

Impact of Crisis on Labor Markets

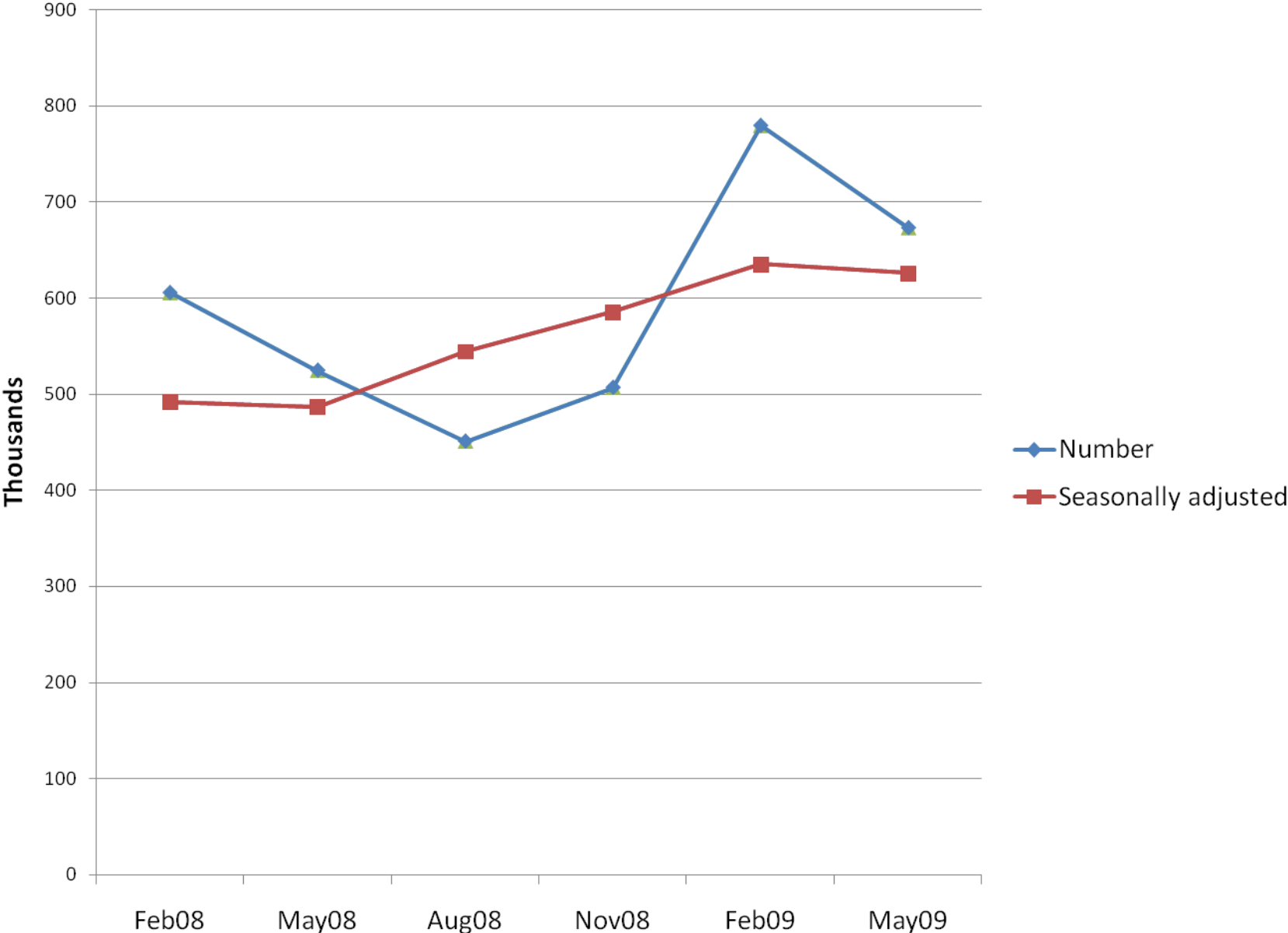
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Impact of Crisis on Labor Markets

Background

- Large informal sector: about two-thirds of the labor force
- Of the informal sector labor force, half is in agriculture => strong seasonality
- Heavy use of overtime in formal sector during normal periods

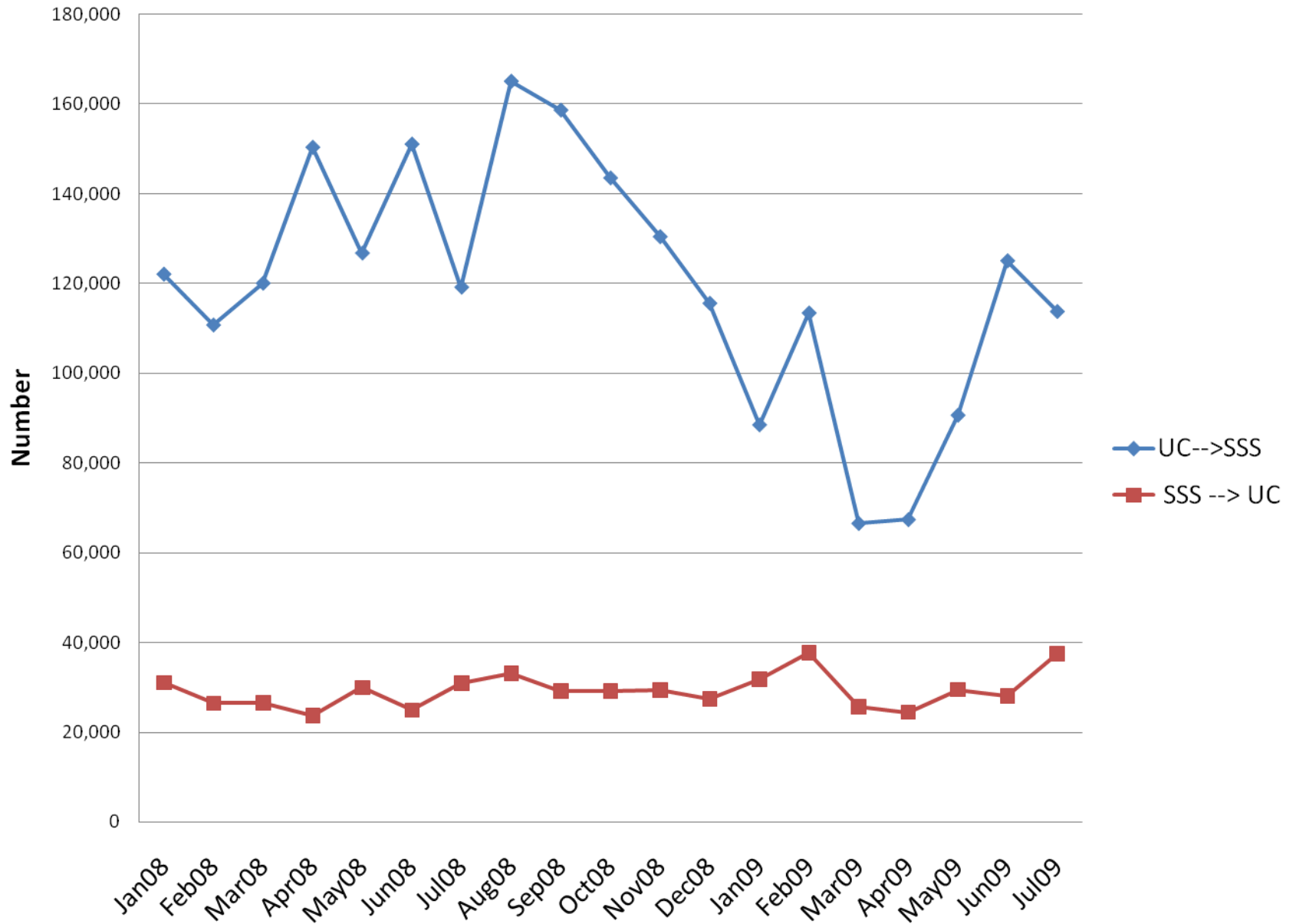
Number of Unemployed



Shock-absorbers in the system

- Reduction in over-time. No data but plenty of anecdotal evidence
- Informal sector as natural shock-absorber
- (Possibly) agricultural sector boom may have increased informal sector employment somewhat

Movement between UC and SSS beneficiaries



Impact of Social Security Laws

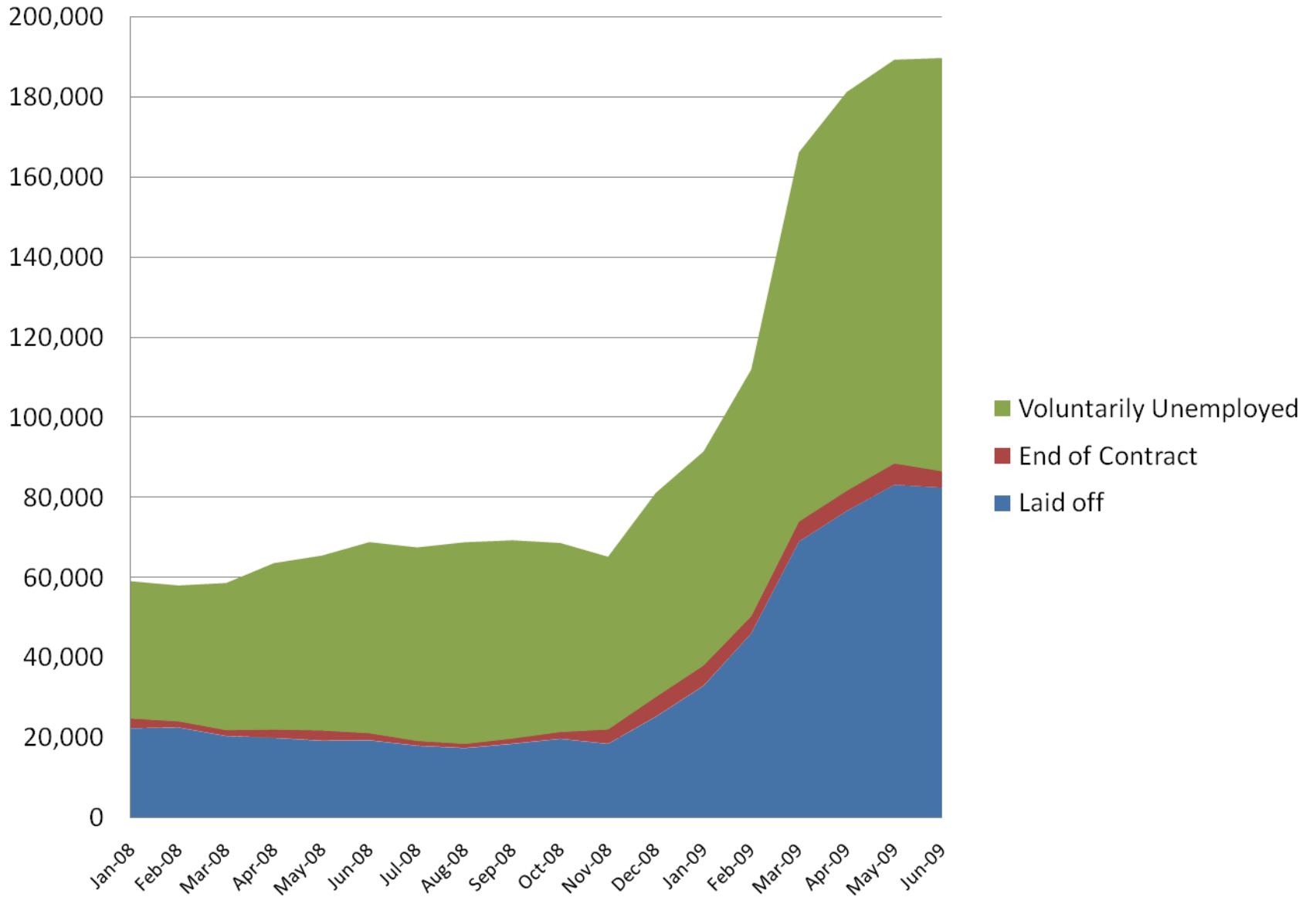
Unemployment Benefits

- Impact relatively small
- Recently introduced: so there is a learning curve aspect

Severance Payment Requirement

- The law requires that the employer has to pay between 6-10 months of pay, in case an employee is laid off

Beneficiaries of Unemployed Compensation



Necessity for supplementary measures

Reason: the impact of the crisis on employment has been small, but the impact on income has been large due to:

- Cutbacks in overtime for formal sector workers
- Fall in demand for informal sector output

Government Measures

To take care of the formal sector workers

- One-time 2000 baht cheque for every formal sector worker
- Reduction of social security tax on employer and employee by 4 per cent for a period of six months
- Expansion of period during which unemployed workers could draw on benefits including health care was temporarily expanded from 6 to 8 months

Stimulus Programs

To take care of the cut in aggregate demand the government adopts a wide variety of stimulus programs which are Keynesian in intent

- Increase in monthly stipend for the elderly from 300 baht to 500 baht **plus** expansion of program from a targeted program reaching less than a quarter of the total elderly people to a universal program for all elderly persons.

Plus a massive 400 billion baht investment program to build infrastructure and for other activities

Assessment

- Automatic stabilizers function reasonably well, but had little impact.
- The government was slow in responding to crisis. Delays in government disbursement due to political changes further exacerbated the downturn.
- Implementation of infrastructure projects was even slower.