured Products	265.64	354.15	440.40	553.19	634.39	752.56	668.07
Growth rate(%)		33.3	24.4	25.6	14.7	18.7	22.6
Agricultural Products	104.53	118.51	100.00	109.28	123.81	110.70	90.54
Growth rate(%)		13.4	-15.6	9.3	13.3	-10.6	9.8
Total Exports	403.57	516.32	589.81	725.63	824.64	935.86	818.79
Growth rate(%)		27.9	14.2	23.0	13.7	13.5	20.7

Source : Table 1 in TDRI (1994).

This transition from labor intensive manufactured exports to medium-high technology exports is a major new direction for Thailand in response to the emerging world economy. The restructuring of the manufacturing industry brings benefits as well as challenges for the Thai economy. While the strong growth momentum of medium-high technology manufactured exports resulted in high economic growth for the period 1994-1996 (TDRI 1994), fundamental questions remain concerning the effect of this industrial shift on Thailand's future development, particularly in the light of high inflation rates as discussed earlier.

3. Foreign Direct Investment (FDI)

FDI in Thailand started to expand at an exceptional pace after 1987, as the increase in costs of production, especially labor costs, and the appreciation of the currencies of Japan and the Asian NIEs, led to the relocation of the production base from these countries to Thailand and other developing countries. The flow of FDI into Thailand had been rising steadily from 7 billion baht in 1986 to about 28 billion baht in 1988, reaching a peak in 1990 of about 65 billion baht. The inflow of foreign investment during the 1986-1990 period strongly encouraged the growth of private investment, merchandise export, and import, which averaged about 23, 25 and 27 percent per year, respectively (Bank of Thailand 1991). But FDI started to decline at the beginning of the 1990s from about 30 percent to about 10 percent in 1993. The decline in FDI may be attributed to the greater competition from China and Vietnam for the relocation of production bases formerly in Japan and the NIEs. This relocation of production bases is largely determined by infrastructure and human resource capabilities of FDI receiving countries, as well as prevailing domestic and international political situations. However, the net foreign investment in terms of stock market investment, loans, and accounts received for services dramatically increased over the same period (see Table 6).

FDI has become increasingly important in terms of capital formation and share of total foreign capital inflows. The share of FDI in total private investment increased from only 3 percent in the 1980s to about 10 percent in 1990 (Pupphavesa and Pussarungsri 1994). The share of FDI in total foreign capital inflow also increased from 10 percent in the early 1980s to about 30 percent in 1990 (see Table 6). Observed fluctuations during the period may be partly due to instability in both the domestic and the world economies.

The increase of Japanese investment raised Japan's share of FDI in Thailand from about 44 percent in 1986 to about 52 percent in 1988 (see Table 7). However, the dominance of FDI from Japan did not last long. The share started to drop from about 41 percent in 1989 to 16 percent in 1992. The decline in Japan's share of FDI in the early 1990s may be due to the economic recession in Japan and the transfer of investors' interest to China and other developing countries.

Table 6

Net Private Foreign Investment

	1986	1987	1988	1989	1990	1991	1992	1993	1994
Direct Investment	6,880	4,712	27,349	44,413	61,118	47,110	50,303	31,996	42,254
growth (%)	57.1	-31.5	480.5	62.4	37.6	-22.9	6.8	36.4	32.1
Investment in Stock Market	2,517	12,862	11,185	36,658	11,508	928.3	11,512	118,192	58,711
growth (%)	-34.8	411.0	-73.0	227.7	-68.6	-91.9	1,140.1	926.7	50.3
Loan	3,334	16,006	4,640	46,930	116,831	143,956	69,158	39,850	66,507
growth (%)	258.1	380.1	-129.0	911.4	148.9	23.2	-53.3	94.2	66.9
Services Accounts Received	9,672	10,592	21,718	28,104	34,339	52,433	55,275	109,365	122,981
growth (%)	-10.6	9.5	105.0	29.4	22.2	52.7	2.9	97.9	-12.5
Others	3,189	4,351	9,706	16,193	14,535	24,336	12,732	14,297	14,583
growth (%)	107.6	-236.4	123.1	266.8	-189.8	67.4	-44.3	12.3	2.0
Net Foreign Investment	12,546	16,510	74,598	139,912	238,311	268,764	198,980	313,700	305,037
growth (%)	-36.1	31.6	351.8	87.6	70.3	12.8	-26.9	57.7	-2.8

Source : Bank of Thailand (1986 to 1994).

Table 7

Net Flow of FDI into Thailand Classified by Country of Origin

Countries	1986	1987	1988	1989	1990	1991	1992	1993	1994
US.	1,239.7	1,815.7	3,184.9	5,220.6	5,844.7	5,918.6	11,788.3	5,557	3,535
%	18.7	20.1	11.4	11.4	9.0	11.5	21.9	17.8	14.2
Japan	3,049.0	3,268.7	14,605.0	18,761.6	27,821.6	19,611.9	8,571.8	9,16	7,044
%	44.1	36.1	52.2	41.1	43.0	38.2	15.9	29.8	28.4
Asian NIEs	1,092.9	1,505.8	6,235.5	11,032.2	14,174.7	14,614.9	17,032.2	-	-
%	15.8	16.7	22.3	24.1	21.9	28.4	31.7	-	-
Taiwan	132.6	687.3	3,136.4	5,062.3	7,138.0	2,753.5	2,220.8	1,542	2,209
%	1.9	7.6	11.2	11.1	11.0	5.4	4.1	5.0	8.9
Hong Kong	955.7	796.2	2,794.5	5,715.7	6,549.2	11,565.5	14,549.0	5,009	6,329
%	13.8	8.8	10.0	12.5	10.1	22.5	27.1	16.1	22.5
Korea	4.6	22.3	304.6	254.2	487.5	295.9	262.4	-	-
%	13.8	8.8	10.0	12.5	10.1	22.5	27.1	-	-
ASEAN	359.9	535.4	1,648.8	2,809.6	6,439.6	6,576.2	7,170.0	-	-
%	5.2	5.9	5.9	6.1	10.0	12.8	13.3	-	-
Singapore	401.3	535.5	1,571.9	2,746.1	5,909.6	6,469.3	6,722.0	1,159	1,313
%	5.8	5.9	5.6	6.0	9.1	12.6	12.5	3.7	5.3
Others	(41.4)	(0.1)	74.9	63.5	530.0	106.9	3741.0	3,081	2,207
%	0.6	0.0	0.3	0.1	0.8	0.2	7.0	9.9	8.9
Other Countries	1,112.6	1,918.1	2,291.3	7,873.6	10,414.4	4,667.5	9,202.0	-	-
%	16.1	21.2	8.2	17.2	16.1	9.1	17.1	-	-
Total	6,908.1	9,043.7	27,963.5	45,697.6	64,695.0	51,389.1	53,764.3	31,133	24,814
%	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Bank of Thailand (1986 to 1994).

Note: "-" indicates not applicable

The FDI from the Asian NIEs (excluding Singapore) and ASEAN (including Singapore) also surged in 1988 (see Table 7). The Asian NIE's percentage share rose continuously to account for the highest portion (31 percent) of the total FDI in the country in 1992. Similarly, the ASEAN share of FDI also increased from 5.9 percent in 1988 to 13.3 percent in 1992. The FDI from the United States and other countries also increased from 1.8 and 1.9 billion baht, respectively, in 1987 to about 11.8 and 9.2 billion baht in 1992.

The industrial sector received more than 50 percent of the total net FDI in 1987 and 1988 (see Table 8). This proportion decreased sharply from about 47 percent in 1989 to only about 32 percent in 1992, but it rebounded in 1993 to 53 percent, again accounting for the largest share of FDI. The decline in the industrial sector's share of FDI for those years resulted from both the absolute decline of FDI in this sector and the increase in FDI in other sectors, specifically in the construction and financial sectors. In 1991 and 1992, FDI dropped in most sectors, with the exception of financial institutions and construction sectors. However, FDI in these two sectors had become increasingly attractive to foreign investors with significant increases from 1992 onwards.

Within the industrial sector, FDI is concentrated in electrical appliances, accounting for at least one-third of the total FDI in this sector per year until 1992 (see Table 9). Other important sectors are chemicals, machinery and transport equipment, metal based and non-metallic, and textile industries. The share of FDI for all sectors, except for petroleum products and construction materials decreased sharply since 1990.

Some of the reasons for the rapid FDI growth are: (1) a more liberal attitude towards FDI in recipient countries along with the more liberal attitudes toward other forms of FDI such as joint ventures, licensing arrangements, subcontracting and research and development (R&D) alliances, (2) deregulation of the finance sectors in major industrialized countries, (3) the emergence of new investor nations among economies with significant current account surpluses, particularly Japan, Korea, Singapore, and Taiwan, and (4) innovations in financial markets (EPAC 1995).

In a study of factors affecting FDI, TDRI (1994) showed that the two most important determinants of FDI are market factors (represented by GDP) and the rising cost of production in Japan and NIEs (represented by the exchange rate of the Japanese yen). Tariff rates deter FDI by increasing the cost of production. Other important factors affecting FDI are the quality of the labor force and joint-venture partners, political stability, sufficiency of local funds and trade barriers (TDRI 1994). The same study showed that FDI, especially from Japan and ASEAN, has a strong impact on Thai exports, particularly for some export-oriented industries like electronics and appliances. However, FDI has a moderate effect on employment, the usage of local resources and technology transfer.

Table 8

Net Flow of FDI into Thailand Classified by Sector

	1986	1987	1988	1989	1990	1991	1992	1993	1994
1. Financial Institution	5,102	4,42.9	2,578.2	2,843.2	3,834.1	6,812.8	6,555.1	1,642	171
2. Trade	7.4	4.9	9.2	6.2	6.1	13.3	12.2	5.3	0.7
	1,783.7	8,53.3	3,879.5	6,803.6	13,012.1	7,637.2	7,095.9	5,136	7,039
	25.8	9.4	13.9	14.9	20.8	14.9	13.2	16.5	28.4
3. Construction	1,234.9	1,349.1	1,841.1	3,925.5	3,294.1	3,351.3	14,534.3	3,500	1,499
	17.9	14.9	6.6	8.6	5.3	6.5	27.0	11.2	6.0
4. Mining & Quarrying	2,40.2	1,92.0	4,72.6	575.1	1,139.2	2,065.5	3,125.5	2,906	1,109
	3.5	2.1	1.7	1.3	1.8	4.0	5.8	9.3	4.5
5. Agriculture	202.2	286.1	315.3	6,034.4	761.0	597.8	-150.6	-	-
	2.9	3.2	1.1	1.3	1.2	1.2	-0.3	-	-
6. Industry	2,123.8	4,749.3	16,161.1	21,858.4	29,062.7	23,349.5	17,467.3	16,497	11,542
	30.7	52.5	57.8	47.9	46.5	45.4	32.5	53.0	46.5
Food and Beverages	286.9	436.6	1,064.7	1,962.0	1,940.8	1,683.1	1,284.0	-	-
	4.2	4.8	3.8	4.3	3.1	3.3	2.4	-	-
Textiles	85.7	995.7	1110.7	686.4	1762.5	1,124.1	1,462.0	346	1,105
	1.2	11.0	4.0	1.5	2.8	2.2	2.7	1.1	4.5
Metal based, Non-metallic	-22.6	3,651.1	2,113.4	2,762.1	2,835.5	2,195.5	1,695.6	1,973	953
	-0.3	4.0	7.6	6.0	4.5	4.3	3.2	6.3	3.8
Electrical appliances	617.0	1,136.5	6,317.5	8,857.2	10,827.7	8,932.7	5,906.9	2,852	550
	8.9	12.6	22.6	19.4	17.3	17.4	11.0	8.3	2.2
Machinery, Transport Equipment	-14.9	159.9	630.7	1,103.3	2,423.5	2,183.2	1,083.5	631	571
	-0.2	1.8	2.3	2.4	3.9	4.2	2.0	2.0	2.3
Chemicals	484.0	868.1	1,956.5	3,478.0	4,619.5	3,834.1	1,624.3	4,372	1,624
	7.0	9.6	7.0	7.6	7.4	7.5	3.0	14.0	6.5
Petroleum Products	8.2	-15.8	769.8	-1,189.6	899.2	-374.0	1,278.5	48,430	4,428
	0.1	-0.2	2.8	-2.6	1.4	-0.7	2.4	15.6	17.8
Construction Materials	5.4	6.3	26.3	85.4	12.2	145.9	375.0	-	-
	0.1	0.1	0.1	0.2	0.0	0.3	0.7	-	-
Other	674.1	796.8	2,171.6	4,113.5	3,741.8	3,624.9	2,798.2	1,750	2,311
	9.8	8.8	7.8	9.0	6.0	7.1	5.2	5.6	9.4
7. Services	813.4	1,171.4	2,529.4	8,701.9	10,938.6	5,411.7	3,711.0	812	1,534
	11.8	13.0	9.0	19.1	17.5	10.5	6.9	2.6	6.2
8. Others	0.0	0.0	186.3	360.5	747.4	2,163.3	1,425.8	240	874
	0.0	0.0	0.7	0.8	0.8	4.2	2.7	0.8	3.5
Total	6,908.4	9,044.0	27,963.5	45,671.6	62,516.2	51,389.1	53,764.3	31,133	24,814
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Bank of Thailand, Annual Economic Report, 1986-1994.

Note: "—" indicates not applicable

Table 9

Percentage Share of Net Flow of FDI into Thailand Classified by Type of Industry

	1986	1987	1988	1989	1990	1991	1992	1993	1994
Food	13.5	9.2	6.6	9.0	5.7	7.1	7.4	n.a.	n.a.
Textiles	4.0	21.0	6.9	3.1	5.7	4.8	8.4	1.1	4.5
Metal based and Non-metallic	1.1	7.7	13.1	12.6	9.3	9.3	9.7	6.3	3.8
Electrical appliances	29.1	23.9	39.1	40.5	34.4	37.7	33.8	8.3	2.2
Machinery & Transport Equipment	0.7	3.4	3.9	5.0	8.0	9.6	6.2	2.0	2.3
Chemicals	22.8	18.3	12.1	15.9	13.9	16.2	9.3	14.0	6.5
Petroleum Products	0.4	(0.3)	4.8	(5.4)	9.8	(1.6)	7.3	15.6	17.8
Construction	0.3	0.1	0.2	0.4	0.0	0.6	2.1	11.2	6.0
Materials									
Other	31.7	16.8	13.4	18.8	13.1	16.4	15.8	5.6	9.4
Total Industry	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source : Bank of Thailand (1986 to 1994).

The effect of FDI on manufacturing employment was found to be much less substantial. Using the BOI survey data representing 600 manufacturing firms, it was shown that in 1985 these firms accounted for only about 0.7 percent and 8.8 percent of the total labor force and manufacturing employment, respectively (Pupphavessa 1994). The reason may be that firms with foreign direct investment usually have a higher capital to labor ratio than Thai firms (Khanthachai et al. 1987).

Pupphavessa (1994) looked at the turnover rate and job mobility direction of workers in Thai firms and FDI firms. The turnover rate of workers was observed in terms of various indicators including average, maximum, minimum and variance of the turnover rate, while the direction of job movement was observed through interviews and a survey of labor migration from the firms ranked in order of popular direction by the reporting firms. The ranking of labor mobility direction included foreign-owned firms, joint-venture firms, Thai firms, workers setting up their own companies, and others. The ranking of popular direction by the interviewed firms was used as a proxy for the direction of job mobility. Differences in the pattern of job mobility between workers of FDI firms and domestic firms in both turnover rate and direction of job turnover were also revealed in the same study. The rate of job turnover in foreign firms, including those of unskilled workers, technicians and engineers was much lower than in Thai firms. The direction of worker mobility in FDI firms, on the other hand, was mostly towards other foreign-owned firms or joint-venture firms. Most foreign firms ranked job mobility of their workers to other foreign-owned firms highest, followed by joint-venture firms. None of them indicated mobility to Thai firms, or to set up their own company as the first or second highest. On the contrary, although mobility to foreign-owned or to joint-venture firms are still ranked first and second most popular direction, relatively fewer Thai firms have reported these two categories as the most popular direction in Pupphavessa's (1994) study.

Hence, while Thailand has initially benefited from globalization economically through increased FDI before 1990, it must keep up with the increasing competition for FDI as the new world economy further develops. The observed fluctuations in FDI also illustrate Thailand's increasing vulnerability to changes at the global level.

4. Income Inequality

Economic growth has continued to be on an upswing since the early 1990s due to both external and internal factors. GDP per capita has been dramatically increasing from about 44,000 baht in 1991 to about 60,000 baht and 67,500 baht in 1994 and 1995, respectively (Manager Information Services Co., Ltd. 1996). However, income inequality also has been increasing as the income distribution is becoming increasingly skewed (see Table 10). The richest 40 percent of the Thai population increased its estimated share of income to 77.99 percent in 1991/2 from an income share of 75.5 percent in 1985/6. The estimated share of the poorest 60 percent, on the other hand, declined from 24.5 percent in 1985/6 to 22.8 percent in 1994/5. The Gini coefficient, another popular measure of income inequality, rose from 0.481 in 1985/6 to 0.578 in 1994/5. A lower Gini coefficient indicates less income inequality. As reduction of the income gap between the rich and the poor

becomes increasingly difficult in the short- or even medium-term, Thailand is becoming one of the countries in the world with the largest income disparities (TDRI 1994).

Table 10 Income Shares of Population by Quintiles

	1975/6	1980/1	1985/6	1988/9	1990/1	1991/2	1993/4	1996*
Richest 20%	49.26	51.47	55.63	55.01	56.48	59.04	57.52	55.38
Next Richest 20%	20.96	20.64	19.86	20.30	20.11	18.95	19.60	20.14
Middle 20%	14.00	13.38	12.20	12.20	11.92	11.06	11.60	12.10
Next Poorest 20%	9.37	9.10	7.87	7.98	7.44	7.01	7.29	7.89
Poorest 20%	6.05	5.41	4.55	4.51	4.05	3.94	3.99	4.49
Richest 40%	70.22	72.11	75.49	75.31	76.59	77.99	77.12	75.52
Poorest 60%	29.78	27.89	24.51	24.69	23.41	21.01	22.88	24.48
Gini coefficient	0.426	0.479	0.481	0.485	0.522	0.536	0.525	0.497

Source : Estimates derived from the NSO Socioeconomic Survey, TDRI (1994) and Kakwani and Krongkaew 1996).

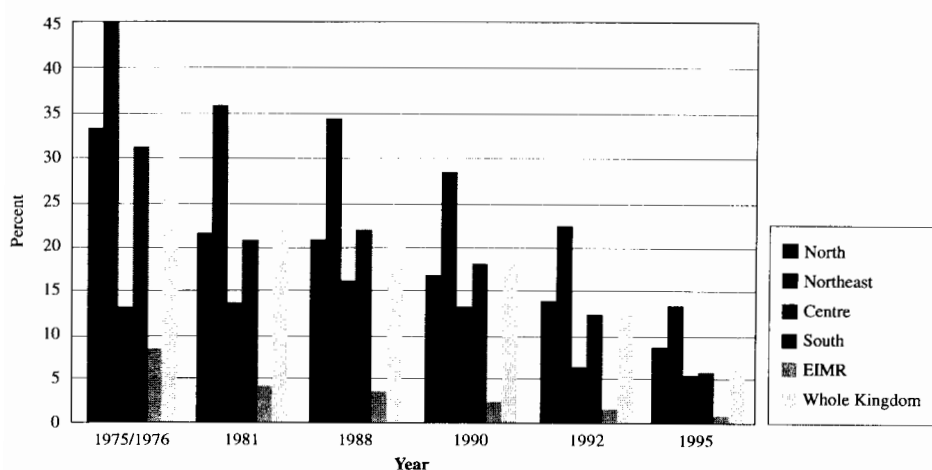
* The 1996 estimates were derived from linear trends of previous years

Recent estimates of Kakwani and Krongkaew (1996), however, showed that there is a slight decline in income inequality after the coalition government adopted a policy aimed at “spreading prosperity from the centre to the countryside.” The income share of the richest 40 percent slowly dropped to 77.12 percent in 1994 and it further dropped to 75.52 percent in 1996. The Gini coefficient confirmed this decline with a value of 0.525 in 1994 compared to 0.536 in 1992. The linearly derived estimates of Kakwani and Krongkaew (1996), may be questionable due to various reasons. One methodological reason is that the past trend might not satisfy the linearity assumption so it would have been beneficial to also derive estimates using a non-linear assumption. The prevailing regional imbalance in income indicates that a larger part of the national income remains in the hands of a few people in Bangkok and surrounding areas. The worsening economic recession and high inflation during the recent years may also have influenced the income of the poorer segment of the Thai population perhaps through unemployment which could result from various factors like lay-offs and job competition from illegal migrant workers from neighboring countries, among others.

If the change in direction of recent estimates of income inequality (Kakwani and Krongkaew 1996) is real, globalization may be operating at its ideal mode. The recent economic slump would affect the richer segment of the population more than the poor as the income of the rich people derived from their wealth (property and stock holdings) is becoming susceptible to changes in economic and political conditions in other parts of the world much more than in the past.

The widening regional income imbalance in Thailand is illustrated in Figure 2. The Northeast and the Northern regions have much larger proportions of their population under the poverty line while the Bangkok Metropolitan Region (BMR) has a much smaller proportion of the population in poverty. In 1992, the poverty line, which is adjusted for consumer price index in 1975/6, is recorded at 636 and 414 baht per capita per month for urban and rural areas, respectively (Krongkaew 1996). Three years later (in 1995), the poverty line was adjusted to 760 baht per capita per month for urban areas and to 476 baht per capita per month for rural areas (Krongkaew 1996).

Figure 2: Poverty incidence in Thailand by Region, 1975/1976 to 1995



Source: Chart 2 in Krongkaew (1996).

The extreme concentration of urban development activities around Bangkok has led to large differences between the economic condition in the BMR and the rest of the country. The BMR contains about 16 percent of the Thai population but it accounted for more than 52 percent of the total GDP. In the 1990s, the GDP for the BMR has been increasing, while GDP for other regions has been decreasing. The gap between the BMR and the rest of the country also widened over this decade (see Table 11). The BMR has a much smaller proportion of the population below the poverty line while the Northeast and the Northern regions have much larger proportions in poverty.

It appears that the population in the BMR has benefited more from the economic rewards of globalization than other regions in Thailand. To ensure that more people would be out of poverty and therefore benefit more from globalization, identified mechanisms for an equitable regional distribution of the national income, which are already included in the eighth national socio-economic agenda, should be effectively implemented.

Table 11 Composition of GDP* by Region

(unit %)

Region	1989	1990	1991	1992	1993p
Bangkok	37.7	39.7	39.4	41.0	42.6
Vicinity of Bangkok	12.1	12.4	12.4	12.4	12.8
Central	4.2	4.0	4.1	3.9	3.8
Eastern	9.2	9.1	9.5	9.1	9.0
Western	5.0	4.4	4.3	4.1	3.9
Northeastern	12.1	11.6	11.6	11.4	10.6
Northern	10.7	10.1	10.0	9.6	9.1
Southern	8.9	8.7	8.7	8.5	8.2
TOTAL	100.0	100.0	100.0	100.0	100.0
GDP (in million baht)	1,856,991	2,191,094	2,519,617	2,833,277	3,168,339

* GDP at current market prices

p = preliminary

Source : National Economic and Social Development Board (1996).

The high income inequality, despite improvements in per capita income, indicates key differences between the advantaged minority who have plenty of economic opportunities, and the less-advantaged majority who have much less opportunities and often are tied to traditional economic activities like agriculture. Furthermore, countries poorer than Thailand are likely to enter and compete more strongly in production sectors where most of the less-advantaged are restricted to, thus,

the disparities between the advantaged minority and the less-advantaged majority are likely to persist and further widen in the interim (TDRI 1993).

Since high income inequality is clearly an undesirable feature of globalization, the Thai government should give priority to addressing this problem by increasing the educational opportunities and upgrading the basic knowledge and skills of the less-educated majority in the workforce in order to enhance their future economic opportunities and eventually reduce the income gap. In addition to human resources development, effective programs are needed to disperse development away from Bangkok.

Globalization and the Thai Labor Market

1. Labor Force and Employment Trends

According to the Bank of Thailand year-end reports for 1993 and 1994, the country's population was about 58.5 and 59.1 million, respectively, representing an increase of 1.3 percent, while the total labor force (i.e., persons aged 13 and over who are available for work) numbered 33.1 and 33.5 million, representing an increase of 1.7 percent over the two-year period (Bank of Thailand 1993, 1994). The labor force growth of Thailand is expected to decline through the end of this century (UN 1986, Bauer 1990, World Bank 1989, TDRI 1993, Guest and Punpueng 1997) as a result of the success of Thailand's family planning program. Total employment was about 30.0 and 32.6 million in 1993 and 1994, or increasing at about 1.9 and 1.7 percent, respectively from the previous year (Bank of Thailand 1994).

The labor force participation rate in Thailand has been very high at about 73, 78 and 76 percent in 1986, 1991 and 1996, respectively (see Table 12). Thai women's labor force participation rate ranks second in the world next to China, because the women's labor force participation rate has been increasing while the men's rate has been declining (TDRI 1994).

The incidence of child labor is extremely high. In 1986, the labor force participation rate of children aged 11-14 and the rate among youths aged 15-17 were 21.6 and 65.8 percent, respectively (TDRI 1994). In 1991, the rates for children aged 13-14 and youths aged 15-17 were 35.5 and 63.3 percent, respectively. The same TDRI (1994) report also showed that in 1986, children and youths together accounted for 13 percent of the total workforce, but the proportion went down to about 10 percent in 1991. The majority of working children and youths were in the rural agricultural sector working as unpaid family workers. Some of the cited reasons for children and youths entering the labor market are poverty and a low school enrollment ratio beyond primary education.

Table 12

Population, Labour Force, Employment and Unemployment : Thailand 1986-1996

(unit : Thousand)

ITEM	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Total Population	52,969	53,873	54,961	55,888	56,303	56,961	57,760	58,584	59,396	60,206	61,005
Pop. 13 years and Over	38,191	39,703	40,643	39,139	40,081	41,048	42,182	43,129	44,063	44,984	45,906
Labour Force	27,835	29,552	30,512	31,206	31,749	32,141	32,861	33,449	34,008	34,521	35,018
Additional Labour Force	(719)	(1,717)	(960)	(694)	(543)	(392)	(720)	(588)	(559)	(513)	(479)
Labour Force Growth Rate	(2.65)	(6.17)	(3.25)	(2.27)	(1.74)	(1.23)	(2.24)	(1.79)	(1.67)	(1.51)	(1.44)
Employed Persons	26,690	27,638	29,464	30,612	30,843	31,137	32,692	33,282	33,842	34,359	34,858
Agriculture	17,815	17,789	19,576	20,402	19,726	18,777	20,235	20,275	20,284	20,258	20,204
Non-Agriculture	8,875	9,849	9,888	10,210	11,117	12,360	12,457	13,007	13,558	14,101	14,654
-Mining and Quarrying	42	55	43	45	54	55	51	53	54	56	58
-Manufacturing	2,069	2,438	2,461	2,770	3,133	3,465	3,405	3,578	3,771	3,958	4,150
-Construction	589	639	702	718	1,026	1,178	958	1,003	1,047	1,084	1,121
-Electricity	124	119	120	118	109	110	142	150	160	169	179
-Commerce	2,695	2,996	2,897	2,920	2,976	3,477	3,627	3,778	3,926	4,071	4,219
-Transport	604	633	640	664	733	834	843	889	934	980	1,026
-Services	2,731	2,964	3,017	2,956	3,065	3,226	3,431	3,547	3,666	3,783	3,901
-Others	21	23	8	19	21	15	-	-	-	-	-
Unemployed Persons	969	1,722	929	433	710	869	n.a.	n.a.	n.a.	n.a.	n.a.
-Opened Unemployment	350	355	246	170	185	155	169	167	165	163	161
- Available for Work	619	1,376	683	263	525	714	n.a.	n.a.	n.a.	n.a.	n.a.
Seasonally (Round 3)	176	192	119	161	196	135	n.a.	n.a.	n.a.	n.a.	n.a.
Seasonally (Round 1)	1,398	1,056	1,094	1,427	no survey	1,923	885	n.a.	n.a.	n.a.	n.a.
Not in Labour Force	10,356	10,151	10,131	7,933	8,332	8,907	n.a.	n.a.	n.a.	n.a.	n.a.
Opened Unemployment Rate	1.26	5.8	3.0	1.4	2.2	2.7	1.4	0.50	0.49	0.47	0.45
Labour Force Participation Rate	72.88	74.43	75.07	79.73	79.21	78.30	77.90	77.56	77.18	76.74	76.28

Source : Report of The Labour Force Survey (Round 3), National Statistical Office. Note: n.a. = Not Applicable

The labor market has been able to absorb most of the available labor supply, but the absorption rates of employment in the services and industrial sectors are much less than in the agricultural sector. In spite of their low employment share, GDP from both sectors is much higher than in the agricultural sector. Table 13 shows that the GDP share of agriculture was only about 12.7 percent while its employment share was about 64 percent in 1990 (see Table 14). This imbalance between agricultural production and employment is obviously a key factor in creating widening income disparities between agricultural and non-agricultural households and also between rural and urban areas. Consequently, more and more people have moved from the agricultural sector in rural areas to other sectors in the BMR and other urban areas for better economic opportunities. These figures indicate that globalization is aiding the efficient allocation of labor from the country's less productive sectors. Such allocation may be better understood in the light of the country's labor quality which will be examined in the next sections.

Table 13 Composition of GDP* by Industrial Origin

	(unit %)				
Industrial Origin	1989	1990	1991	1992	1993p
Agriculture	15.1	12.7	12.7	12.0	9.9
Manufacturing	26.7	27.2	28.4	28.0	28.4
Construction	5.5	6.2	6.7	6.7	7.1
Wholesale and retail trade	16.7	17.6	17.0	16.6	16.6
Services	13.3	13.3	12.9	12.8	12.9
Others	22.7	22.9	22.3	23.9	25.1
TOTAL	100.0	100.0	100.0	100.0	100.0
GDP (million Baht)	1,856,991	2,191,094	2,519,617	2,833,277	3,168,339

* GDP at current market prices

Source : National Economic and Social Development Board (1996).

2. Labor Demand and Labor Supply Gap

a. Labor Shortages

As Thailand changed its development strategy from labor-intensive to more value-added production, manpower requirements of the new production strategy are no longer for cheap unskilled labor, but for better educated types, particularly those with Science and Technology (S&T) training. Shortages of S&T and highly skilled labor is

Table 14

Percentage Shares of Employment by Economic Sectors

Year	Agriculture		Industry		Construction		Transport		Services		Total							
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female						
1985	36.31	32.06	68.37	4.61	3.65	8.26	1.85	0.40	2.25	1.88	0.18	2.06	9.40	9.66	19.06	54.05	45.95	100.0
1986	35.31	31.45	66.76	4.37	3.53	7.90	1.90	0.31	2.21	2.08	0.18	2.26	10.24	10.63	20.87	53.90	46.10	100.0
1987	34.52	29.85	64.37	4.76	4.26	9.02	1.97	0.34	2.31	2.07	0.22	2.29	10.62	11.39	22.01	53.94	46.06	100.0
1988	34.95	31.50	66.45	4.69	3.81	8.50	1.99	0.39	2.38	1.97	0.20	2.17	9.75	10.75	20.50	53.35	46.65	100.0
1989	34.97	31.70	66.67	4.70	4.34	9.04	2.04	0.30	2.34	1.94	0.22	2.16	9.54	10.24	19.78	53.19	46.80	100.0
1990	33.65	30.32	63.97	5.08	5.07	10.15	2.77	0.56	3.33	2.12	0.25	2.37	9.73	10.45	20.18	53.35	46.65	100.0
1991	32.40	27.92	60.32	5.51	5.61	11.12	3.20	0.58	3.78	2.37	0.31	2.68	10.63	11.47	22.10	54.11	45.89	100.0
1992	14.17	34.57	48.47	8.50	9.02	17.15	3.57	4.32	7.89	1.00	0.17	1.17	14.63	13.05	27.68	57.29	47.57	100.0
1993*	48.61	24.09	72.70	11.87	9.57	21.44	5.69	1.03	6.72	6.05	0.95	7.00	13.36	19.66	33.02	54.82	45.18	100.0

* Labour Force Survey (Round 1) February 1993.

Source: Labour Force Survey (various years), National Statistics Office.

Note: Summation of Row Percentage for all sectors = 100%

evident because the wages for these types of workers has been rising rapidly since the mid-1980s in the private sector. Brain drain from the public sector to the private sector, and from smaller to larger firms has become commonplace (Sussangkarn 1987). Projections of manpower requirements in the formal sectors of industry and services (Limskul et al. 1992 cited in Phananiramai and Tonguthai 1994) show that the demand for semi-skilled labor (secondary level up to high school diploma) will increase most rapidly in the near future, followed by the demand for skilled labor (university level), while the rate of increase in the demand for unskilled labor (primary level) will be the lowest. Thus, unless there is an increasing supply of labor at the skilled and semi-skilled levels, a shortage of labor is likely to occur. However, it seems that the educational system has not adjusted rapidly enough to sufficiently change the supply composition of the labor market, particularly the semi-skilled and S&T manpower. This indicates a gradual tightening of the market for S&T labor in the near future at both the semi-skilled and skilled levels.

For both unskilled and skilled workers, a study by Phaisan (1994, cited in Pharaniramai and Tonguthai 1994) showed that there were unfilled vacancies in positions requiring engineers, technicians, salespersons and security-related workers. There were also shortages of unskilled labor in the fishing industry, in rubber plantation and in mining industries as well as shortages of houseworkers. A way of meeting the labor demand for the first groups (skilled and semi-skilled labor) is by importing foreign workers from countries that provide FDI through the investment promotion law and other laws. This group of foreigners, mostly Japanese and Chinese are mainly attached to international companies. Due to the recent shortage of technicians, the size of this group has been increasing rapidly. For example, while the number of work permits received each year for persons working as administrators and managerial workers increased by 15 percent annually between 1988 and 1991, the rate of increase during the same period for engineers and technicians was 17 percent; and the rate for technicians such as machinery installers and repairmen, and electronic technicians was 92 and 94 percent, respectively. Even the number of work permits for production supervisors and general foremen increased by an average rate of 36 percent between 1988 and 1991 (see Table 15). Consideration of possible implications of the continuation of this trend for this group of foreign workers is of vital importance. Policy makers are aware of the shortage of skilled labor as the Eighth Plan has expressed much concern for improving education and training in order to solve the shortage of skilled labor in the long run. Meanwhile, importation of highly-valued skilled labor is deemed an important strategy for maintaining high economic growth rates and may require easing of regulations regarding foreign workers and shortening of the procedures for obtaining work permits. At present, there is no clear policy regarding these issues.

b. Laid-off Workers

The current phase of structural changes in the Thai economy is expected to create numerous problems for the vast majority of Thai workers especially women and those with only primary education or less. The shift from labor-intensive manufacturing to producing medium- and high-technology products would

Table 15

Occupation	1986	1987	1988	1989	1990	1991	Growth Rate 1988-1991
Physical Scientists & Related Technicians	71	78	55	54	220	150	33.44
Engineers and Technical Specialist	583	647	1,029	1,045	1,492	1,703	16.79
Machinery Filters, Installer & Mechanics Repairment	16	61	32	62	353	504	91.89
Electrical Filter & Related Electrical & Electronics	48	29	9	76	129	150	93.78
Aircraft and Ships' Officer	69	46	63	67	127	99	15.07
Medical Doctor, Professional Nurse & Related Workers	24	18	4	7	13	16	46.21
Economists and Auditors	21	66	49	56	34	43	-4.35
Teachers	248	263	290	353	483	508	18.69
Workers in Religion	197	195	153	188	178	190	7.22
Authors Journalist & Related Writers	56	60	62	66	87	108	18.50
Photographs Etchers and Designers	1	17	15	18	15	27	19.59
Musicians, Singers, Actors, Producers and Directors	659	653	1,072	757	848	607	-18.96
Transtators and Interpreters	14	19	42	75	17	39	-2.47
Administrative and Managerial Workers	1,388	1,474	2,076	2,538	2,043	3,237	14.81
Specialists	426	600	531	733	501	459	-4.86
Receptionist and Travel Agency Clerks	8	101	117	98	141	160	10.43
Managers Working Proprietors (Wholesale & Retail)	281	641	438	391	1,114	921	24.77
Managers and Supervisors Catering & Lodging Service	45	143	110	97	166	166	13.72
Cooks and Related Workers	144	74	70	65	100	107	14.14
Watchman	15	13	6	6	17	14	28.24
Farm Managers and Supervisors	7	5	24	5	23	38	15.32
Production Supervisors and Gernerel Foreman	149	144	349	413	749	1,034	36.20
Food and Beverage Processors	2	-	2	-	4	38	98.15
Others	113	70	117	170	357	361	37.56
TOTAL	4,585	5,417	6,715	7,340	9,211	10,679	15.46

Source : Year Book of Labour Statistics (various year), Department of Labour Protection and Welfare, Ministry of Interior

increasingly require workers to have secondary or vocational education. The modern service sector has also started to require workers with a secondary education or more. On the other hand, the production base for labor-intensive manufactured products will continue to shift to less developed countries like China, Vietnam and Indonesia. Speculations that a drastic decline in labor-intensive manufacturing jobs before the end of this century will affect thousands of unskilled workers in Thailand, particularly women. Over a two-year period (1994-1996), about 18 thousand workers were laid-off in Thailand, 30 percent of whom were in the textile industry (TDRI 1996).

During the past decade, the number of workers in the textile industry has not decreased. The lay-off of workers in Thailand's textile industry which took place during 1992 to 1993 was mainly due to the economic recession. Without the adoption of automation, however, the textile industry cannot compete in the world market. Hence, more worker lay-offs are expected to result. If textile manufacturing shifts to the use of shuttleless machines, employment will be decreased by about 20,000 workers in the next three years or by about 7,000 workers per year (TDRI 1996).

Because most women workers are unskilled and have only four to six years of schooling, they have few opportunities to find new jobs on production lines that use high technology. Only large business firms provide on-the-job training to their workers while medium and small business firms seldom do so. There is no immediate reduction in unemployment through the use of higher technology particularly in large textile firms. The TDRI survey of textile firms showed that many textile manufacturing firms easily retrained their workers to work with computers or work with shuttleless machines. One textiles company (e.g. Lucky Textiles Company) made a special agreement with its labor union to seek consent before laying workers off. However, this company has gradually reduced the number of its workers by offering employees compensation for voluntary separation from work based on their years of employment (TDRI 1996).

Using data on the number of job vacancies, applicants and placements from the 1986 and 1991 Labor Force Survey, Phananimamai and Tonguthai (1994) also showed the existence of some labor shortage of skilled and semi-skilled workers mixed with some surplus of unskilled labor, which surfaced in terms of unfilled vacancies and unemployment, implying that workers' qualifications mismatch with employers' requirements

c. Illegal Foreign Workers

It is now very difficult to find Thai workers for certain jobs or in certain locations (Phananimamai and Tonguthai 1994). Therefore, many foreign workers enter the country illegally to fill vacancies. This group consists mainly of unskilled workers from neighboring countries like Myanmar, Lao and Cambodia. They are likely to work in construction, rubber plantation and fishery industries where the work environment is harsh and the pay is low. The number of illegal aliens in Thailand in 1994 is estimated to be about 500,000 (Mekvichai 1994), but this number was expected to increase rapidly to about 750,000 in 1996 (MLSW 1996) because of

increasing unskilled labor demand in more economic sectors. Another possible explanation for the anticipated rise in alien workers is the exemption order from a resolution of the Council of Ministers. This cabinet resolution allows illegal workers from Myanmar, Lao and Cambodia who entered Thailand before 25 May 1996 and are currently employed in 43 provinces of Thailand as laborers or unskilled workers in 11 occupations (e.g., agriculture, marine fishery and fishery-related, construction, transportation and production industries) would get work permits for a period of two years when they register with the Employment Department between September and November of 1996. After that, they have to return to their home countries.

On the other hand, these illegal migrant workers are beginning to affect the economic prospects of the poorer, and in general unskilled Thai workers in terms of wages and income. The basic pay for immigrant workers varies depending on their job category; for example, service workers get a minimum income of about 2,000 baht per month, while construction workers and industrial workers get about 3,000 baht per month and sex workers who get a monthly income of about 5,000 to 6,000 baht (Soonthorndhada and Pataravanich 1997a). In contrast to Thai workers, immigrant workers get only half that of Thai workers given a similar work place. For example, immigrants get an average of about 2,800 baht while Thai workers get more than 5,600 baht per month for the same working hours (Soonthorndhada and Pataravanich 1997a).

Soonthorndhada and Pataravanich (1997a) also found that apart from the pay, three-fourths of the immigrants get free accommodation while only 40 percent of Thai workers get this extra benefit. Immigrant workers are usually housed together with their ethnic kind and very often they are put into private housing: in terrace houses or housing units in the factory or on shop floors rented by the employers. One-fourth of immigrant workers who find their housing arrangements unsatisfactory seek or rent accommodation elsewhere (Soonthorndhada and Pataravanich 1997a).

There is therefore an urgent need to study the impact of the new policy allowing registration of illegal unskilled immigrant workers from neighboring Indochina countries and how this new policy affects the Thai workers and their families. Research should also focus on effective methods of monitoring both skilled and unskilled immigrant workers. Possible adverse social and security consequences of illegal immigration should also be analyzed before any concrete policies could be advanced.

d. Outflow of Thai Workers

International labor market adjustment also works through the international movement of labor between countries. The voluntary outflow of Thai labor has increased in the past two decades in response to internal labor market imbalance and to increases in foreign opportunities. The persistently high income inequality in Thailand is a continual push factor. This outflow varies in size and composition, and is subject to various legal and institutional procedures, often with significant economic and political repercussions.

The number of Thai workers going abroad had increased continuously since the 1970s and it reached a maximum of about 125 thousand persons in 1989. The two largest streams of labor out-migrants had the Middle-Eastern countries and ASEAN countries, particularly Singapore and Brunei, as destinations. The share of labor out-migrants to the Middle-Eastern countries started to decline in 1987 and in 1990 was exceeded by the rapidly increasing share of migrant workers going to Asian NIEs and ASEAN countries (see Table 16). During the 1989 peak, labor out-migrants consisted about 4 percent of the country's labor force. The jobs taken by Thai workers abroad are mainly in the construction sector for males and in the service sector for females. Since the work is heavy and working conditions are bad, in general, overseas jobs tend to attract only young adults aged 21-40 years for males and 17-30 years for females. The emergence of labor export seems to be welcomed by all parties concerned. For employees, working abroad was a quick way to earn a large amount of money either to repay debt or temporarily relieve poverty. For the economy, it helped to reduce foreign exchange deficit and problems in the internal labor market (Phananiramai and Tonguthai 1994).

A survey by the Academic and Planning Division, Ministry of Labor and Social Welfare (MLSW) in 1995 indicated that a large number of out-migrant workers paid a fee in the range of 70,000-75,000 baht per person but only 46,000 baht per person was allowed by law (Academic and Planning Division, MLSW 1995). The same study found that there had been some "illegal deduction" from migrants' gross pay which may partially explain the high costs of recruitment; in other cases, migrants were treated as trainees only (such as those who worked in Japan and South Korea) and could not expect to receive the full pay normally given to full fledged workers.

Data from a small sample survey was conducted in early 1996 of a group of out-migrant workers who returned home from Taiwan which has shown that about 57 percent received about 10,000-24,999 baht per month, about 34 percent had an income per month less than 10,000 baht and 9 percent had received more than 25,000 baht per month (Ratanakomut 1996). Working conditions of some Thai out-migrant workers is also a cause for concern as work-related stress and fatigue appear to result in a high morbidity and mortality rates. During the period 1990-1993, the mortality rate of Thai migrant workers due to sudden death, accident and heart disease was about 34, 26 and 15 per thousand, respectively (Ratanakomut 1996). Although housing, food and health care were mostly available at the work site, the same study found housing facilities for Thai out-migrant workers were rather crowded and of low quality.

3. Changes in Occupational and Industrial Structures

a. The Occupational Structure

The employed population in the country has been increasing exponentially at 3.3 percent per annum from 25.22 to 32.79 million from 1986 to 1994 (see first panel of Table 17). Three occupational groups experienced exceptionally high growth rates. These are clerical workers (7.3 percent), craftsmen, production process workers, and

Table 16

**Number of Thai Workers Going Abroad,
by Country of Destination**

Country	1986	1987	1988	1989	1990	1991	1992
Middle East							
Saudi Arabia	85,659	78,094	78,518	73,422	16,445	11,800	23,386
Iraq	67,743	64,134	66,154	61,442	9,970	5,613	8,707
Qatar	8,116	4,434	2,756	2,829	1,195	n.a.	n.a.
Bahrain	1,123	1,156	1,532	1,773	942	1,047	3,500
Kuwait	4,405	3,216	3,952	3,473	1,325	3,121	3,313
Others	2,623	3,341	2,143	1,577	1,498	1,091	4,866
Africa	9,231	9,216	13,395	13,369	10,699	7,895	591
Libya	9,231	9,216	13,389	13,215	10,610	7,651	236
Others	-	-	9	154	89	244	355
USA & Europe	1,518	2,605	4,202	4,990	4,933	3,218	1,700
ASEAN	11,001	10,443	13,442	20,580	16,764	20,947	21,739
Singapore	7,267	6,243	5,262	11,056	6,464	9,488	6,510
Brunei	2,596	3,300	6,792	8,630	8,009	8,840	12,729
Malaysia	1,138	884	1,238	611	2,087	2,473	2,500
Others	-	16	150	283	204	146	-
Other Asian	2,119	4,138	8,151	10,723	12,393	17,102	25,018
Japan	n.a.	1,367	3,942	3,825	4,210	6,263	6,748
Hong Kong	2,119	2,444	3,988	6,529	7,908	8,431	7,255
Taiwan	-	23	109	168	111	2,237	10,938
Others	-	304	112	201	164	171	77
Other Countries	2,915	1,492	1,249	2,230	1,790	2,887	n.a.
Total	112,443	105,988	118,957	125,314	63,024	63,849	72,434

Percentage Shares by Region

Middle East	76.18	73.68	66.01	58.59	26.09	18.48	32.29
Africa	8.21	8.70	11.26	10.67	16.98	12.37	0.81
USA & Europe	1.35	2.46	3.53	3.98	7.83	5.04	2.35
ASEAN	9.78	9.85	11.30	16.42	26.60	32.81	30.01
Other Asian Countries	1.88	3.90	6.85	8.56	19.66	26.79	34.54
Others	2.59	1.41	1.05	1.78	2.84	7.52	0.00

Source : Department of Skill Development, Ministry of Interior.

laborers (6.4 percent) and workers in transportation and communication (5.1 percent). This may be attributed to Thailand's penetration of the semi-skilled labor-intensive manufactured exports market during the mid 1980s as some of the Asian NIEs began to lose their comparative advantage in this field as they moved to more technologically intensive products (Sussangkarn and Chalamwong 1994). The lowest growth recorded (2.0 percent) is for the farmers, fishermen, hunters, miners, quarrymen and related occupations.

Although all occupation groups increased in numbers during the past eight years, comparing employment percentages by occupation over the years clearly suggests a gradual decline in the share of agricultural employment, i.e., from 63.61 percent in 1986 to 59.58 percent in 1994 (see second panel of Table 17). The share of employment in agriculture has declined slower than the decline in share of agriculture in value added (Sussangkarn and Chalamwong 1994).

Increases in employment share are registered in clerical, sales, production-related, services, transportation and communication occupations. Very slight growth in employment share is observed for professional, technical, administrative and managerial jobs.

b. The Industrial Structure

The construction, repair and demolition (10.54 percent employment growth per annum), manufacturing (7.04 percent) and transport, storage and communication (5.42 percent) are the economic sectors with the highest rates of employment (see first panel of Table 18). The agriculture (1.99 percent) and service (2.85 percent) sectors showed the least expansion in employment.

Although employment numbers in all economic sectors increased and the agricultural sector remains the major employer, gains in employment share for the manufacturing, construction, and transport/communication sectors are worth noting especially in the past five years (see second panel of Table 18).

Another interesting feature of the Thai labor market is its seasonality. In 1991, approximately 4.1 million persons moved from one industry to another during the dry and wet seasons with job shifts more likely to be from agriculture to the service and manufacturing sectors and from unpaid family workers to either private or own-account workers (Phananniramai and Tonguthai 1994). The predominance of agricultural employment share despite its small share in value-added may be partly explained by the seasonal labor demand in agriculture, which is mainly determined by the type of crop cultivated, cropping pattern and the number of croppings per year. In many areas of the country, cultivation takes place all year round due to good irrigation facilities. In some areas, particularly the North and the Northeast which still rely on rain-fed agriculture, labor demand declines significantly during dry season months with seasonal unemployment rates of as high as 30 to 40 percent of the labor force (Sussangkarn 1987). Seasonal migration is an important mechanism by which rural labor adjusts to fluctuations in labor demand. The 1992 National Migration Survey of

Table 17

Employment Distribution by Occupation, 1986-1995

	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995 ²
A. Employed Persons (in millions)										
Professional, Technical and Related Workers	0.87	0.91	0.99	1.01	1.03	1.11	1.23	1.08	1.16	1.31
Administrative, Executive and Managerial Workers	0.37	0.45	0.43	0.44	0.44	0.56	0.61	0.44	0.54	0.64
Clerical Workers	0.63	0.75	0.81	0.83	0.88	1.00	1.02	1.02	1.13	1.14
Sales Workers	2.52	2.91	2.84	2.86	2.68	3.18	3.21	3.22	3.47	3.40
Farmers, Fishermen, Hunters, Miners, Quarrymen and Related Workers	16.05	15.63	17.34	17.4	19.76	15.59	15.93	18.88	18.84	17.28
Workers in Transport and Communication Occupations	0.7	0.77	0.74	0.75	0.86	0.97	1.01	0.97	1.05	1.09
Craftsmen, Production Process Workers and Laborers	3.16	3.75	3.52	3.68	4.05	5.26	5.60	4.78	5.27	6.23
Services, Sports and Recreational Workers	0.91	1.00	1.03	1.04	1.11	1.18	1.24	1.25	1.32	1.35
Workers not classified by Occupation	0.02	0.01	0.01	0.00	0.03	0.02	0.02	0.00	0.00	0.00
TOTAL	25.22	26.17	27.73	28.01	30.84	28.86	29.88	31.64	32.79	32.44
B. Column Percentages										
Professional, Technical and Related Workers	3.45	3.48	3.57	3.61	3.34	3.81	4.12	3.41	3.54	4.04
Administrative, Executive and Managerial Workers	1.47	1.72	1.55	1.57	1.43	1.94	2.04	1.39	1.65	1.97
Clerical Workers	2.50	2.87	2.92	2.96	2.85	3.47	3.41	3.22	3.45	3.51
Sales Workers	9.99	11.12	10.24	10.21	8.69	11.02	10.74	10.18	10.58	10.48
Farmers, Fishermen, Hunters, Miners, Quarrymen and Related Workers	63.64	59.72	62.53	62.12	64.07	54.02	53.31	59.67	57.46	53.27
Workers in Transport and Communication Occupations	2.78	2.94	2.67	2.68	2.79	3.36	3.38	3.07	3.20	3.36
Craftsmen, Production Process Workers and Laborers	12.53	14.33	12.69	13.14	13.13	18.23	18.74	15.11	16.07	19.20
Services, Sports and Recreational Workers	3.61	3.82	3.71	3.71	3.60	4.09	4.15	3.95	4.03	4.16
Workers not classified by Occupation	0.08	0.04	0.04	0.00	0.10	0.07	0.07	0.00	0.00	0.00
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

¹ Preliminary data² Estimate of labor force and employment structure for 1994 by the Department of Labour Protection and Welfare

Notes: Data are from the Labour Force Survey in Whole Kingdom, Round 3, various years, National Statistical Office. Totals may not add up due to rounding.

Source: Year Book of Labour Statistics, various years.

Table 18

Employment Distribution by Industry, 1986-1995

	1986	1987	1988	1989	1990	1991	1992	1993 ¹	1994 ²	1995 ²
A. Employed Persons (in millions)										
Agriculture, Forestry, Hunting and Fishing	16.07	15.66	17.38	17.35	19.73	15.59	15.94	18.04	18.84	17.28
Mining and Quarrying	0.06	0.06	0.06	0.08	0.05	0.06	0.06	0.07	0.08	0.06
Manufacturing	2.3	2.74	2.61	2.71	5.13	3.8	4.05	3.94	4.04	4.48
Construction, Repair and Demolition	0.68	0.82	0.81	0.82	1.03	1.56	1.76	1.60	1.58	1.71
Electricity, Gas, Water and Sanitary Services	0.12	0.12	0.12	0.13	0.11	0.12	0.12	0.14	0.17	0.16
Commerce	2.71	3.09	3.03	3.13	2.98	3.56	3.60	3.61	3.81	4.13
Transport, Storage and Communication	0.59	0.67	0.66	0.68	0.73	0.86	0.86	0.85	0.91	1.03
Services	2.69	3	3.04	3.11	3.07	3.28	3.45	3.40	3.38	3.58
Activities not adequately Described	0.01	0.01	0.01	0.00	0.02	0.02	0.03	0.00	0.00	0.03
TOTAL	25.22	26.17	27.73	28.01	30.84	28.86	29.88	31.64	32.79	32.44
B. Column Percentages										
Agriculture, Forestry, Hunting and Fishing	63.72	59.84	62.68	61.94	63.98	54.02	53.35	57.02	57.46	53.27
Mining and Quarrying	0.24	0.23	0.22	0.29	0.16	0.21	0.20	0.22	0.24	0.18
Manufacturing	9.12	10.47	9.41	9.68	16.63	13.17	13.55	12.45	12.32	13.81
Construction, Repair and Demolition	2.70	3.13	2.92	2.93	3.34	5.41	5.89	5.06	4.82	5.27
Electricity, Gas, Water and Sanitary Services	0.48	0.46	0.43	0.46	0.36	0.42	0.40	0.44	0.52	0.49
Commerce	10.75	11.81	10.93	11.17	9.66	12.34	12.05	11.41	11.62	12.73
Transport, Storage and Communication	2.34	2.56	2.38	2.43	2.37	2.98	2.88	2.69	2.78	3.18
Services	10.67	11.46	10.96	11.10	9.95	11.37	11.55	10.75	10.31	11.04
Activities not adequately Described	0.04	0.04	0.04	0.00	0.06	0.07	0.10	0.00	0.00	0.09
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

¹ Preliminary Data² Estimate of labor force and employment structure for 1994 by the Department of Labour protection and Welfare.

Notes: Data are from the Labour Force Survey in Whole Kingdom, round 3, various years, National Statistics Office. Totals may not add up due to rounding.

Source: Year Book of Labour Statistics, various years.

Thailand recorded that 20 percent and 49 percent of the total migrants from the North and the Northeast, respectively, were for seasonal employment (Chamratrithong et al. 1995).

4. Changes in Skill Needs and Composition and Policies on Employment and Skill Formation

a. Skill Composition

There is a gradual shift in the educational composition of the employed population. Table 19 reveals that a majority of the employed workforce had at most an elementary education. The proportion of workers with no education has been shrinking at the rate of 1.67 percent per annum, which is a direct outcome of compulsory education at the primary level. The most remarkable reduction in numbers, however, is among employees with short-course vocational training. The size of this group is decreasing at 12.21 percent per annum while the proportion of workers with at least elementary education is increasing at varying speeds. The proportion of workers with elementary or kindergarten education is growing the fastest (20.57 percent growth per annum), with university (11.56 percent growth per annum) and secondary and pre-university or equivalent education (11.29 percent growth per annum) following next. The number of employees with teacher training recorded decent growth (1.48 percent per annum) over the 1983 to 1992 period. There are also marked changes in employment share among the various education groups. While the economy still depends on workers with at most an elementary education, the share of workers with secondary or tertiary education has markedly increased. The employment share of workers with teacher training or short-course vocational training, however, has been declining especially during the first half of the current decade.

b. Skill Needs of the Economy

Labor requirements increased by 23.88 percent per year between 1988 and 1993 (see Tables 20 to 23). This is indicative of the rapid expansion of the Thai economy during the past decade, especially in the manufacturing sector. The increase in labor demand was mainly in agricultural, clerical, professional and production-related occupations (see Table 20). There was also a surge in demand for workers with at least a secondary education, particularly after 1990 (see Table 21).

A larger proportion of the labor requirement is traditionally for new positions and specific for males or females. The early 1990s however show a trend toward a decline in the proportion of new positions *vis-a-vis* replacement positions (see Table 22) and an increase in the proportion of labor demand for positions that are not gender-specific (see Table 23).

Table 19

Employment Distribution By Education, 1983-1993

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993 ¹
A. Employed Persons (in millions)											
None	1.77	1.8	1.91	1.58	1.63	1.75	1.58	1.67	1.47	1.53	1.19
Elementary and Kindergarten	20.36	21.03	20.7	21.26	21.7	22.95	24.22	24.13	24.3	25.01	24.44
Secondary and Pre-University or Equivalent	1.39	1.98	2.13	2.52	2.85	3.08	3.21	3.36	3.55	3.84	4.18
University	0.47	0.43	0.51	0.68	0.75	0.97	1	1.1	1.16	1.33	1.54
Teacher Training	0.56	0.52	0.49	0.53	0.6	0.57	0.53	0.56	0.61	0.64	0.57
Short Course Vocational	0.03	0.02	0.01	0.01	0.02	0.01	0.02	0.01	0.01	0.01	0.01
Others and Unknown	0.14	0.2	0.11	0.11	0.1	0.13	0.04	0.02	0.02	0.03	0.01
TOTAL	24.72	25.98	25.86	26.69	27.65	29.46	30.61	30.85	31.12	32.39	31.95
B. Column Percentages											
None	7.16	6.93	7.39	5.92	5.90	5.94	5.16	5.41	4.72	4.72	3.74
Elementary and Kindergarten	82.36	80.95	80.05	79.66	78.48	77.90	79.12	78.22	78.08	77.22	76.48
Secondary and Pre-University or Equivalent	5.62	7.62	8.24	9.44	10.31	10.45	10.49	10.89	11.41	11.86	13.09
University	1.90	1.66	1.97	2.55	2.71	3.29	3.27	3.57	3.73	4.11	4.83
Teacher Training	2.27	2.00	1.89	1.99	2.17	1.93	1.73	1.82	1.96	1.98	1.78
Short Course Vocational	0.12	0.08	0.04	0.04	0.07	0.03	0.07	0.03	0.03	0.03	0.04
Others and Unknown	0.57	0.77	0.43	0.41	0.36	0.44	0.13	0.06	0.06	0.09	0.04
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

¹ Preliminary Data

Notes: Data are from the Labour Force Survey in Whole Kingdom, round 3, various years, National Statistics Office. Totals may not add up due to rounding.

Source: Year Book of Labour Statistics, various years.

Table 20

Labor Requirements by Occupation, 1988-1993

	1988	1989	1990	1991	1992	1993
A. Employed Workers (in millions)						
Professional, Technical and Related Workers	8.07	12.06	14.18	16.08	22.76	31.05
Administrative, Executive and Managerial Workers	0.6	0.43	1	1.71	6.13	5.3
Clerical Workers	15.92	11.23	23.27	35.83	55.61	74.54
Sales Workers	27.43	9.19	15.56	27.02	42.6	38.5
Service Workers	15.04	9.39	18.5	32.91	40.56	46.62
Agricultural, Animal Husbandry and Forest Workers, Fishermen and Hunters	0.18	0.72	0.26	1.47	2.76	1.14
Production and Related Workers, Transport Equipment Operators and Laborers	45.25	39.74	1.47	136.97	193.55	174.12
TOTAL	112.48	82.76	155.55	251.98	363.45	371.25
B. Column Percentages						
Professional, Technical and Related Workers	7.17	14.57	9.12	6.38	6.26	8.36
Administrative, Executive and Managerial Workers	0.53	0.52	0.64	0.68	1.69	1.43
Clerical Workers	14.15	13.57	14.96	14.22	15.30	20.08
Sales Workers	24.39	11.10	10.00	10.72	11.72	10.37
Service Workers	13.37	11.35	11.89	13.06	11.16	12.56
Agricultural, Animal Husbandry and Forest Workers, Fishermen and Hunters	0.16	0.87	0.17	0.58	0.76	0.31
Production and Related Workers, Transport Equipment Operators and Laborers	40.23	48.02	0.95	54.36	53.25	46.90
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00

Notes: Data are from the Labour Force Survey in Whole Kingdom, Round 3, various years, National Statistical Office. Totals may not add up due to rounding.

Source: Year Book of Labour Statistics, various years.

Table 21 Labor Requirements by Education, 1988-1993

	1988	1989	1990	1991	1992	1993
A. Employed Persons (in millions)						
Elementary and Kindergarten	38.41	18.4	50.2	83.55	114.81	109.04
Secondary	16.51	16.67	19.17	42.13	78.94	93.74
Vocational ¹	23.16	20.02	33.22	45.35	67.21	68.22
University	12.06	10.6	13.79	20.99	0.33	34.08
Others	8.29	0.36	1.36	3.89	5.42	8.95
Not Adequately Described	14.06	16.71	37.81	56.07	64.08	57.23
TOTAL	112.48	82.76	155.55	251.98	363.45	371.25
B. Column Percentages						
Elementary and Kindergarten	34.15	22.23	32.27	33.16	31.59	29.37
Secondary	14.68	20.14	12.32	16.72	21.72	25.25
Vocational ¹	20.59	24.19	21.36	18.00	18.49	18.38
University	10.72	12.81	8.87	8.33	0.09	9.18
Others	7.37	0.43	0.87	1.54	1.49	2.41
Not Adequately Described	12.50	20.19	24.31	22.25	17.63	15.42
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00

¹ Include Teacher Training, Diploma of Vocational Education

Note: Data from the Labour Studies and Planning Division, Department of Labour Protection and Welfare

Source: *Year Book of Labour Statistics*, various years

Table 22 Labor Requirements by Type of Position, 1988-1993

	1988	1989	1990	1991	1992	1993
A. Employed Persons (in millions)						
Replace	49.05	35.01	81.69	116.8	179.2	174.31
New Position	63.4	47.76	73.86	135.18	184.25	196.94
TOTAL	112.48	82.76	155.55	251.98	363.45	371.25
B. Column Percentages						
Replace	43.61	42.30	52.52	46.35	49.31	46.95
New Position	56.37	57.71	47.48	53.65	50.69	53.05
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00

Notes: Data are from the Labour Force Survey in Whole Kingdom, Round 3, various years, National Statistical Office. Totals may not add up due to rounding.

Source: *Year Book of Labour Statistics*, various years.

Table 23 Labor Demand by Sex, 1988-1993

	1988	1989	1990	1991	1992	1993
A. Employed Persons (in millions)						
Male	46.54	39.35	66.64	125.82	150.29	161.72
Female	35.34	28.08	52.52	76.13	119.64	120.16
Not Specified	30.6	15.33	36.4	50.04	93.51	89.37
TOTAL	112.48	82.76	155.55	251.98	363.45	371.25
B. Column Percentages						
Male	41.38	47.55	42.84	49.93	41.35	43.56
Female	31.42	33.93	33.76	30.21	32.92	32.37
Not Specified	27.20	18.52	23.40	19.86	25.73	24.07
TOTAL	100.00	100.00	100.01	100.00	100.00	100.00

Note: Data from the Labour Studies and Planning Division, Department of Labour Protection and Welfare

Source: *Year Book of Labour Statistics*, various years.

Interestingly, the number of employed workers leaving their jobs has been increasing at 22.53 percent per annum between 1988 and 1993 (see Table 24). The majority of the labor separation statistics are due to voluntary departure of workers themselves, e.g., retirement or resignation. The data, however, does not indicate whether these job quits are designed to take advantage of opportunities for better jobs (in terms of pay or status) which comes with rapid integration of the Thai labor market into the global market. Both dismissals and job quits are rapidly increasing over the same period (25.8 and 25.6 percent per annum, respectively). Future research needs to sort out whether these dismissals are due to labor replacement from advancements in technology or individuals' personal interest to take advantage of better opportunities (in terms of pay or status), which comes with rapid integration of the Thai labor market into the global market.

Table 24 Labor Separation, 1988-1994

	1988	1989	1990	1991	1992	1993
A. Employed Persons (in thousands)						
Quit	203.03	236.72	420.79	461.69	815.86	730.25
Decreased Productivity	38.48	57.14	53.6	41.85	49	49.14
Dismiss	13.49	13.06	21.57	31.98	47.87	49.04
Othes	35.02	30.06	39.62	40.44	69.06	65.98
TOTAL	290.01	336.98	535.58	575.96	981.79	894.41

Table 24 (Continued)

	1988	1989	1990	1991	1992	1993
B. Column Percentages						
Quit	70.01	70.25	78.57	80.16	83.10	81.65
Decreased Productivity	13.27	16.96	10.01	7.27	4.99	5.49
Dismiss	4.65	3.88	4.03	5.55	4.88	5.48
Othes	12.08	8.92	7.40	7.02	7.03	7.38
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00

Note: Data from the Labour Studies and Planning Division, Department of Labour Protection and Welfare.

Source: *Year Book of Labour Statistics*, various years.

c. Policies on Employment and Skill Formation

Although the labor force population is currently about 35 million with 1.2 million unemployed persons, which represents 3.4 percent of the labor force in whole country, the labor force population is expected to decrease in the future due to the success of the family planning program. In addition, labor shortages in some sectors and the lack of quality labor are expected to reach critical levels in the very near future.

The Ministry of Labor and Social Welfare (MLSW) has policy plans to solve the labor force problems in the future. The policies are summarized as follows: (1) to lay down foundations for the ministry so that it will be collectively owned by and work for the benefit of all people; (2) to speed up all possible steps to promote employment opportunities and help increase people's income; (3) to promote labor skill development in general, especially in fields that are in shortage; and (4) to lay down public measures to generate basic welfare and social security for employers, employees and the underprivileged (MLSW 1995). The Office of the Permanent Secretary, Department of Employment, Department of Skill Development, Department of Labour Protection and Welfare, Social Security Office and the Department of Public welfare were identified to implement these policies by (i) promoting employment opportunities for all people so that everyone will have adequate income to make a decent living; (ii) promoting skill development in production and services; (iii) promoting workers' security; (iv) protecting labor from unfair employment conditions; (v) promoting safety measures in working places in order to preserve the precious human resources of the nation; (vi) designing several social security schemes to expand the coverage of the population under protection, while promoting equity and financial sustainability of the social security fund; (vii) promoting good relationships between employers and employees in order to create cooperative working environments, increase labor productivity and strengthen labor unionization; (viii) assisting, rehabilitating and developing the underprivileged so that they are able to help themselves and their

families and take part in the social and economic development process of the country; (ix) strengthening social and family stability; (x) solving and preventing social problems that may jeopardize the safety of the general public; and (xi) encouraging and improving public welfare in the private sector (MLSW 1995).

In an effort to assess the welfare of Thai workers, Phananniramai and Tonguthai (1994) reviewed and evaluated standard employment laws with special reference to working hours, holidays, annual leave, sick leave and severance pay. Their major results indicate that there is much to be realized in law enforcement as well as coverage of Thai workers.

Among 35,738 establishments inspected in 1993, 70.52 percent violated the law (DLPW 1994). The most common forms of violation were related to wages, holidays, working hours, leave of absence, and work rules and records. Smaller establishments were also found to be more prone to violate the laws than larger establishments.

But the Labor Protection Law applies to permanent and temporary workers who are mostly in the formal sector of the economy. As the employment distribution of Thai workers reveals, only a small proportion of the Thai labor is classified in these work types and about 62 percent of the employed workforce in 1995 may not be covered by standard employment rules (see Table 25). In addition to this, globalization has increased the number of subcontract workers who have far less protection and welfare guarantees than most other types of workers.

5. Terms and Conditions of Employment

a. The Work Status Distribution of Employment

The majority of Thai workers are either private employees, own account workers or unpaid family workers (see Table 25). There are marked increases in the number of employers, private employees and own account workers. Their corresponding growth rates are 10.4 percent, 6.9 percent and 3.5 percent per annum. Government employees had the smallest growth (.2 percent per annum) over the same period. The proportions of government employees and unpaid family workers have been declining over the period while the share of employers and private employees has been increasing.

A study of the Bangkok manufacturing sector found a high rate of upward employment status mobility among men and women, as most of them had moved to be regular employees from being either casual (50 percent) or contract (86.3 percent) workers (Tongutai and Pattaravanich 1993).

Table 25

Employment Distribution by Work Status, 1986-1995

	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
A. Employed Persons (in Millions)										
Employer	0.27	0.35	0.37	0.37	0.38	0.56	0.69	0.59	0.62	0.65
Government Employee	1.74	1.92	1.86	1.94	1.85	1.97	2.08	1.78	1.77	2.21
Private Employee	5.37	6.09	6.47	6.63	6.93	8.32	8.93	8.93	9.31	9.39
Own Account Worker	8.02	8.63	8.48	8.63	9.18	9.01	9.00	9.67	10.57	9.86
Unpaid Family Worker	9.82	9.18	10.55	10.44	12.51	9.00	8.06	10.68	10.52	10.33
TOTAL	25.22	26.17	27.73	28.01	30.84	28.86	29.88	31.64	32.79	32.44
B. Column Percentage										
Employer	1.07	1.34	1.33	1.32	1.23	1.94	2.31	1.86	1.89	2.00
Government Employee	6.90	7.34	6.71	6.93	6.00	6.83	6.96	5.63	5.40	6.81
Private Employee	21.29	23.27	23.33	23.67	22.47	28.83	29.89	28.22	28.39	28.95
Own Account Worker	31.80	32.98	30.58	30.81	29.77	31.22	30.12	30.56	32.24	30.39
Unpaid Family Worker	38.94	35.08	38.05	37.27	40.56	31.19	26.97	33.75	32.08	31.84
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

¹ Preliminary Data² Estimate of labor force and employment structure for 1994 by the Department of Labour protection and Welfare.

Notes: Data are from the Labour Force Survey in Whole Kingdom, round 3, various years, National Statistics Office. Totals may not add up due to rounding.

Source: Year Book of Labour Statistics, various years.

b. *Informal Sector*

The majority of Thai people earn their livelihood through the informal economy. This dominance may be attributed to the relatively low educational and skill requirements for these workers and the flexibility in hiring and production process not regularly found in formal production structures. While it has often been assumed that productivity in the informal sector lags behind that of formal sector (which is likely to be the result of more technology-intensive production and quality control standards for products), there has been no systematic research found that can validate this claim.

The informal sector “attempts to describe a variety of activities undertaken by individuals to produce goods and services as a way of generating their own employment and incomes. They are informal in the sense that they are for the most part unregistered and operating on a very small scale and with low levels of organization” (ILO 1995a: 21). Although there is no conclusive operational definition of the informal sector, it often includes private employers, self-employed workers or employees working in small firms with not more than 10 workers, who are paid on a monthly basis, who have no job security or contracts, and who often are not members of labor unions. Sometimes, it is even estimated as a residual category after all other more formal forms of work are accounted for. But its empirical measurement varies across countries and often depends on the purpose of the data collection.

In 1992, the Human Resources Planning Division of the National Economic and Social Development Board (NESDB) made labor force projections to aid in the analysis of labor demand and supply functions for development policy exercises. In this study, the TDRI (1986) definitions of formal and informal sectors were based on three criteria: entry, wage determination and job security which are the important features distinguishing *formal and informal sectors*. Entry is easy in the informal sector while entry is difficult for formal sector jobs. However, once a person gets into the formal labor market, he/she has better job security than his/her counterpart in the informal labor market. While wages in the informal sector are sensitive to labor supply and demand functions, wages in the formal sector are less sensitive to market forces. The formal sector includes: the government, where wages are often determined by policy rather than market variables; relatively large firms, where wages may respond to internal organizational variables and specific training requirements for workers; and sectors where unionization is high which may keep wage levels high. The informal sector, on the other hand, includes small firms and most of the self-employed but excludes professionals like doctors and lawyers. The informal sector is the last resort employer of those who cannot get jobs in the formal sector (TDRI 1986). Based on this definition, the NESDB projection reveals that the employment share of the informal sector is likely to decline gradually until the end of this century (see Table 26). This is attributed to the projected decline in the informal sector jobs in the agricultural and industrial sectors, which employ the majority of Thai workers. The share of informal sector jobs in the services sector, however, is projected to increase. Note that these projections were done more than ten years ago and new projections are therefore badly needed to take into account the dramatic changes in this sector over the past decade, which we will discuss next.

Table 26

Projections of Formal and Informal Sector Employment: 1986-2001

Year	All Sectors	Formal Sector	Informal Sector			
			Total	Agriculture	Industry	Services
A. Employment (in thousands)						
1986	26672	11105	15567	11865	1794	1908
1987	27448	11424	16024	12064	1920	2040
1988	28218	11742	16476	12243	2053	2180
1989	28983	12074	16909	12395	2190	2324
1990	29745	12421	17324	12521	2332	2471
1991	30502	12785	17717	12618	2478	2621
1992	31255	13166	18089	12688	2627	2774
1993	31994	13565	18429	12724	2779	2926
1994	32722	13984	18738	12727	2933	3078
1995	33437	14424	19013	12698	3088	3227
1996	34140	14888	19252	12638	3242	3372
1997	34833	15377	19456	12547	3397	3512
1998	35512	15890	19622	12426	3551	3645
1999	36178	16434	19744	12274	3702	3768
2000	36833	17007	19826	12096	3850	3880
2001	37479	17614	19865	11893	3994	3978
B. Percentage Distribution						
1986	100.00	41.64	58.36	44.48	6.73	7.15
1987	100.00	41.62	58.38	43.95	7.00	7.43
1988	100.00	41.61	58.39	43.39	7.28	7.73
1989	100.00	41.66	58.34	42.77	7.56	8.02
1990	100.00	41.76	58.24	42.09	7.84	8.31
1991	100.00	41.92	58.08	41.37	8.12	8.59
1992	100.00	42.12	57.88	40.60	8.41	8.88
1993	100.00	42.40	57.60	39.77	8.69	9.15
1994	100.00	42.74	57.26	38.89	8.96	9.41
1995	100.00	43.14	56.86	37.98	9.24	9.65
1996	100.00	43.61	56.39	37.02	9.50	9.88
1997	100.00	44.14	55.86	36.02	9.75	10.08
1998	100.00	44.75	55.25	34.99	10.00	10.26
1999	100.00	45.43	54.57	33.93	10.23	10.42
2000	100.00	46.17	53.83	32.84	10.45	10.53
2001	100.00	47.00	53.00	31.73	10.66	10.61

Source: Tables 7-10 in NESDB (1990).

c. Subcontracting

When Thailand embarked on the path toward achieving NIE status, many industries were affected by the shift toward export-oriented production from import-substitution. The textile and ready-made garment industry has been one of the most successful in boosting manufacturing production with direct foreign investments. It is still a top foreign exchange earner which employs mostly women. But fierce competition in the international market requires cost minimization which frequently results in firms hiring more temporary and contract workers who often are the first to go when cost-cutting measures are instituted. When the unions succeeded in their campaign and the government of Thailand declared this cost-cutting practice as illegal, the rapidly expanding garment industry began to multiply the number of small-scale producers outside of the formal employment structure (Charoenlert 1994). Home-based production establishments with small initial capital investment were set up simultaneously mostly by former workers who later subcontracted partial or complete lines of production. These small production units were initially linked to large firms but many were also independent. The number of employers more than doubled between 1986 and 1995 as subcontracting further expanded into other industries like food products, handicrafts, artificial flowers, paper products, non-metal products, and furniture (TDR1 and NESDB 1992, Chamruspanth and Ayuwat 1992). In 1994, all five principal exports of the country were linked to industries that employ homeworkers: garments, automatic data processing machines and parts, frozen shrimps and prawns, precious stones and jewelry, electronic integrated circuits (Nirathron 1996).

Homeworkers under the subcontracting system are now widely spread over Thailand and they mostly include women, those in ages 21-40 years, married, with children, with at most primary education, and with low skills, on average (Chasombat 1995, Nirathron 1996). In comparison with workers in the same type of work in the formal sector, which observe policies on working hours and remuneration, the number of work hours put in by homeworkers vary from 7-14 hours per day and their remuneration differs by type of industry and level of skills required and is about 30-40 percent less than the take-home pay of their counterparts in the formal sector (Nirathron 1996). They are also not entitled to fringe benefits and social insurance coverage enjoyed by workers in the formal sector economy since they are socially excluded from social protection schemes (ILO 1995b). Because orders fluctuate seasonally, homeworkers may have to work day and night during seasonal rushes and have nothing to do over months of seasonal slump. Although homework has a long history in the Thai economy, particularly for purposes of household consumption during the peak of its agricultural era, the continuation and increasing prominence of homework over the industrializing phase of the Thai economy may among other reasons be attributed to (1) it offers producers flexibility in a highly competitive and uncertain world economy, (2) it creates productive employment for a large proportion of the labor force who cannot get jobs in the formal economy due to lack of education or other reasons, (3) it fits the household environment well as women homeworkers can balance their household and economic responsibilities due to flexible working

hours, (4) there is no legislation that covers this group of workers so producers can still take advantage of this group (Nirathron 1996).

These developments in the informal sector of the Thai economy appear to show Thailand's quick and efficient response to competition in the rapidly evolving world economy. More concerted and systematic research has to be done to better understand how the Thai labor force can increase the benefits and reduce detrimental effects resulting from globalization. Fundamental to this is a more accurate estimate of the proportion of the labor force population in the informal sector. Specific types of informal sector workers like homeworkers and subcontract employers and workers should be included as new categories in the labor force classification used for the national census and special labor force surveys. Without incorporating these new labor force categories in nationally collected data, research dealing with the informal sector economy will remain isolated and peripheral.

6. Trend in Wages and Disparity of Income

The minimum wage law was instituted in Thailand in 1972. The minimum wage rate is a daily rate for one day's work. The normal working day is eight hours for industrial and transport workers, nine hours for commercial workers, and seven hours for workers exposed to conditions that are hazardous to their health.

The first minimum wage rate was set in April 1973 at 12 baht. In July 1995, the rate was set at 145 baht in Bangkok and the five provinces around the city; 126 baht in Chonburi, Chiangmai, Nakhon Ratchasima, Ranong and Saraburi; while for the other provinces it was set at 118 bath. Comparing the minimum wage rate to average daily wage by region, Table 27 shows that the average wage is almost always higher than the minimum daily wage. In 1990, the average daily wage in the Northeast fell short of the minimum daily wage (66.91 vs. 74 baht, respectively). In the following year, the average daily wage of three regions, i.e., the North, Northeast and the South, had minimum daily wages slightly higher than the average daily wage. It was only in 1993 onwards that the average daily wage was higher than the minimum daily wage as would have been expected. These indicate that before 1993 workers earned wages lower than the minimum wage, on average.

Table 27 Minimum Wage Rate and Average Wage of Daily Employee by Year and Region

(in baht)

REGION	Year									
	1990		1991		1992		1993		1994	
	MW	AWW	MW	AWW	MW	AWW	MW	AWW	MW	AWW
Bangkok (BKK)	90	91.64	100	114.94	115	125.11	125	135.31	135	140.35
5 Provinces around BKK	90	92.87	100	104.63	115	115.40	125	129.37	135	133.46
Central	74	80.43	82	93.80	94	101.91	102	112.88	110	116.71
North	74	77.42	82	79.28	94	93.97	102	108.81	110	111.08
North-East	74	66.91	82	79.98	94	93.75	102	105.81	110	121.80
South	74	89.74	82	86.77	94	93.34	102	104.10	110	114.19

Note: 7 Provinces : Phuket Ranong Plangnga Saraburi Nakhonrachasima and Chiangmai not included.

Source: Yearbook of Labour Statistics 1990-1994.

For 1994, establishments which have 1-4 and 5-19 persons in the Northeast had an average daily wage of 96.18 and 91.63 baht, respectively (see Table 28). Average wages in mining and quarrying (97.48 baht), construction (104.20 baht) and community, social and personal services (99.30 baht) were also lower than the minimum daily wage in the Northeast.

Average wage of monthly employees by year, region and size of establishment in 1994 shows that the North and the Northeast regions have lower average monthly wage rates than other regions. According to size of establishment, the smaller establishments give lower monthly wages to employees. Employees in the industries of electricity, gas and water, construction and financing, insurance, and real estate gained more than other industries.

When comparing men's and women's wage rates, Phananimai and Ingpornprasith (1993) found that women received 20 percent lower wages, on average, than men and the wage gap changes with age. In the age-group 15-24 years, women earned merely 8 percent less than men; in the age-group 45-54 years, women received 15 percent lower wages than men; and in the age-group 55 years or over, women earned less than half of what men received (Phananimai and Ingpornprasith 1993).

The trend in wages between 1984 and 1992, when the economy was growing much faster, indicates that the average increase in real wages was also rising rapidly, averaging about 4.4 percent per annum around urban areas. Urban wages increased more rapidly than rural wages in that the ratio between urban and rural wages increased from 1.59 in 1984 to 2.2 in 1992. The gender wage gap narrowed because

Table 28

Average Daily Wage by Size of Establishment and Industry

TYPE	Region					
	Bangkok	5 Provinces	Central	North	North -East	South
Size of Establishment (persons)						
1 - 4	163.96	162.17	125.00	106.82	96.18	118.32
5 - 19	145.45	131.60	101.66	106.24	91.63	108.62
20 - 99	137.08	133.20	127.63	107.19	115.34	111.14
100 & Over	140.46	133.46	116.37	111.73	112.78	114.43
Industry						
Mining and Quarrying	-	117.08	124.90	114.86	97.41	119.30
Manufacturing	140.11	133.51	116.31	107.03	121.90	110.15
Electricity, Gas and Water	-	157.75	-	120.00	134.40	112.60
Construction	148.74	-	126.37	109.95	104.20	112.07
Wholesale, Retail Trade, Restaurants and Hotels	134.16	125.83	114.47	101.33	136.03	166.45
Transport, Storage and Communication	137.22	187.71	114.47	101.33	136.03	166.45
Financing, Insurance, Real estate	148.80	125.00	120.45	131.11	129.00	131.45
Community Social and Personal services	134.61	133.07	116.37	111.73	112.78	114.43

Source: Year Book of Labour Statistics (1994).

women's real wages increased significantly faster than men's real wages because of the higher demand for female workers in the rapidly expanding industrial export sector and many modern service sectors.

Considering that market-determined wages are to a large extent influenced by the supply and demand of labor and production inputs as well as by the cost of technological inputs, the legislated minimum wage rate, which is biannually set by a tripartite Wage Committee in Thailand, often guides how wages are established in small, medium and large enterprises in the country. Given the above analysis, it appears that in the context of globalization an equitable wage distribution is still a desirable goal but it may be increasingly harder to attain as factors influencing wage determination are also becoming more complex as goods and services increasingly become universal.

7. Changes in Policies, Regulations and Treatment of Children's Labor, Women's Labor and Migrant Workers

a. Children's Labor

In April 1972, the legal minimum working age was set at 12 years, and employers were forbidden to employ children under 12 years of age. Effective 18 January 1990, the minimum working age has been increased to 13 years and children between 13 and 15 years can be employed for work in the following areas: service work in commercial activities, except in places where alcoholic drinks are sold; newspaper delivery; sports-related activities; activities concerning picking selling and transporting flowers, fruits, dried food and non-alcoholic drinks; and activities which involve lifting objects weighing no more than ten kilograms.

Children between 13 and 18 years of age cannot work for more than eight hour per day regardless of the type of work and children between 13 and 15 years of age can not be made to work on a holiday, to work overtime, or between the hours of 10:00 P.M. and 6.00 A.M. There are some exceptions, and in such cases, the employer must arrange sufficient rest periods for the children. All the activities mentioned above must not be detrimental to the child's physical and mental development or moral standards.

There are plans to increase the legal minimum age for work from 13 to 15 years or more and the minimum required amount of schooling from 6 to 9 or 12 years. In 1993, the children population was about 24.8 million, and the employed children in the labor force was about 5.3 million, with the number of employed boys and girls approximately 2.6 million and 2.6 million, respectively (see Table 29). In 1989, these numbers were 4.5 million and 4.9 million, which indicate that the number of employed children was reduced nearly by half and may be reduced even more because of the extended schooling requirements and the success of family planning in Thailand.

Table 29 Child Population, Child Labor Force, and Employed Child by Sex and Area: Thailand, 1993

(in thousands)

Type	Total	Sex	
		Male	Female
Child Population	2,484.8	1,259.3	1,225.4
Child Labour Force	535.2	264.7	270.5
Employed Child	518.4	259.5	258.9
Municipal	46.3	18.7	27.6
Non-Municipal	472.0	240.7	231.3

Source : Labour Force Survey, Round 3, (1993).

b. Women's Labor

For female workers, there are certain tasks which are considered to be too dangerous either physically or morally. Some tasks are considered to be too difficult for women and thus are prohibited. These tasks include cleaning machinery or engines while in operation; working with circular saws; working on scaffolding of more than ten meters in height, measured from ground level; manufacturing or transporting explosives or inflammable materials; and underground mining.

Employers are also prohibited from hiring women for tasks which require them to carry, push or pull heavy items and the specific weight varies according to the nature of work. For example, the limit for women is not more than thirty kilograms for those working on level ground. Employers are also forbidden to have unmarried females under 18 years of age working in nightclubs, dance halls, dancing schools, bars, massage parlors or hotels. Female employees cannot work between midnight and 6:00 A.M., except in cases where the nature of work requires them to be on continuous duty, shift work, or work that by its nature must be performed during those hours. In addition to the 30 days sick leave available by law for all employees, pregnant women workers can ask for 90 days maternity leave with pay at the current wage effective 1 May 1993. The costs are to be shared between employers and the social security fund. They may also ask for 60 additional days without pay if they have been employed for more than 180 days. If a medical certificate confirms that a pregnant employee is unable to perform her normal duty, she is entitled to ask for a temporary transfer to a task which is more appropriate to her physical condition both before and after giving birth, with the decision about the transfer resting on the employer.

Mostly, women who enter the labor market are unskilled workers, so they have less opportunity than men to be promoted. Low levels of education and lack of basic training are usually cited by employers as reasons for not giving higher wages and promotions. Pregnant and child rearing women are required by law to have a paid leave of absence but there are some women in small establishments who are not paid for leaves due to pregnancy (Phananiramai and Tonguthai 1994).

c. Migrant Workers

For migrant workers in Thailand, the largest migration stream involves movements between rural areas (NSO 1993). However, a large number of movers return to their rural villages after working in urban areas. "Although the percent of current urban residents that migrated is the same for males and females (21 percent), migrants from rural areas to urban areas are more likely to be females than males" (Chamrathirong et al. 1995: 34).

On international migration, there was a large Thai labor outflow to the Middle Eastern countries in the early 1970s during the first oil crisis. Since then, the number of Thai workers going abroad increased continuously but the major stream changed from Middle Eastern countries to ASEAN countries such as Singapore and Brunei in the 1990s (see Table 30). "The jobs of Thai workers abroad are mainly in the construction sector for males and in the service sector for females" (Phananiramai and Tonguthai 1994: 11). Overseas migrants usually send remittances to their families in Thailand. The impact of out-migrants is that the labor force was reduced in both the farming and the construction sectors. Nowadays, there are labor shortages in many sectors, especially in construction, farming and services. For this reason, foreign workers are being imported either legally or illegally.

Table 30 Number of Overseas Thai Workers Approved by the Department of Skill Development: 1987-1992

	(in thousands)					
Country	1987	1988	1989	1990	1991	1992
Saudi Arabia	64,134	66,154	61,442	9,970	5,613	8,707
Iraq	4,434	2,756	2,829	1,195	n.a.	n.a.
Kuwait	3,216	3,952	3,473	1,325	3,121	3,313
Libya	9,216	13,386	13,215	10,610	7,651	5,407
Singapore	6,243	5,262	11,056	6,464	9,488	6,510
Brunei	3,300	6,792	8,8630	8,009	8,840	12,729
Hong Kong	2,444	3,988	6,529	7,908	8,431	7,255
Japan	1,376	3,942	3,825	4,210	6,263	6,748
Taiwan	23	109	168	111	2,237	10,938
U.S.A. and Saipan						
Island	1,837	3,240	3,3864	3,731	2,167	978
Others	9,774	9,376	10,283	9,491	10,038	9,849

Source : *Year Book of Labour Statistics*, various years.

Foreign workers in Thailand are classified into 4 categories: (1) foreigners who receive full-time work permits, consisting mainly of Chinese and Indians who immigrated before the existence of regulations restricting alien workers in Thailand; (2) foreigners who receive work permits through the investment promotion law, consisting mainly of professionals and administrative workers; (3) foreigners who receive work permits through other laws and do not receive promotion from the Board of Investments (BOI), consisting mainly of skilled and semi-skilled laborers; and (4) foreigners who enter the country illegally. The last group consists mainly of unskilled labor from neighboring countries. Most of their jobs are in the wood cutting, rubber plantation and fishery industries where the work environment is harsh and the pay is low. More studies exploring the possible impact of foreign workers on the society, economy and the security of the country are surely needed. The majority of aliens with valid work permits in Thailand are in Bangkok (see Table 31). Although the number of illegal alien workers recorded is relatively small, undocumented workers especially from the Indochina neighboring countries are believed to have been crossing the Thai border in large numbers, which would further swell the already large Thai labor force, the majority of whom have at most primary education.

Table 31 Number of Aliens Who Received Work Permit: Thailand, March 31, 1995

Place	Total	Life-Long Permit	Thru Investment Promotion	Thru Other Laws	Illegal (Section 12)
Whole Kingdom	183,062	126,577	16,348	31,154	8,983
Bangkok	122,667	84,490	9,150	28,762	265
Other Provinces	60,395	42,087	7,198	2,392	8,718

Source : Aliens Occupational Control Division, Department of Skill Development (1995)

While policies and regulations on children and women workers are quite clear, implementation of these policies needs to be improved perhaps either by imposing stiffer penalties for non-compliance with stipulated regulations or awarding of tax credits for employers who can show evidence of compliance with the regulations. On the other hand, explicit policies and regulations for outgoing and incoming migrant workers are not as clear. In as much as globalization has been facilitated and maintained by capital movements and cross-country labor migration, it would be good to see clear policy statements and corresponding implementing guidelines to ensure that Thailand benefits rather than suffers from globalization impacts.

8. Impact of Migrant Workers on the Thai Economy

The expansion of nearly all economic sectors in Thailand as a result of globalization has created a large demand for workers, especially in Bangkok and its outlying areas. These growth centers have become the major destination areas of single-move and seasonal migrants, who come mostly from the Northeast and the Northern regions of the country (Chamrathirong et al. 1995). The National Migration Survey (NMS) conducted in 1992 by the Institute for Population and Social Research (IPSR), Mahidol University has documented higher levels of five-year migration rates as compared to census-derived measures. The proportion of the population aged 5 years and above who migrated in the previous five years was estimated at 8 percent using the census definition,¹ compared to the 14.6 percent recorded using the NMS six-month definition,² and the 22.0 percent using the NMS one-month definition.³ The large gap in migration estimates is mainly a result of the migration definition used and the timing of the NMS. Remittance information, however, was deemed underestimated in the NMS since many of the migrants who returned for the planting season may have omitted key responses to the pertinent questions.

While the NMS collected information on the impact of migration at the individual-level, i.e., migrant satisfaction and quality of life assessments, the follow-up survey of respondents from the Northeast conducted in 1994, which is two years after the NMS, provided additional information on the effect of migration on the origin community. The data, however, were subjective rather than objective assessments of how migration influenced the family and the village of the migrants. The follow-up survey found that there is a prevailing perception among villagers that migration has a positive impact on the economy and general living conditions in the Northeastern villages of Thailand (Richter et al. 1995). Although migration's influence on the labor supply was not clear, the Northeast respondents felt that out-migration seems to increase the labor requirements in their villages, perhaps due the prevalence of seasonal moves, especially among males. In addition, the follow-up survey indicated that a decline in seasonal migration would not provide much relief from the pressure for social services such as water, electricity, garbage disposal, and public transportation at the places of destination. Illegal migration was also found to be viewed with reservation by rural Northeasterners, since those who know of its existence suspect that it reduces the job chances for Thais in general, and their own job

¹ The census counts as a migrant, a person who had lived in his/her current *usual* place of residence for less than 5 years.

² The NMS six-month definition classifies a person as a migrant if he/she has lived in the current place of residence from 6 months to 5 years.

³ The NMS one-month definition classifies a person as a migrant if he/she has lived in the current place of residence from 6 months to 1 year.

chances in particular. The job threat posed by illegal migrants is more likely to be sensed by older respondents (i.e., aged 30 or more) than by their younger counterparts.

Richter and others (1995) found high levels of migration out of the rural Northeast of Thailand, with males being more likely than females to have moved. The high levels of migration of males were sustained into their middle ages, while migration rates of females rapidly declined after early adult ages, which is perhaps a result of seasonal migration being a strategy mainly employed by households in the family building stage of the life cycle. Parents with growing children require additional income during periods of the year when agricultural work is not available.

Both quantitative and qualitative evidence presented by Richter and others (1995) illustrated the importance of remittances in providing support to Northeastern rural households. A high proportion of households received remittances between the two surveys. Although remittances were transmitted through a variety of methods, many households received remittances when migrants return home either for a visit or for a longer stay. Return migrants or males were more likely to remit than their respective counterparts. This study also found that agricultural households in particular substantially supplement household earnings with remittances. Lower income households were more likely to have migrants in the past two years, and those with out-migrants tended to have the lowest incomes. Thus while migration as an economic strategy does benefit households, the benefits for the most part do not allow households with migrants to "catch up" to those who (presumably) do not need to migrate. This is particularly true for households with out-migrants. The implication is that households with temporary migrants are more likely to have economic resources that provide for the basic needs of the family, which are supplemented by seasonal cash earnings while out-migrant households may be less likely to be able to provide for these basic needs and so require more long term-migration. In examining the uses of remittances by households, nearly every household was found to have used remittances for basic necessities like food and clothing. Households of return migrants, however, were more likely to have used remittances for non-essential items, and households with out-migrants were more likely to have used remittances for survival purposes. In many cases, remittances were used for items essential to the household farm enterprise, such as buying fertilizer/seeds or paying off a debt. Investments in education and improvements in housing quality were other important uses of remittance income.

Another baffling issue that needs to be cleared up is whether migrant workers depress wage levels in the urban areas. In studying the Bangkok labor market, specifically the manufacturing sector, Tonguthai and Pattaravanich (1993) found large differentials in earnings not only by sex, education, work status, access to training and occupation but also by migration status. Both male and female migrants were found to have received lower wages than the native workers, with females earning less than males, on average (see Table 32). When differences in education, training, occupation and number of changes were accounted for, the migration status differential remained among male workers. The same adjustment reverses the situation among female workers. Net of human capital attributes, female migrants received 121 percent of the

earnings of their non-migrant counterparts. This implies that given similar education, occupation, training and number of job changes, female migrants were economically better off than non-migrant females. Whether this is a result of higher female labor demand in manufacturing which require very minimum human capital requirements is not clear. More systematic controls and evaluation is needed to be able to ascertain this issue.

Table 32 Monthly Earnings of the Surveyed Workers in the Manufacturing Sector by Sex and Migrant Status : Bangkok, 1991

	Non-Migrant Workers	Migrant Workers
Males		
Unadjusted	9,297	5,808
Adjusted ^b	7,807	6,858
Females		
Unadjusted	6,425	4,487
Adjusted ^b	5,029	5,259

^a Measured in Baht

^b Mean earnings were adjusted for differences in education, training, occupation and number of job changes using Multiple Classification Analysis.

Source : Data lifted from Tables 6.8 and 6.9 in Tonguthai and Pattaravanich (1993).

PART II

INDUSTRIAL RELATIONS CLIMATE IN THE CONTEXT OF GLOBALIZATION

Career Development, Work Commitment and Job Satisfaction

1. Job Ladders and Opportunities for Advancement

Using the qualitative data collected for this study, all 10 employers/managers interviewed in-depth reported having knowledge of career ladders in their enterprises since they started to work in the establishments. We found 60 percent of the respondents had seen changes in the structure of position hierarchies as new positions were added due to vertical/horizontal expansion, reduced numbers of workers and changes in names of positions. One reason for the reduced numbers of workers may be attributed to the efficiency of technological innovation as it displaces workers. Since the factory is where the future application of technology to the work process will be most profound, a key to this efficiency is the marriage of communications and computers, which will markedly change the nature of white collar work and increase productivity (Kalleberg, 1982).

Only 60 percent of the 20 interviewed employees knew about career ladders within their organizations compared to all 10 managers/employers who had learned about career ladders through a seminar or training program or when they began working in the enterprise (see Table 33). Concerning the source of knowledge of potential movement to a higher position related to their current position, employees mentioned learning this during their first year of work in the enterprise mostly from the chief of division, followed by information from someone who worked there before, and from the staff of the personnel division (35, 20 and 15 percent, respectively).

Table 33 Percentage distribution of when respondents learned about career ladders

When did you learn about the career ladder in your enterprise?	Managers/ Employers	Employees
Since start of work	30	20
Less than 1 year	-	25
1-2 year	-	10
3-5 year	-	5
During a seminar or training program	70	-
Do not know anything about career ladder	-	35
No answer	-	5
Total	100	100
(N)	(10)	(20)

In general, employees knew that promotion to the next position entails a difference in terms of wage/salary and prestige. About 60 percent of workers were fully aware that compensation increases in higher positions compared to their current position, while only 20 percent perceived the higher prestige that accompanies a promotion. About half of the interviewed workers did not perceive non-monetary benefits that accompany a career promotion. In one particular enterprise where we conducted in-depth interviews, we found that both monetary and non-monetary benefits were considered to be confidential and one learns of these additional benefits deriving from a career promotion only when he/she experiences an actual promotion.

On requirements for moving from one career position to the next, Table 34 shows that employers consider quality of work as the most important requirement, followed by experience or capability, and responsibility or having an open position (40, 40 and 20 percent, respectively). Employees or workers, on the other hand, were of the opinion that seniority or duration of work and responsibility are the most important factors in career advancement (40 and 25 percent, respectively).

Table 34 Percentage distribution of perceived major factor for career advancement

Main requirement for moving from one career position to the next	Managers/ Employees	
	Employers	Employees
Education	-	10
Experience	20	-
Seniority/ Duration of work	-	40
Quality of work	40	5
Responsible	10	25
Capability	20	10
Open position	10	-
Other	-	-
No answer	-	10
Total	100	100
(N)	(10)	(20)

An individual's education is often considered to be a structuring or intermediate variable and a resource for finding financially rewarding jobs (De Vries 1992). However, we found that education is not perceived as an important factor for advancement among interviewed employers/managers, but 10 percent of the workers mentioned it as a key factor for career development.

During the interviews, we also noted that career development issues were not easy to ask and often require lengthy probing. This suggests either a lack of information or concrete activities (e.g., training) for career development. This could also be taken to indicate the quality of communication between the employers/manager

and the workers or how transparent the communication is between employers and workers.

2. Job Satisfaction

Most respondents were satisfied in their current jobs (85 percent). Among the many reasons cited for job satisfaction were having many friends, job security, high salary and being able to work in their field of training. Employer/managers, however, revealed that one way to ensure the employees are happy is by having the personnel staff or the manager talk to workers on a regular basis. With good labor-management relations, high productivity among workers could be maintained. Bonus and overtime pay were found to be the most popular incentives to maintain high productivity (70 and 95 percent, respectively) but the timing of these incentive provisions depends on high production demand.

3. Work Commitment

Table 35 shows that almost all employees (over 95 percent) were willing to work under any conditions. All of them especially agree that their work commitment will not be affected by: a change in ownership of the factory; having either big cohorts of workers in the old/young generation or big cohorts of men/women workers in the enterprise; having a male/female supervisor/immediate boss; or having a male/female owner/manager. Information from managers/employers reveals that worker's commitment is currently measured in their enterprises by using an evaluation form (40 percent), by observation (10 percent), and by both methods.

Table 35 Percentage distribution of respondents by potential factors affecting work commitment

Under what conditions would your loyalty or willingness to work change?	Yes	No	Total	N
When workers in the factory decide to strike	5	94	100	18*
When there is a change in ownership of the factory	-	100	100	20
When there is a big cohort of workers in the old/young generation	10	90	100	20
When there is a big cohort of male/female workers	-	100	100	20
When the supervisor	-	100	100	20
When the owner/manager is a male/ female	-	100	100	20

* excludes respondents who did not answer the pertinent question.

Management Style and Technology Utilization

Introduction of new technologies and concern for career development including workers' participation in decision-making are critical to maintaining high productivity. Our qualitative data indicate that employees, on average, answered positively to questions on management style and technology utilization (see Table 36).

Over 90 percent of the workers were of the opinion that they have freedom to be creative, use appropriate technology, and offer suggestions for use of high technology machinery but often they only discuss suggested ideas with their immediate chief/supervisor and the manager still makes the final decision. Only 50 percent of employers compared to 85 percent of workers indicated that workers participate in decision-making activities. This positive pattern of responses to questions on management style and technology utilization is also apparent in the responses of employers/managers but at consistently lower levels except for one item. The managers were unanimous in saying the workers could suggest use of new or high technology equipment or machinery, for which item only 90 percent of workers answered positively.

Table 36 Percentage distribution of respondents by management style and technology utilization

Management Style and Technology utilization	Yes	No	Total	N
<u>Employers</u>				
Freedom to be creative	78	22	100	9*
Can use appropriate technology	88	12	100	8*
Participated in decision-making	50	50	100	10
Suggest changes for use of new or high technology equipment or machinery	100	-	100	10
<u>Employees</u>				
Freedom to be creative	95	5	100	20
Can use appropriate technology	90	10	100	20
Participated in decision-making	85	15	100	20
Suggest changes for use of new or high technology equipment or machinery	90	10	100	20

* excludes respondents who did not answer the pertinent question.

Case studies of the Thai Krieng Factory and the Thai Suzuki Motor Company, however, reveal a different story. In 1993, an independent management decision to purchase new spinning machines in the Thai Krieng Factory and to lay-off 350 workers resulted in over two weeks of workers' strike which eventually ended with voluntary resignation of over 200 workers. Cited as reasons for the long resolution of the conflict are

the absence of a provision in the labor law which deals with issues regarding the introduction of new technologies that may have an adverse effect on labor, and the lack of consultation with the workers, particularly those who will be directly affected through layoffs with the introduction of a new technology (Piriyarangsana 1996).

Another labor dispute lasted over 3 months. The Thai Suzuki Company lost 172 million baht worth of damages caused by workers on 27 March 1996 inside company premises. This is another example of a situation that would have been prevented had there been good communication and mutual trust between the conflicting parties. Piriyarangsana (1996) attributed the deterioration of this conflict to the degeneration of employer paternalism and the employers' refusal to recognize the labor union as a legitimate representative of the workers; thereby precluding consultations, informal negotiation procedures and cooperative resolution of the problem.

During in-depth interviews we conducted, the credibility and the responsibility on the part of the workers' representative were mentioned as important in the resolution of conflicts. The following qualities of a workers' representative were particularly cited as being desirable: (1) one who has sufficient educational background to articulate workers' demands and at the same time understand the owner's side enough to effectively relate it back to the workers; (2) one who has leadership capabilities to convince members of the organization to observe civil and non-damaging actions.

Growth and Development of Workers' and Employers' Organizations

The government is the key agent for the development or retardation of unionism in Thailand. Supportive and restraining government policies over the years determined whether employees' or employers' organizations were established, persisted, perished or were resurrected. Piriyarangsana and Piriyarangsana (1996) claimed that the onset of industrialization introduced wage labor and trade unionism to workers in Thailand. At its formative period (1921-1958), sporadic strikes (on a limited scale) and petitioning were employed by Chinese and Thai wage laborers to demand improvement of working conditions and welfare provisions. It is believed that Chinese wage labor introduced the type of strike observed in the country. Petitioning, on the other hand, was the traditional and officially recognized means of appeal to the King by the poor people in the kingdom to air their grievances and to protect them from abuse and exploitation.

Before the Second World War, only a few groups of workers in the tramway and electricity plants, cement, railway and rice mill industries staged strikes and work stoppages. After the War, typically more organized and militant strikes spread to the growing manufacturing sector and to the service sector (Piriyarangsana and Piriyarangsana 1996).

From a local, particular and friendly labor organization a general trades union evolved during the post-war period. In 1949, the leading General Trades Union Association (GTUA) was suppressed by the government but underground work

continued. When a more politically liberal climate emerged in 1956, it resurfaced as the Group of Sixteen (GS). In 1948 and 1954, two other labor groups were set up as a political front by high ranking civil, military and police officials. At that early age of unionism, the GS managed to campaign for a legal status of trade union and a voice in the drafting procedure of a comprehensive labor law (Piriyarangsana and Piriyarangsana 1996: 12). The coup d'etat in 1957 and 1958, however, led to the abolition of the labor law and the trade unions, in particular. The rights of workers to organize and to strike were also curtailed and many labor leaders were arrested while others were driven underground which led to the decline of the labor movement in the 1960s.

In 1972, the authoritarian military regime acceded to strong political pressure and allowed labor associations but under the guidance of the Department of Labor and the Police Department. The student and people uprising of October 1973 brought back a civilian government which favored the renaissance of the labor movement.

In 1974, two national labor centers were established: the Labor Coordinating Center of Thailand (LCCT) formed by a group of private workers under the guidance of radical student activists, and the Federation of Labor Unions of Thailand (FLUT) led by a group of state enterprise employees. LCCT was viewed by the government as a threat due to its revolutionary ideology while FLUT was focused on improving the social status and material benefits for workers within the system. The two groups vied for the coveted leadership in the movement. The resulting increase in the amount of labor unrest between 1973 and 1976, however, threatened to jeopardize the investment climate in the country so the government came up with three counter strategies to curb the expanding labor movement: the systematic suppression of labor activities including the use of strike breakers, the support of the reformist wing in the labor movement, and the institutionalization of labor conflict.

When labor had solidly united to increase wages, welfare and various other benefits, the employers realized that the labor part of their production cost had increased and they started to get interested in labor problems which were initially viewed as being under control. Chambers of Commerce and various industry associations geared mainly for trade and industry were the forerunners of employers' organizations. Labor problems at that time were dealt with by establishing a Sub-committee for Labor. In response to the increasing need to respond to problems and requirements of their members, the Thai Chamber of Commerce and the Federation of Thai Industries established the Business and Industry Technical Office as a joint organization tasked to deal with labor problems of these two bodies.

The enactment of the Labor Relations Act of 1975 led to the formation of employers associations (i.e., minimum of 3 employers) and employers federations (i.e., merging of two or more employers' associations). A central body of the employers' associations and federations was established in 1976 under the Employers' Confederation of Thailand (ECOT). However, severe conflicts among leaders of various member employers' associations, particularly concerning the allocation of associate judges in the labor court, has led to a three-way split of the once unified group.

Changes in Labor Laws and Regulations on Trade Union Activities

There are five major laws that guide the conduct of labor relations in public and private enterprises in Thailand (Suppanakorn 1996, Labor Relations Division 1996). The first comprehensive labor law is known as the Labor Relations Act of 1956. Three basic rights of workers were guaranteed by the law, namely the right to organize, the right to bargain and the right to strike. The law was enforced in February 1957. Within one year after the law was promulgated, 100 labor unions were registered.

However, there was an increase in the number of labor unrest incidents after the initial legislation was in effect and following the military coup d'état in 1958, so the Revolutionary Party Announcement Number 19 of 1958 and the Settlement of Labor Disputes Act of 1965 were issued. The former banned the freedom of association and the right to strike but provided provisions for dispute settlement which empowered the Minister of Interior to make decisions on cases, it granted a right to appeal any decision to the Director General of the Public Welfare Department, whose decision is considered final. The latter aimed to reduce disputes which burgeoned after 1958. It provided means of communication, joint consultation and collective bargaining for the mutual benefit of employers and employees alike. Representatives of both parties were allowed to submit claim notifications to the other party, and participate in any negotiation, conciliation and voluntary arbitration. If an agreement remained unreachable after all necessary procedures are undertaken, the parties could resort to a strike or lock-out. However, these laws were not very successful since they did not provide for the existence of trade unions. There was weak leadership from the labor group. Representatives were elected but workers' confidence in their representatives was quite low.

The labor movement saw a long period of inactivity after these laws were established. It was only in the 1970s after another *coup d'état* when the government realized the need to give worker protection and ensure a good industrial climate for the nation's economic and social development. It was only after a dramatic rise in the number of labor disputes and by far the highest number of strikes in the history of the labor movement when reexamination of the provisions for dealing with labor problems became a priority concern (Suppanakorn 1996). A new lease on life to the Thai labor movement came in the form of the National Executive Council Announcement Number 103 of 1972. This repealed the previous labor protection and industrial labor relations laws and empowered the Minister of the Interior to issue notifications concerning labor relations such as standards of employment conditions to guarantee fundamental rights and welfare of workers including working hours, holiday, severance pay, minimum wages, safety, welfare, women and child labor, workmen's compensation fund, etc. Under this new legislation, a labor organization is permitted but in the form of employees' organizations not trade unions. Despite its comprehensive nature relative to previous labor legislation, a new and more complete labor relations law was drafted after the student and people's revolt in 1973 which ousted the military dictatorship.

Under the new civilian government, the most comprehensive labor relations legislation known as the Labor Relations Act of 1975 was enacted and has been in effect since then. It laid down the legal basis for both employers' and employees' organizations, the right to representation, settlement of disputes and collective bargaining and it applies to all types of employment except the Central Bank of Thailand, state enterprises, and government agencies (Labor Relations Division 1996). After the Labor Relations Act became operative, the 45 existing associations converted to trade unions and a year later the number quadrupled (Suppanakorn 1996).

In 1979, the Act on Establishment of Labor Court and Labor Court Procedures instituted the labor court system and empowered the court to consider, decide and issue orders on disputes over rights and obligations under the labor protection law, industrial relations law and the Civil and Commercial Code agencies (Labor Relations Division 1996). There is only one Central Labor Court with jurisdiction over the Whole Kingdom pending the eventual establishment of provincial labor courts. The Central Labor Court has tripartite composition among its associated judges. Employers' and employees' parties are allocated an equal number of seats in the Court.

Another military *coup d'etat* caused a brief interruption of trade union activities and a ban on strikes and lock-outs followed. But this ban was abolished in January 1981 under a new turn in politics which introduced parliamentary government. The labor movement was on its feet again.

The 1981-1990 period saw the primacy of public enterprise unions in the labor movement in Thailand (Suppanakorn 1996). Active leaders of public enterprise unions wielded considerable influence and bargaining power due to their better coordination skills compared to their counterparts in the private sector. They acted as advisers in collective bargaining over wages and working conditions in the private sector where collective bargaining often led to more complicated problems in several private companies. The activities of this highly cohesive group became more of a threat to the government and the country's political situation over time. "Quite often, governments were held to political ransom and the public made to suffer as the unionists resorted to disruptive or intimidating tactics to press for their demands such as higher pay and resistance to total or partial privatization" (Suppanakorn 1996:46), which was viewed by the government as evidence of lack of social responsibility by the concerned group. Due to personal interests, some union leaders together with powerful political figures got involved in destabilizing the government with their complete control of the country's important public utilities. When the State Enterprise Labor Relations Act of 1991 was enacted, therefore, there was no sign of great public sympathy. On the contrary, the Law was welcomed by the business community and the public at large.

Under the State Enterprise Labor Relations Act of 1991, the right to form an association in each state enterprise is upheld but either strikes or lock-outs are considered illegal. In addition, a Labor Relations Committee consisting of

representatives from the management and the state enterprise employees' association or representatives of the employees in that enterprise may be established in each state enterprise to serve as a joint consultative body for considering views on the creation or revision of rules and regulations related to work, and for considering demands relating to rights and benefits of employees.

Institutions Involved in Industrial Labor Relations

In recognition of the need to attend to the growing number of labor problems resulting from industrialization and wage labor growth, the Division of Labor (DOL) was established in 1932 under the Department of Public Welfare. It focused on housing, health and nutrition, recreation, mental hygiene, family welfare and employment problems. Piriyarangsan and Piriyarangsan (1996) were of the opinion that the DOL occupied a very low status in the bureaucracy and had a very small role in both the drafting of legislative proposals on labor matters and in helping to prevent or settle labor disputes. While industrialization expanded and wage labor increased nearly threefold from 1947 to 1971 (1.3 million and 3.7 million workers, respectively), the number of DOL inspectors remained at only about ten. It was in 1971, nearly four decades later, when the DOL was upgraded to a department in the Ministry of Interior.

In 1993, the department was further upgraded to a ministry: the Ministry of Labor and Social Welfare (MLSW). The MLSW is currently tasked to implement the labor relations policy of the country. Realizing that disputes and conflicts cannot be suppressed by legislation or coercive action, the MLSW pursues measures which allow for accommodation and reconciliation of different interests with minimal damage to productivity of enterprises, in particular, and generally for socioeconomic stability conducive to a healthy investment climate in the country. The MLSW consists of four line departments and three staff offices namely: the Office of the Secretary to the Minister, the office of the Permanent Secretary of the Ministry, the Department of Employment Services, the Department of Public Welfare, the Department of Labor Skills Development, the Department of Labor Protection and Welfare (DLPW), and the Office of Social Security (Labor Relations Division 1996).

The tasks of the DLPW can be classified under two major categories: labor inspection, and labor relations. *Labor inspection* includes: (1) the dispatch of labor inspectors who ensure that labor laws are properly observed; (2) the provision of information and advice to employers and employees about effective means of complying with the labor laws; and (3) bringing defects or abuses not covered by existing labor provisions to the attention of labor officers. *Labor relations*, on the other hand, covers: (1) the promotion of a bipartite consultative system (i.e., establishment of a Labor Management Committee) within establishments to preclude conflicts, a grievance procedure through modern personnel management, formation of employers' and employees' organizations; (2) the promotion and development of (a) effective mechanisms to settle labor disputes (e.g., collective bargaining and voluntary arbitration), (b) tripartite bodies for consultation on broad social and economic policies affecting industrial relations; and (3) the improvement of industrial relations

provisions to ensure industrial peace (Labor Relations Division 1996). The DLPW consists of ten line and two staff divisions as well as thirty-eight Bangkok Metropolitan Labor Offices and seventy-five Provincial Labor Offices (Regional Offices).

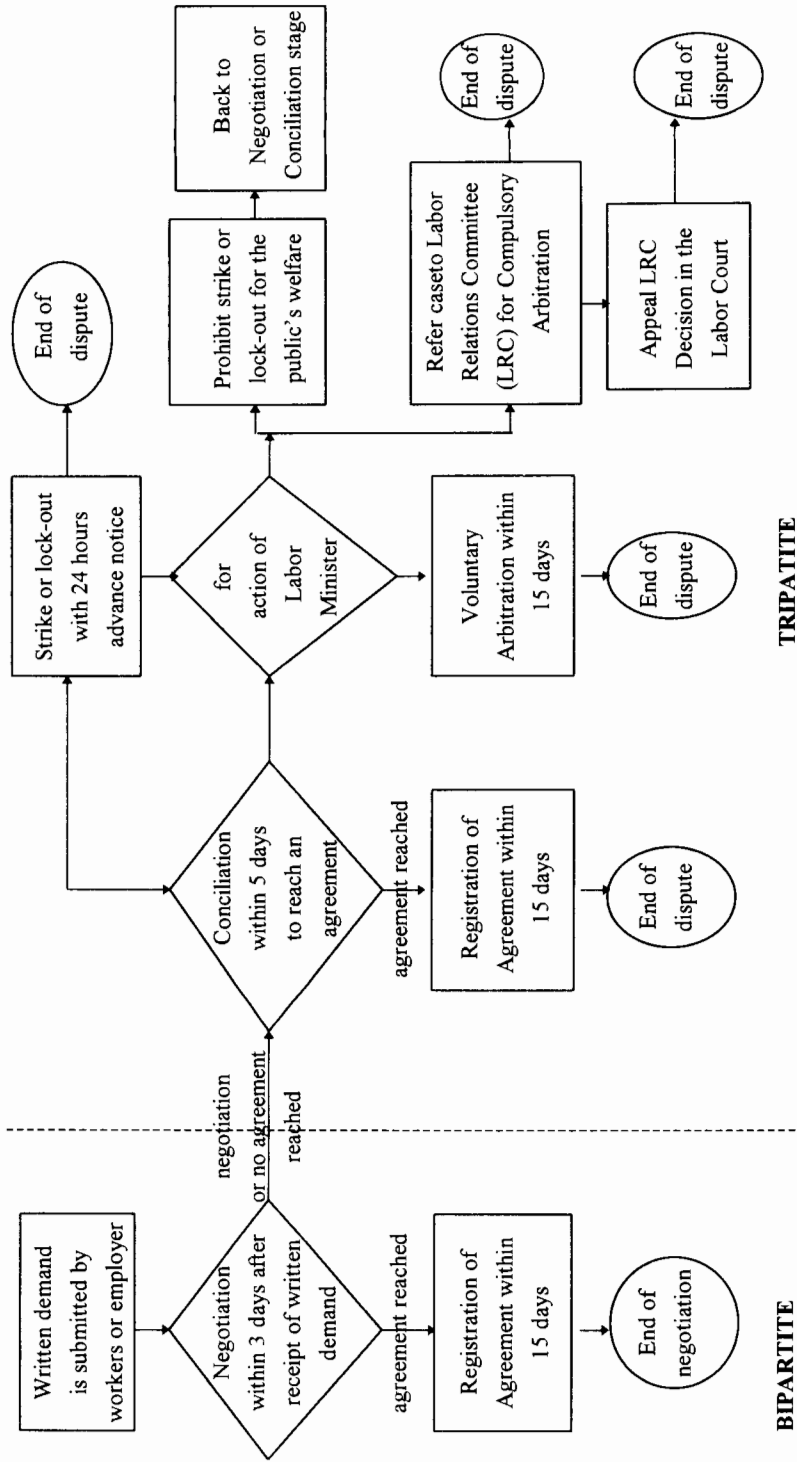
Tripartism is another key feature of the industrial relations system in Thailand (Piriyarangsana and Piriyarangsana 1996). Government intervention in dispute settlement has been a traditionally accepted principle since the 1930s among employers and employees. As of 1996, there are 10 tripartite bodies that deal with labor disputes, collective bargaining and labor development. Two have advisory functions (National Advisory Council for Labor Development, Labor Relations Promotion Committee), while seven have decision-making authority (Wage Committee, Labor Relations Committee, Workman's Compensation Fund Committee, Workplace Safety Standards Committee, Central Labor Court, Social Security Committee, and Public Enterprise Relations Committee).

Finally, the structure and functions of employees' and employers' organizations in Thailand are stipulated in the Labor Relations Act of 1975. Employees working for the same employer or employees with the same work description can form a labor union to bargain with employers collectively to improve employment conditions. Two or more labor unions may register as a labor federation to promote a better relationship among labor unions and protect the interests of labor unions and employees; no less than 15 labor unions or federations may form into an Employees' Organization Council (Labor Relations Division 1996). Employers' associations, on the other hand, may be formed by at least three promoters who are employers who are in the same field of undertaking, have Thai nationality by birth, and eligible for appointment to bipartite or tripartite committees or subcommittees (Piriyarangsana and Piriyarangsana 1996). Two or more employers' associations may form an employers' federation and five or more employers' associations or federations may establish an Employers' Organization Council (Labor Relations Division 1996). In 1995, there were 1,014 unions, 19 federations and 8 labor congresses while there were 128 employer associations, 2 employer federations and 5 employer councils (Piriyarangsana and Piriyarangsana 1996).

Labor-Management Relations

In Thailand there are three major approaches for dealing with labor-management issues: preventive measures, collective bargaining, and settlement measures. These approaches apply to bipartite and tripartite actions as seen in Figure 3.

Figure 3 Collective Bargaining and Dispute Settlement Procedure in Thailand



1. Preventive Measures

The major approach to reducing labor-management issues is through the use of preventive measures which cover bipartite and tripartite approaches. Most labor disputes are settled using the former while the tripartite approach is more of a supplementary measure. There is a wide range of workers' and employer's participation schemes at the enterprise level under the bipartite approach, namely: grievance procedure, employees' committee under the Labor Relations Act of 1975, Joint Consultation Committee (JCC), Quality Control Circle (QCC), Adhoc Committee, Suggestion Scheme, Joint Activities and other forms of labor-management cooperative methods. The tripartite mechanism is aimed at providing a sense of stability to the inherent imbalance in bargaining power between the two parties. However, the government comes in only when industrial peace is at stake by giving advice and bringing the two parties back to reconcile their differences and maintain a peaceful and healthy labor-management environment.

2. Collective Bargaining

The right of organizations of employers and employees to submit a written demand to each other and negotiate with the other party is guaranteed in the 1975 Labor Relations Act. Demands from workers should include the names and signatures of at least 15 percent of the total number of workers involved. There is no such requirement if the demand is from the trade union; but the number of union members in the enterprise should be 15 percent or more.

Negotiation should occur within the first 3 days after the demand is submitted. It can continue as long as it is felt necessary or until an agreement is reached. An agreement in writing, signed by representatives of both parties, must be submitted by the employer and registered with the Director-General of the Department of Labor Protection and Welfare within 15 days after the agreement was reached. This agreement between the employer and employees or between the employer or an employers' association and a labor union, often referred to as a Collective Bargaining Agreement or CBA, is a legal document relating to conditions of employment which binds both parties under the labor protection law. The CBA may cover employment or working conditions, working days and hourly wages, welfare, termination of employment, or other benefits received by employer or employee relating to the employment or work. Most collective bargaining agreements do not include a clause on duration of effectivity. Yearly renegotiation of contracts therefore takes place which increases the risk of having more labor disputes.

Most demands in the past were from the employees. Recent reports, however, show an increase in the number of counter demands, i.e., demands from employers, so employers can minimize costs and expenditures in the face of economic uncertainty and marketing problems. Employers' counter demands often include reduction in welfare, fringe benefits or increases in working hours/days.

Over the past 5 years (1992-1996), there has been no apparent trend in the number of demands submitted but no less than 400 demands are submitted per year. Bipartite negotiations are quite effective in reaching an agreement between the conflicting parties for consistently more than half of the total number of labor cases logged by the Labor Ministry (see Table 37). Table 37 also shows that there was a sharp decline in the number of strikes and lock-outs between 1995 and 1996 (22 to 18 and 17 to 1, respectively). Most of these cases pertain to wage-related issues.

Table 37 Distribution of the Number of Demand Submissions, Negotiations, Labor Disputes, Strikes and Lock-outs

Year	Total demand submissions	Bipartite negotiation that reached an agreement	Labor Dispute	Strike	Lock-out
1992	547	352 (64)	195 (36)	20	14
1993	408	222 (55)	184 (45)	14	9
1994	428	263 (61)	195 (39)	8	7
1995	518	282 (54)	236 (46)	22	17
1996	408	230 (66)	178 (34)	18	1

Note: Figures in parentheses are percentages relative to the total number of demand submissions for that year

Sources: Suppanakorn (1996): Table 1, and *Yearbook of Labour Statistics 1992-1995*, and *Labour Relations Situation* Vol.3, 1996

Results from our in-depth interviews of sample employees from 10 economic sectors and a representative of one workers' organization revealed that they would prefer to maintain good relationships with the other side through effective communication since only an agreement eventually reached through reasonable discussion of problems without conflict among the two sides would last longer than a decision reached by law or legislation. Our qualitative interview data from sample employers and a representative of a prominent employers' organization also indicated the need to create good relations between the two sides. The same idea was reiterated by selected government officials from the Labor Ministry who were interviewed.

This positive attitude towards maintenance of labor-management relations partly explains why labor demands are more frequently being settled before they become disputes. Also suggested is the Thai people's tendency to abide by legal procedures rather than resort to industrial strife, which supports the conclusion of an earlier study which assessed the adequacy of current labor management mechanisms in Thailand (Suppanakorn 1996). However, we believe that to minimize the number of labor disputes per year, the period of bipartite negotiation should be extended from 3 days to 7 days. This proposed extension would allow more time for the conflicting parties to arrange a common time to discuss and to arrive at an agreement.

3. Dispute Settlement Measures

When agreement is either not reached or negotiation did not begin within the initial 3-day period after the demand was submitted, the party who submitted the demand must inform the conciliation officer within 24 hours since a dispute already exists and settlement procedures have to begin. Dispute settlement is a process of resolving disputes between two parties, employer and employee, with the government officer as a third party. Hence, this process is called tripartite. Disputes often pertain to hiring conditions, office hours, leave of absence, compensation, and welfare (see Appendix-B for examples of issues involved in dispute settlement). The machinery for dispute settlement includes conciliation, voluntary arbitration by an impartial umpire or a tripartite panel of arbitrators, compulsory arbitration by the tripartite Labor Relations Committee, and judicial adjudication by the Central Labor Court which is also a tripartite body.

a. Conciliation

Upon notification of the conciliation officer about the dispute, the officer has 5 days to conciliate between the two conflicting parties in attempt to reach an agreement. If an agreement is reached, it must be written and then registered; otherwise, both parties can choose one of the following options: (1) lock-out by employer, (2) strike by employees, and (3) appointment of an arbitrator or an arbitration panel. If option (1) or (2) is chosen, the party who submits the demand must inform the officer and the other party 24 hours in advance. In cases involving trade unions, the trade union must conduct a meeting and members vote by secret ballot. If more than half of all trade union members vote in favor of the strike, then the strike can begin.

Table 37 shows that for the period 1992-1996, most of the labor disputes were successfully settled as the proportion of strikes and lock-outs was quite low (i.e., highest in 1992 and lowest in 1994 at 17 percent and 7.7 percent, respectively) during the period. Mediation, conciliation or compromise are the preferable mechanisms for dispute settlement of interest issues since the parties involved are more likely to cooperate. More importantly, these mechanisms often do not destroy the harmonious and trusting relationship between the two parties. As a way of promoting conciliation as a preferred mechanism for dispute settlement, we propose to extend the conciliation period from 5 days to 10 days to allow more time for the involved parties to arrive at an agreement.

b. Voluntary Arbitration

If a labor dispute cannot be settled at the conciliation stage, both employer and employee may agree to appoint an arbitrator or a panel of arbitrators to decide the dispute. The Office of the Arbitrator, Ministry of Labor and Social Welfare shall supply the necessary information and a list of qualified arbitrators for the disputing parties to select from.

c. Compulsory Arbitration

Compulsory arbitration is the method for settling labor disputes that occur in essential services and those which adversely affect the economy, national security or people at large. The Labor Relations Committee which is appointed by the Minister of Labor and Social Welfare has to compulsorily arbitrate disputes in essential services as prescribed in the Ministerial Regulations. However, the parties to a dispute have the right to appeal to the Minister of Labor and Social Welfare and the decision of the Minister is final and binding and effective for one year.

Arbitration procedures, whether voluntary or compulsory, can more effectively settle rights issues. Disputes arising from essential services, the public sector and specific ministerial referrals, are under the jurisdiction of the Labor Relations Committee.

d. Labor Relations Committee (LRC)

The Labor Relations Committee was set up under the Labor Relations Act of 1975 and is now attached to the Office of the Permanent Secretary of the Ministry of Labor and Social Welfare since 1993. It is a tripartite body which is composed of representatives of government, employers and employees with each party having an equal number of representatives. Committee members are nominated by their respective groups and their names are submitted to the Minister of Labor and Social Welfare for official appointment.

e. The Central Labor Court (CLC)

The Central Labor Court consists of judges appointed from a list of judicial officials under the law of judicial service. It is also tripartite in composition with an equal number of associate judges from employers' and employees' groups. The CLC, however, covers a wider range of issues for labor dispute settlement. It is empowered to deal with any alleged violation of rights or duties under any labor statutes, collective agreements, or formal settlements of employment conditions. The CLC commands greater confidence from both workers and employers than the LRC due to its enforcement mechanism, but it renders a negative impact on the Thai labor movement due to the high competition for associate judges and the discord among various labor congresses in Thailand (Piriyarangsarn and Piriyarangsarn 1996).

The global economic competition which increasingly requires profit maximization through lower production cost, including labor cost, makes it necessary to maintain open communication between employers and workers for their mutual benefit through cooperation. However, loop-holes in the labor law (e.g., introduction of new technology which has adverse effect on labor) should be addressed to prevent socially and economically disruptive incidents like the Thai Krieng case mentioned earlier.

From the review of the current system and procedures for labor-management relations and dispute settlement, it appears that they are adequate. Certain administrative procedures, however, need to be adjusted to make the system more flexible to changes in the global market. Since bipartite mechanisms are preferred by employers, employees, and even government officials, which is also confirmed by our primary data, more time should be given to involved parties in the negotiation and conciliation phases. Besides the need to develop the trust or confidence among the two parties at the negotiation table, every representative or member of each party involved in the labor conflict should be well informed of their responsibilities and accountabilities during and after the negotiation process. We recommend extension of the negotiation period from the current 3 days to 7 days to give the parties sufficient time to discuss relevant issues and settle any misunderstanding or misinformation. A successfully negotiated agreement without resulting in disruptive actions (e.g., strike or lock-out) would not only maintain lasting peace and good relations between the two parties but it also can be harnessed to develop cooperation for their mutual advantage: employers earning more profit and workers maintaining their jobs and getting fair pay.

PART III

POLICY RECOMMENDATIONS

Equity concerns in the context of globalization are consistent with Thailand's Eighth National Economic and Social Development Plan (1997-2001), which signals a new people-centered development era in Thai history. Economic growth objectives are now considered as means toward achieving better quality of life for the Thai people which is the new goal. The shift in emphasis may largely be attributed to the realization that the final measure of success in national development lies in the equitable distribution of income and resources necessary for the improvement of the people's quality of life. Thailand recorded solid economic growth performance over the past three decades with its average per capita income reaching 68 thousand baht in 1995 from only 2.1 thousand baht in 1961, but the concentration of economic activities and prosperity in Bangkok and its surrounding provinces has increased the gap in economic growth by geographical location (NESDB 1996). It is hoped that the current plan will more equitably redistribute the benefits of economic growth to its constituents.

Promotion of Employment and Training

Globalization has brought forth key labor market issues that need immediate attention by both public and private sectors of the Thai economy. The most salient of these issues is the urgent need to improve the quality of Thai labor. Focused research that would aid in determining the volume, concentration and conditions of training needs as well as appropriate strategies that would encourage increased private sector involvement in these human capital investment activities would largely determine Thailand's responsiveness to the increasing competition in the global market. In the interim, we recommend *policies that would promote development of an information infrastructure that would aid in the more efficient flow, exchange and matching of information concerning labor and skill needs of employers and the composition of the labor supply which is available in potential investment localities.* This would enable employers/ investors to ascertain whether they can get enough workers for their production operations, how much training they should provide potential workers and the types of machinery they should acquire for these workers to get maximum returns on their capital investment. Mechanisms for providing a wider range of alternatives not only for employers/ investors but also for workers should be developed. If employers/investors would have access to this key information, workers who would like to determine their chances of employment in certain localities should also have equal access to this information to be able to find the best match of their skills and work qualifications with job requirements in certain places they would be willing to relocate to, if necessary.

Competitive market conditions in this globalization era require cooperation and flexibility from both labor and management for greater productivity and for

generating mutual benefit. Workers need to adapt to new technologies and resources available while management has to strive to maintain high morale and work commitment among workers. A skilled, happy and motivated work force is indispensable in an increasingly highly competitive global market. We therefore recommend *policies that would encourage both the public and the private sectors to conduct training programs which cover not only production-related skills development but also training on personal and interpersonal skills development.*

Distinction should also be made between general education and standard skills training. The former enables everyone to be trainable and to more easily adapt to emerging technologies and situations, while specific skills training directly affects individual enterprises' competitiveness and survival. We propose the promotion of *policies which encourage business enterprises to provide standard skills training and basic education to their workers, specifically the older or senior workers.* The government should consider giving financial incentives to companies that enhance the trainability of their workers through tax deductions on company training expenditures.

As the economy restructures toward use of higher technology and higher skilled labor, labor displacements are also expected if the quality of labor is not upgraded in time to take advantage of the growth opportunities created by globalization. During this period, industrial restructuring and business closure would hit the older or the unskilled workers the hardest. We suggest consideration of *policies that will provide partial government financial support for the retraining or reskilling of displaced workers in their new place of work or in government training centers.*

We also recommend *policies that would encourage the establishment and maintenance of linkages between industries and technical/vocational schools.* A central labor market broker (it can either be a new government or a non-governmental body) should be established with the main function of being a "middleman" to facilitate information flow and matching of industry needs with skills produced in technical and vocational schools. This would ensure that technical and vocational school graduates will be properly placed upon completion of their courses and that industry needs are met at the same time. This new agency can also be tasked to identify technical and vocational schools which produce the skills considered to be in great demand for the next industrialization phase of Thailand to effectively attain the pool of technical manpower needed for achieving national economic goals. The identified technical and vocational schools should be given government support or subsidy, if required.

Wages and Productivity Growth

Having skilled and trainable manpower is an advantage in a highly competitive global market but how much is just compensation for workers? Are wages and incomes reflective of the country's economic and productivity growth? The uncertainty inherent in wage determination is always a source of conflict since various groups involved in this exercise use different criteria. Consensus on what criteria

must be used to determine wages would prevent discord and create unanimity in pursuing a common national goal. Hence, *policies fostering transparency and open communication between parties involved in determining industrial wage structures* are recommended. This can be made possible through incentives in terms of tax cuts or credit guarantees for business enterprises that can provide evidence of instituted regular bipartite (formal or informal) consultations and bargaining procedures which prevent conflict and work stoppages but instead create harmony and cooperation between workers and management/employers.

Since the market-determined wage structure (e.g., CBA wage or non-minimum wage for rank and file employees) somehow uses the legislated minimum wage as a national wage standard, *policy guidelines should clearly lay out when or under what conditions the minimum wage should be changed through the tripartite mechanism*. This would ensure that both employers and workers will have a period of industrial peace during which labor cost will not be a variable to disturb the already delicate fiscal balancing equations. We also recommend that the tripartite body tasked to determine the legislated wage should get independent expert opinion from academic or economic researchers who can provide them with a balanced view on changes in the costs of living for marginal workers and their families and on optimal choices among potential courses of action for minimum wage determination.

Safety Nets and Social Protection Measures

To be competitive in this globalization era, we suggest *policies that would promote the creation of a system that would monitor standards on productivity, product quality, and wages*. Any low productivity, low product quality or low wage sector could then be easily identified and assisted. Support for enterprises in distress can be in the form of technical assistance and training for improving productivity, product quality, management support, among others. Cooperation and identification of appropriate mechanisms for the involvement of both government and non-governmental organizations in this system is crucial.

At the worker level, we propose *policies that would widen the coverage of social security coverage to include not only workers in the formal sector but also those in the informal sector of the economy and the setting up of a fund to support them during times of unemployment, sickness or old-age*.

Industrial restructuring and the introduction of new technology, in particular, often involve job displacement. How do we deal with workers who are displaced? We recommend that an explicit *policy should include not only provision of fair separation pay for laid-off workers but also a retraining and business fund package to enable them to borrow money to start small- to medium-sized business activities or to prepare for other jobs with the skills learned after retrenchment*. Standards on how much is fair compensation will have to be set and adjusted by an appropriate tripartite body on a regular basis to account for economic fluctuations.

On the other hand, the rise in the subcontracting of production work during the past decade has been well documented, yet neither statistics to ascertain the number and geographical distribution of the country's labor force in this type of work nor the composition of workers involved in subcontracting activities are available. Recent studies on this topic are isolated and peripheral. We believe that subcontracting is widely spread now in Thailand yet we have no available national estimates of the number of people or the pay they receive for doing subcontract work. We therefore propose *policies that would promote revision of the labor force categories used in the censuses and special labor force surveys conducted by the government and research organizations to include categories* (for example: subcontractor, part of production work done at home through an informal arrangement with a subcontractor, unpaid work done for a family member who has an informal arrangement with a subcontractor) *that would enable national-level monitoring of the development and spread of subcontracting in Thailand and in turn would account for women's work, which is often unaccounted for or underestimated in national economic activity accounting.*

Although it has been over a decade since the practice of subcontracting arrangements have become increasingly prevalent, the infrastructure for its monitoring are not in place. *Policy guidelines for the contracting out of work to other firms or individuals need to be drawn up* to ensure that workers in this type of work are not exploited and to aid in determining a suitable mechanism for extending social, welfare and protection services to people involved in this type of work.

Measures for Improving the Existing Industrial Climate

The US-imported industrial relations system in Thailand is neither responsive to fast changing economic and political forces nor does it encourage a meeting of ideas and cooperation among workers and management (Piriyarangsarn 1996). *Policy reforms that harness traditional Thai values to promote consensus and peace between workers and employers* are deemed fundamental to a prosperous industrial climate in the country. Open communication, formally or informally, and participative decision-making through employee representation in key bodies/committees especially those that affect labor welfare should be vigorously promoted at the enterprise level. Advocacy for the rights of both employers and employees to organize and promote the welfare of their members are also suggested. *Policies that would realign the roles of workers' as well as employers' organizations towards cooperative action* in achieving higher productivity and equitable allocation of gains from production output for their members *without undermining national sovereignty, security, and economic prospects for attracting foreign investment* are suggested.

We also suggest *policies that place greater emphasis on bipartite settlement measures* which create greater cooperation and more enduring harmony and peace at the enterprise level. One way of encouraging preventive measures is by lengthening the duration of the negotiations and the collective bargaining phases. To enable the receiving party to have enough time to consider the demands and to arrange a suitable time for the meeting of involved parties, negotiations should be extended from 3 days

to one week prior to being considered as a labor dispute. The conciliation period should also be extended from 5 days to about 10 days for the same reasons. Registration of the agreement should, however, be shortened from 15 days to 7 days since this only involves paper work, which should have been partially completed during the negotiation or the conciliation process.

We also recommend *policies that would strengthen the role of employers' and workers' organizations* by encouraging them to conduct conferences or symposia to raise awareness through information dissemination concerning key macro- and micro-economic factors that would help improve their enterprises' competitiveness and profitability, as well as general education and specialized training on skills development, even multi-skilling, which would influence workers' wages.

Protection of Vulnerable Groups

An explicit regulation is important for certain types of workers like children and migrants who have weak bargaining power and therefore need special protection.

Children Labor

To safeguard the children, perhaps the best strategy is to try to keep them in school longer. This would also raise the education level and trainability of the Thai labor force in the future considering that the number of labor force entrants are expected to decrease as a result of the successful family planning program in the country. Extension of compulsory education from 6 to 9 or 12 years may not be enough without a *support policy scheme which will guarantee an increase in the opportunity cost of entering the labor market among school-age children*. Supportive policies may include provision of school books especially in poverty-stricken areas; a government subsidy for poor families to cover the cost of school uniforms, school supplies, and lunches; appropriate salary for teachers; and a hazards allowance in addition to teachers' basic salary for those who work in hard to reach and risky areas.

For families that need to send their children to work for survival, safety nets have to be established to protect child labor from exploitation. Existing employment provisions on child labor (see section B.7.a under Part I of this report) and the proposed extension of the legal minimum working age from 13 to 15 years require *supplemental policies in the face of the unregulated and increasing subcontract work arrangements that utilize child labor to ensure that the home environment remains conducive to the children's healthy growth and development*. While little information is available on the amount of child labor involved or the kind of work children do under this type of work arrangement in the whole kingdom, monitoring of this type of activity as proposed earlier may provide some indication of which subcontract work arrangements use child labor based on unrealistic work quotas per adult person and whether the nature of the subcontract work can be easily done by children.

Women Workers

Women in the labor force have lower education, on average, than men; hence, their opportunities for career advancement are less promising than men's, a condition which is further complicated by their reproductive role. Leaves of absence from work due to pregnancy is a legal right working women can claim payment for. Yet sometimes the same right could jeopardize their chances of being hired, job tenure or even career advancement if this right is pursued. *Policies ensuring the standard application in small-, medium- and large- industries of a woman's right to a paid leave of absence from work due to pregnancy without going through a special processing of an individual's request for enjoying such a right are recommended.*

If women are to be equal partners of men in attaining national economic and social development goals, we also suggest pursuance of *policies that aim to upgrade women worker's knowledge and skills, to be at least at par with men in the next 20 years.* These policies may include implementation of, among others, non-gender-specific human resource development activities and income-generating opportunities.

During the past decade, subcontract work arrangements have enabled many women to earn supplementary household income for poverty alleviation. While this type of work gives them the flexibility to perform both household and economic activities, it is easy to misclassify them under the housewife category, especially if they allocate more time to household chores than to their subcontract activities, and in the process undercount the country's economic workforce. The policy recommendation we submitted earlier which encourage revision of the labor force categories is precisely aimed at more accurately counting women in the performance of economic activities.

Migrant Workers

There is an imminent shortage of labor in Thailand as a result of the country's successful family planning program. Thailand's dependency on the inflow of foreign workers because they are vital to meeting current and future labor demand both in the skilled and unskilled categories should be given preferential attention due to implications concerning differential treatment of local and foreign workers in terms of wages, working conditions, basic facilities enjoyed and discrimination based on color or nationality which together undermine the very basis of globalization.

To address this, we suggest that the government should identify and rank occupations which need to be filled by foreign workers. Based on a ranking of these occupations according to their importance, we propose *policies that would ease entry and visa renewal procedures for high ranking occupations, while enforcement of tax disincentives should be declared for enterprises that still illegally employ foreign unskilled workers.* There were about 50 percent of employers as of November 1996 who did not bring their illegally hired Burmese, Khmer and Laotian employees to register with the Employment Department during the three-month registration period under the Cabinet Ministers' resolution issued on 25 June 1996 (Soonthorndhada and Pataravanich 1997b).

CONCLUDING REMARKS

Is globalization beneficial or harmful to the Thai economy and its industrial climate? A definite yes or no answer to this question is impossible given the many factors that need to be analyzed in detail before we can get an indication of the direction of effects. Given the various factors considered in this study, the Thai case appears paradoxical in nature. There are several positive outcomes for Thailand deriving from its open economic position regarding trade in goods and services. But there are also indications of negative results particularly in terms of its persistently high income inequality, among others.

The major switch in focus of the Eighth National Economic and Social Development Plan (1997-2001) towards improving the quality of life of the people could signal a major shift in emphasis from fiscal or economic reforms to perhaps more human-oriented labor policy reforms. Unlike other studies, we were advantaged to use both primary and secondary data as basis for a more comprehensive analysis of the labor market and industrial situation in Thailand today. The policy recommendations we have submitted in this report may be taken to underscore and supplement the policy initiatives laid out in the current national economic and social development plan.

The goal of this project, i.e., to assess the impact of globalization on the Thai labor market and its industrial relations climate, may appear quite ambitious considering that globalization is still at its infancy. There is also lack of a clear and coherent labor policy framework in Thailand to base our assessment on. Yet we hope that the baseline data and analysis we have provided in this report will be useful in years to come when globalization is at its mature stage. At that time, a more refined assessment of the impacts of globalization can be more informative and evident.

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Sampling, Data Collection and Analysis Procedures

Our sampling frame consisted of a list of all small, medium and large enterprises in Thailand as of 1995, stratified by industrial sector. Using the 1990 census as base data for the initial list, the list was updated in 1994 after officers of the Ministry of Labor and Social Welfare inspected every enterprise on the list. In 1995, the list was cross-checked with the Social Security Office.

One limitation of the sampling frame was the exclusion from the list of the agricultural, fishery, forestry and mining enterprises. The initial sampling plan included samples to be selected from these industrial sectors of the Thai economy. As an alternative, samples were selected from manufacturing industries involved in the processing and export of agricultural, fish and forest products to represent these three basic industries.

One enterprise was selected at random from each of the sectoral lists and four backup enterprises for each sector were also drawn. Only four of the original ten enterprises were contacted successfully and appointments for interviews were arranged. Two of the sampled enterprises were second choices, one was a third choice and one was a fourth choice in their respective sectoral sample list. Unsuccessful interview appointments were due to refusals, lack of telephone number information for the initial contact, and difficulty in talking to the person in the enterprise responsible for permitting and arranging the interview. The remaining two sampled enterprises were subsidiary branches or head offices of the original samples. For these two cases, the originally sampled enterprises were not, by company policy, allowed or authorized to provide any type of information to third parties.

Three in-depth interviews were conducted in each sampled enterprise. In an attempt to cover a wide range of responses, the three interviewed respondents in each sample enterprise were of managerial, supervisory and worker/subordinate positions. In addition to the industry sector sample, in-depth interviews of two representatives, one from an employers' organization and another from an employees' organization, and officials from twelve selected government offices at the Ministry of Labour and Social Welfare were also conducted.

In-depth interviews were tape-recorded and then transcribed. The transcripts from the interviews were encoded for easy retrieval using the Ethnograph software for the analysis of qualitative data. Quantifiable information from in-depth interviews were also coded and analyzed using the SPSS/PC+ program.

APPENDIX-B

Sample of Labor Issues Involved in Dispute Settlement

1. **Hiring Conditions**
 - after 120 days probation, employee's compensation should change from daily wage to monthly salary
 - after the probation period, employer must increase the worker's wage or salary
2. **Working Hours**
 - reduce the number of working days/week from 6 to 5 days/week
3. **Leave of Absence**
 - increase vacation leave to include religious holidays or traditional celebrations
 - consider military recruitment as leave of absence
 - consider leave for monkhood or leave to visit Mecca as paid working days
 - consider maternity leave of 60 days with pay
 - Accumulation of leave credits
 - leave for significant family events (example : marriage, funeral, graduation)
4. **Compensation**
 - adjust compensation every year
 - fix the minimum salary per position
 - double compensation for work during holidays
 - increase living allowance
5. **Welfare**
 - 5.1 Monetary
 - High productivity bonus
 - compensation for laid off workers
 - Social insurance coverage
 - Food allowance
 - Transportation and Gas allowance
 - Hardship allowance
 - Compensation for OT and accidents in the workplace
 - retirement allowance
 - welfare for wedding and new born
 - housing allowance
 - allowance in high position
 - 5.2 Loan
 - housing
 - self education and child education
 - car
 - interest rate of loan
 - loan application requirements

- 5.3 Welfare for family
 - cremation of husband, wife, child, mother, father
 - health welfare for husband, wife, child, mother, father
 - education welfare for children
- 5.4 General welfare
 - place for sports and games
 - yearly sports competition
 - New Year's party
 - travel for staff or fieldtrip every year
 - place for relaxation during break time
- 5.5 Equipment
 - refrigerator and fan
 - telephone
 - air cleaning machine
 - television and video in dinner room
 - separate room for toxic chemicals
- 5.6 Special reward
 - for seniority and retirement
 - best employee
 - for 100% work attendance
- 5.7 Service
 - bus service and more car parks
 - life and accident insurance
 - adequate toilet and rest room facilities
 - nursing room and permanent nurse
 - health check-up every year
- 5.8 Union Activities
 - Compensation for members or workers who attend seminar, training, activities
 - training for workers
 - adjust working policies after some period
 - consultation every 3 months between employer and employee
 - provide budget support for labor union activities
 - have a board for union information and announcement
 - room with equipment for union activities

Source : Labor Relations Division, Ministry of Labor and Social Welfare, 1996.



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