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Thailand's informal sector is a major contributor to GDP, yet many informally employed persons still lack access to social protection schemes. See related article on page 7.

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Caption: Nujpanit Narkpitaks
Assistant: Wattana Kanchananit

Editor: John Loftus
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Revisiting Thailand's Potential Growth Rate

Don Nakornthab*

Recently, there has been a lot of discussion about China's slowing growth potential as a result of the country's changing demographics (e.g., Cai and Lu, 2013). Contained herein is a look at a country—Thailand—once also praised for its high economic growth rate, where adverse demographic forces had set in much sooner than in China.

In 2008, in the paper entitled “Past, Present, and Prospects of Thailand's Growth: A Labor Market Perspective,” the present author and his colleague, Sra Chuenchoksan, projected Thailand's potential GDP growth for the period 2008-2015 to be between 5.5 percent and 6.1 percent. It was a bold projection given that Thailand's economy grew on average by only 5.1 percent between 2000 and 2007. As it turned out, the country's average real GDP growth rate between 2008 and 2012 was 2.9 percent. In this article, the author investigates what happened and what the future holds for the Thai economy based on the same theoretical framework as in the earlier paper.

A CLOSER LOOK AT THE GROWTH NUMBERS FOR THE PERIOD 2008-2012

To some extent, the sub-par performance was not a surprise, for the Thai economy was affected by two major shocks during the period. The first was the global financial crisis that erupted only a few months after the authors had completed their 2008 paper, and the second was the flooding disaster in 2011, which almost paralyzed the entire economy. Nevertheless, it is interesting to look at the underlying numbers in more detail.

Table 1 decomposes forecast and actual GDP growth into growth in labor input as measured by hours worked and growth in labor productivity and its components.

It turned out that the 2008 paper underestimated the growth in labor input by 0.7 percent. This was due mainly to the fall in the unemployment rate during the period (from 1.4% in 2007 to 0.7% in 2012, the third lowest in the world according to data from the *World Economic Outlook* of the International Monetary Fund) while the 2008 paper projected it to rise.¹

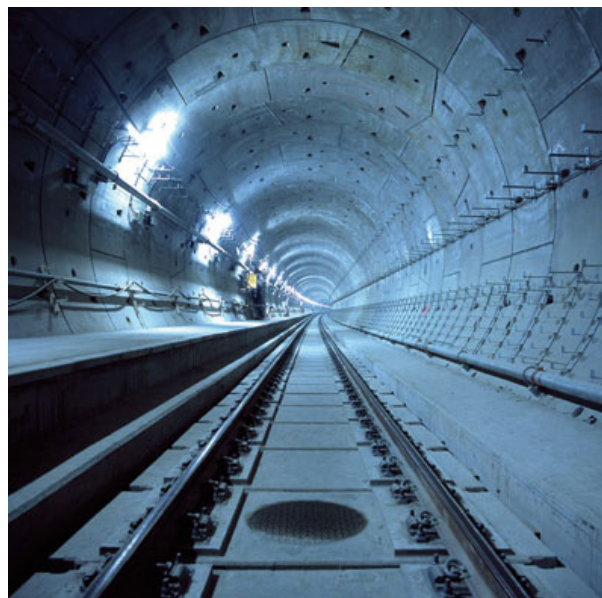


Table 1 Breakdown of forecast and actual GDP growth

	2008-2015 (Forecast)	2008-2012 (Actual)
GDP growth	5.5	2.9
Contribution from:		
Hours worked	0.5	1.2
Labor productivity	5.0	1.7
Capital intensity*	1.8	0.7
Labor quality*	1.2	1.3
Total factor productivity	2.0	-0.3

* Assuming 65 percent labor share as in Chuenchoksan and Nakornthab (2008) for comparability.

That underestimation in the growth of labor input, however, was more than offset by the overestimation of labor productivity growth. While the main driver was total factor productivity growth (TFP), which fell by 0.3 percent compared with the authors' expectations of 2.0 percent growth, the present author regards the collapse in TFP during a time of crisis as typical (during the 1997 Asian financial crisis, Thailand's TFP growth was -6.7%). What disturbs him greatly is the low rate of capital intensity (the ratio of capital stock to total labor hours). For whatever reason Thailand invested too little during the last five-year period. Whereas China may be overinvesting, Thailand is definitely underinvesting. This situation recalls the

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2008 paper which stated, “Failure to [resuscitate capital accumulation] will likely put the economy’s potential growth on a permanently lower path.”

The conclusion of the 2008 paper was based on the capital accumulation equation under the balanced growth path assumption where capital stock and output grow at the same rate:

$$\left(\frac{I_t}{Y_t}\right)_{SS} = \left(\frac{Y_{t+1} - Y_t}{Y_t}\right)_{SS} \left(\frac{K_t}{Y_t}\right)_{SS} + \delta_{SS} \left(\frac{K_t}{Y_t}\right)_{SS},$$

where *SS* denotes the steady state, *I/Y* is the real investment-to-real GDP ratio, *K/Y* is the ratio of real capital stock-to-real GDP, and δ is the capital stock depreciation rate. In the 2008 paper, the authors calculated that Thailand needed a 28.1 percent steady-state investment-to-GDP ratio to sustain the 5.5 percent growth rate, using a *K/Y* ratio of 2.6 (the 2007 value), and depreciation rate of 5.3 percent (the average between 2000 and 2007):

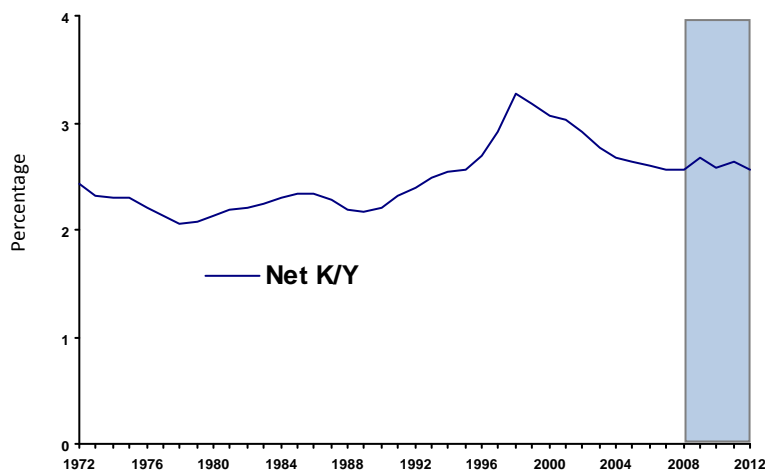
$$28.1 = 5.5 * 2.6 + 5.3 * 2.6.$$

As the figure below shows, it turned out that, between 2008 and 2012, the Thai economy could indeed be characterized as being approximately on a balanced growth path, with the capital-output ratio hovering around 2.6. The 2008-2012 growth path however corresponded to a low investment one. To see this, when the following data are plugged in, i.e., the average investment ratio for this period (21.5), average capital-output ratio (2.6) and average depreciation rate during the period (5.6), the following is the result:

$$21.5 = \underline{2.8} * 2.6 + 5.5 * 2.6.$$

The 2.8 percent growth rate is very close to the actual 2.9 percent growth rate recorded during the period.

Figure 1 Real net capital stock to real GDP, 1972-2012



Source: National Economic and Social Development Board; author’s calculation.



GLIMPSING INTO THE FUTURE

The future prospects of the Thai economy may now be considered. If it is supposed first that Thailand got stuck forever at the 2012 investment ratio of 22.8 percent, the balanced growth path GDP growth rate consistent with this value would be 3.3 percent:

$$22.8 = \underline{3.3} * 2.6 + 5.5 * 2.6.$$

This should serve to remind the authorities of the downside of the failure to ramp up the country’s needed investment.



Next, allowance is made for the seven-year, 2-trillion-baht infrastructure project that the Thai government is currently pushing. This would add about 2.4 percent to the investment-to-GDP ratio. Assuming further that the mega-spending would crowd in another 0.7 percent from private investment,² Thailand's future potential annual growth rate may be estimated to be 4.5 percent:

$$22.8 + 2.4 + 0.7 = 25.9 = \underline{4.5} * 2.6 + 5.5 * 2.6.$$

How realistic is the 4.5 percent figure? This number is sure to disappoint many who are accustomed to Thailand's past growth rates in normal times. As mentioned previously, Thailand emerged from the Asian financial crisis with average GDP growth rate of 5.1 percent during the period 2000-2007. Thus, the argument goes that the country should do no worse once the global economy recovers fully.

What most people do not realize is that, of the 5.1 percent growth rate, 1.5 percent came from employment growth. From 2016 on, however, the contribution from employment growth is expected to be zero or slightly negative due to aging demographics and the

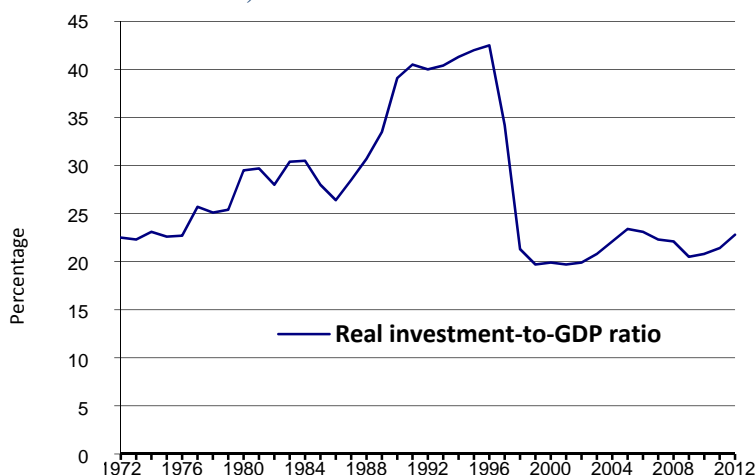
slowing population growth rate. Between 2008 and 2012, Thailand was fortunate to counter those demographic forces by increasing its employment ratio. However, it is doubtful how much more can be done in this dimension given the current extremely low unemployment rate. This means that the entire 4.5 percent will have to come from productivity growth.

In the 2008 paper, the authors were optimistic and thought that 5.0 percent labor productivity growth was attainable with a 28.1 percent investment-GDP ratio, citing the investment spurts experienced in the periods 1973-1980 and 1982-1989. However, in looking at the current political climate where occasional political tension has become a norm and the lack of will for institutional reform, it would seem that going beyond a 25.9 percent investment-to-GDP ratio would be quite a challenge.

Finally, it may be noted that, to attain 4.5 percent labor productivity growth in a balanced growth path for the Thai economy, a TFP growth rate of about 1.8 percent is needed.³ This number is below the 2000-2007 average (2.0%, which was also assumed going forward in the 2008 projection) but is the same as the average before the Asian financial crisis (that is, in the period 1987-1996). Absent a formal projection (a la Jorgenson et al., 2002), it may be said that the number seems reasonable.

All in all, the author is quite comfortable with the 4.5 percent long-term potential growth rate for the Thai economy. Thailand may get actual growth numbers higher than that during the initial period of the infrastructure investment drive, but in the end, it should average out. Obviously, if Thailand can raise its investment-GDP ratio to 28 percent or even 31 percent, which Roong et al. (2003) claimed to be an optimal investment ratio for Thailand, higher potential growth rates (5.3% and 6.4%, respectively) would be attainable. Nevertheless, as of now, it is not clear how those ratios could ever be reached.

Figure 2 Real investment-to-GDP ratio, 1972-2012



Source: National Economic and Social Development Board; author's calculation.

ENDNOTES

- ¹ Projection was made before the global financial crisis erupted. Considering the calamities that Thailand went through, the fall in the unemployment rate defied virtually all observers of the Thai economy.
- ² Vachira et al. (2005) found that a 10 percent increase in public investment led to a 0.7 percent increase in private investment. The 2 trillion baht in spending planned for the next seven years will produce an increase in public investment in 2012 of about 43 percent. Assuming the same magnitude of crowding-in, private investment would rise by 3 percent over the 2012 amount, that is 80 billion baht, or 0.7 percent of nominal GDP.
- ³ In a balanced-growth-path, labor productivity growth equals the sum of TFP growth divided by labor's share and labor quality growth. The calculation in the text assumes 0.69 percent, the number from the latest National Economic and Social Development Board's 2011 National Accounts Statistics, for the latest labor share and 1.9 percent for labor quality growth. The latter is the same as that in the 2008 projection, which turned out to be quite close to the actual out turn.

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Social Protection in Thailand's Informal Sector

Yongyuth Chalamwong
Jidapa Meepien*

INTRODUCTION

In the international context, the informal sector includes the following: family workers in a business; fewer than 10 people employed in a business; businesses not covered by legal regulations or those where existing regulations are not observed; businesses for which there are no regular working times; those whose workers have fewer than six years of schooling; those where the work is seasonal; those where no electricity is available in the workplace; and those not dependent on regular loans. In Thailand, the informal sector often refers to workers who cannot access social security systems.

In Thailand, the informal sector is the largest and main economic sector. With regard to a survey done on the global economy (Thailand Outlook, 2010), Thailand was ranked seventh among the countries with the highest revenue generated by the informal sector. In terms of its contribution, the sector helps produce 70 percent of GDP, which is significantly larger than the contribution of the formal sector. This is due to the fact that the informal sector encompasses many unorganized economic activities (e.g., commerce, agriculture, construction); hence, the sector has become a natural absorber of labor (Sasiwimon 2011). In 2012, data provided by the National Statistical Office (NSO) indicated that an estimated 24.80 million workers were employed in this sector, or 62.66 percent of the total.

Although this is the largest sector, accounting for more than 70 percent of GDP, the workers in this sector, however, live with constraints. They lack opportunities to access the social protection that the government provides to those in the formal sector; some scholars are of the view that they have been abandoned by the government (Amara et al. 2001).

Most of the informally employed persons are vulnerable to risks which occur as a result of their occupation. This is due to the fact that employment in the informal sector is mostly irregular and without enforceable contracts (Amara et al. 2001). The informal sector workers generally lack job security or workers'

benefits, and not many of them are covered by government-provided social protection schemes. In the worst cases, they are subjected to harassment and exploitation by their employers. The livelihoods of informal sector worker in Thailand, especially in the agricultural sector, have fallen into poverty.

The main research question is, "Do the existing social protection schemes provide justice for those in the informal sector?" To answer that question, this study includes the conduct of:

- A situation analysis of the existing situation in Thailand's informal sector and the social protection schemes provided for that sector;
- An informed assessment of the justice of social protection schemes. The main elements used to measure justice are the coverage of the social protection schemes, accountability and transparency, and sustainability.

The study is divided into four main sections. The first section is focused on the characteristics and role of Thailand's informal sector; it contains a description of the characteristics of the workers in the informal sector, such as composition (sex and age), education, and type of occupation. The second section contains an overview and review of the existing social protection systems and institutions in Thailand's informal sector. The third section provides an assessment of the justice of the social protection schemes. The last section provides a set of recommendations and offers a comprehensive picture of the current situation.

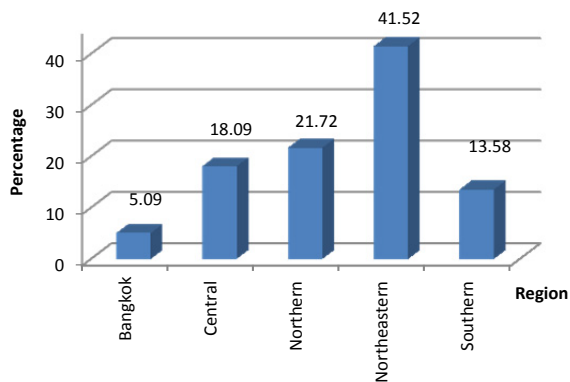
I. CHARACTERISTICS AND ROLE OF THAILAND'S INFORMAL SECTOR

Many renowned scholars such as Yongyuth and Amornthep (2012) and Amara et al. (2001) stated that the characteristics of workers in the informal sector are very dynamic. This is due to the fact that the sector embraces many unorganized economic activities, which absorb a large number of people from the labor market.

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In 2012, it was estimated that 24.80 million workers were in the informal sector, accounting for 62.66 percent of the total labor force. In terms of distribution, the largest concentration of workers in the informal sector is found in the northeastern part of Thailand (41.52% of the total, or 10.3 million people), followed by the northern part (21.72%, or 5.39 million) and the central part (18.09%, or 4.49 million), respectively. Bangkok accounts for only 5.09 percent (1.26 million) of the informal sector (Figure 1).

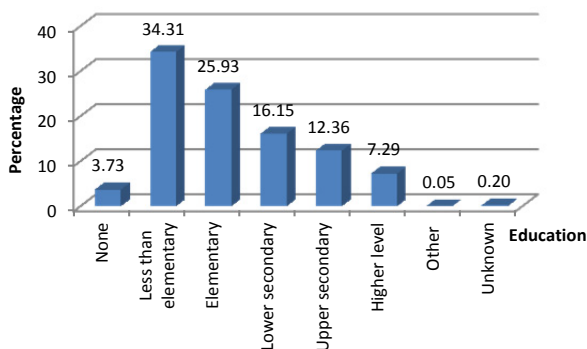
Figure 1 Percentage of informal sector employment classified by region in 2012



Source: *The Informal Employment Survey 2012 Whole Kingdom*, National Statistical Office, 2012.

Figure 2 shows the education of the workers in the informal sector. Statistical data collected by NSO in 2012 revealed that the largest share of the workers in the informal sector had less than an elementary or primary education (34.31%, or 8.51 million); they were followed by those with an elementary education and a lower secondary education, accounting for 25.93 percent (6.43 million) and 16.15 percent (4.00 million) of the total, respectively. A small number of workers completed higher education (7.29%, or 1.81 million). These data show that the higher is the worker's level of education, the less likely is the worker to be engaged in the informal sector.

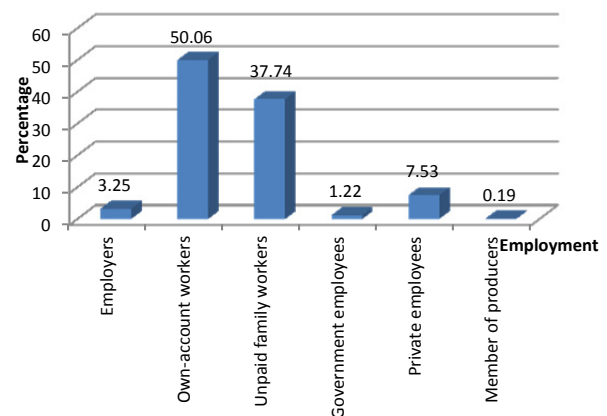
Figure 2 Percentage of informal employment classified by education in 2012



Source: *The Informal Employment Survey 2012 Whole Kingdom*, National Statistical Office, 2012.

Figure 3 shows the percentage of informal employment classified by employment status. The statistical data in 2012 revealed that own-account workers comprised the largest group (50.06%, or 12.42 million), while unpaid family workers accounted for 37.74 percent (9.36 million). The third and the fourth largest groups were private employees and employers who had fewer than 10 employees; they accounted for 7.53 percent (1.87 million) and 3.25 percent (805,826) of the total informal employees, respectively. The government sector accounted for a small share in informal employment; according to the statistical data, it accounted for only 1.22 percent (303,029) of such employment.

Figure 3 Percentage of informal employment classified by employment status



Source: *The Informal Employment Survey 2012 Whole Kingdom*, National Statistical Office, 2012.

The informal sector encompasses many unorganized economic activities (Sasiwimon 2011; Ruffer and Knight 2007); therefore, it is often found that the informal sector creates many jobs. The statistical data in 2012 revealed that the greatest concentration of informal employment was in the agricultural sector, that is, an estimated 62.46 percent or 15.49 million. The second and the third largest shares were in wholesale and retail trade, and accommodation and services, which accounted for 15.16 percent (3.76 million) and 6.46 percent (1.60 million), respectively. The manufacturing sector accounted for 4.75 percent (1.18 million) of informal employment (Table 1).

Figure 4 shows the problems that the workers in the informal sector face: allowances (44.03%), hard work (24.77%) and short-term work (19.22%). A fourth problem is the insecurity of informal employment (5.95%).

In terms of income, the study found that informally employed persons generally earn less income than workers in the formal sector. According to the 2012 statistical data, the average monthly wage of informally employed persons is 5,045 baht (US\$1 = about 31 baht at the time of writing). The agricultural sector was identified as the sector accounting for the

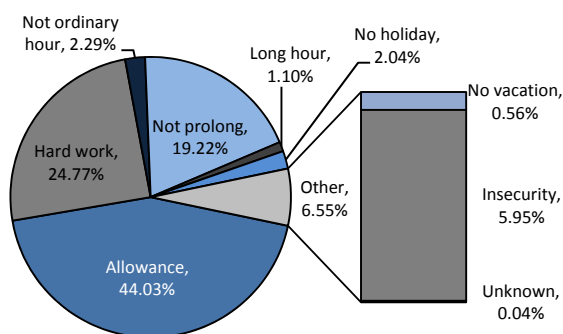
lowest income; the average monthly wage in this sector was about 3,870 baht. On the contrary, informally employed persons in information and communication activities earned the highest average monthly wage of 10,000 baht, followed by activities of extraterritorial (9,000 baht per month), and human health and social work (7,743 baht per month) (Table 2). In the study, formally employed persons were found to earn an average monthly wage of 12,118 baht, which was approximately 2.5 times higher than the wages of employees in informal employment. This phenomenon seems to happen in most sectors. The empirical evidence produced by the NSO showed that in the agricultural sector the number of informal workers was rather high but they received a low average monthly wage of 3,870 baht, whereas formally employed persons earned higher wages (5,784 baht per month) (National Statistical Office, 2012).

Table 1 Informal employment classified by industry

Industry	Total	Percent
Agriculture, forestry & fishing	15,490,402	62.46
Mining and quarrying	3,265	0.01
Manufacturing	1,178,506	4.75
Electricity, gas, steam supply	335	0.00
Water supply	11,656	0.05
Construction	1,090,398	4.40
Wholesale and retail trade	3,759,406	15.16
Transportation storage	479,646	1.93
Accommodation and food service	1,602,703	6.46
Information and communication	32,943	0.13
Financial & insurance activities	22,096	0.09
Real estate activities	38,105	0.15
Professional, scientific and technical	69,584	0.28
Administrative and support services	83,040	0.33
Public administration and defence	141,576	0.57
Education	109,875	0.44
Human health and social work	70,986	0.29
Arts, entertainment	129,737	0.52
Other service activities	447,573	1.80
Activities of household as employers	36,172	0.15
Activities of extraterritorial	456	0.00
Unknown	1,039	0.00
Total	24,799,500	100.00

Source: *The Informal Employment Survey 2012 Whole Kingdom*, National Statistical Office, 2012.

Figure 4 Problems of Thailand's informal sector



Source: *The Informal Employment Survey 2012 Whole Kingdom*, National Statistical Office, 2012.

Table 2 Wages of formally employed persons and workers in the informal sector

Industry	Formal	Informal
Agriculture, forestry & fishing	5,784	3,870
Mining and quarrying	20,672	5,359
Manufacturing	10,416	5,204
Electricity, gas, steam supply	28,916	5,546
Water supply	12,409	5,847
Construction	8,945	5,540
Wholesale and retail trade	10,383	5,403
Transportation storage	15,394	6,336
Accommodation and food service	8,605	5,358
Information and communication	24,099	10,000
Financial & insurance activities	22,478	5,568
Real estate activities	14,631	7,000
Professional, scientific and technical	18,599	7,739
Administrative and support services	11,217	6,395
Public administration and defence	14,616	6,865
Education	20,819	7,586
Human health and social work	14,738	7,743
Arts, entertainment	9,121	4,184
Other service activities	8,642	4,272
Activities of household as employers	6,842	7,511
Activities of extraterritorial	47,357	9,000
Unknown	14,114	2,000
Average	12,118	5,045

Source: *The Informal Employment Survey 2012 Whole Kingdom*, National Statistical Office, 2012.

Another major problem is the insecurity of the informal sector. Even though this problem is not as great as the three main aforementioned problems, it has a considerable impact on the livelihood of informally employed persons. Many studies carried out by scholars, such as Yongyuth (2012) and Amara et al. (2001), found that many of the informally employed persons in Thailand lack social security, especially in terms of social protection. Although there are many social protection schemes, such as the insurance scheme under Article 40 of the Social Security Act and the Universal Health Care benefit, only a limited number of informally employed persons have access to those social protection schemes. For instance, the insurance scheme under Article 40 of the Social Security Act covers 1,184,647 informally employed persons (4.82% of the total).

The foregoing summary shows that the informal sector in Thailand is very dynamic; many new jobs are created and the distribution of this sector is also very high compared with other sectors. The view of many studies is that this sector plays a very important role in Thai society, as it is a major contributor to GDP (Yongyuth and Amornthep 2012; Seela, n.d.). Even though the informal sector is the largest sector, many workers in it face several constraints, such as lack of social protection, insecurity, low incomes, and long working hours. Workers in the informal economy lack comprehensive protection by the government; as a result, they receive unfair wages or wages below the legal minimum, and have less accessibility to health insurance or social welfare, unlike their counterparts in the formal sector. In addition, informal sector workers

are not strongly organized and, therefore, do not have effective bargaining power.

II. EXISTING SOCIAL PROTECTION SYSTEMS AND INSTITUTIONS FOR THAILAND'S INFORMAL SECTOR

The National Economic and Social Development Board (NESDB) (2009) classified the level of social protection in Thailand into three main categories: (a) social protection floor, which includes accessibility to essential health care for all, income security, assistance for children, the unemployed and the poor, and income security for the elderly and disabled; (b) mandatory social insurance/social security benefit at guaranteed levels for contributors; and (c) voluntary insurance (Figure 5).

The study found that theoretically the social protection schemes currently available are beyond the social protection floor due to the fact that the government has tried to develop and expand many social protection schemes for the informal sector. The existing social protection schemes cover income generation, health-care services, and income security for the elderly.

Income generation

It was found in the study that the social protection schemes are concerned with income generation in the informal sector and involve microfinance schemes and village funds. These can be divided into two main categories: schemes that the government implements in cooperation with banking institutions and those to which the government contributes.

Microfinance scheme

Following the 1997 Asian financial crisis, the government developed the first National Microfinance

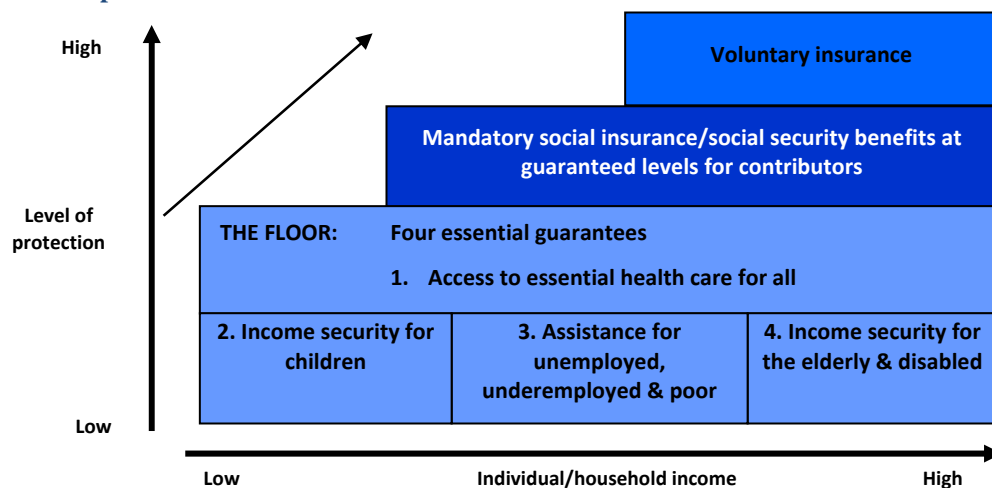
Plan, a five-year plan covering the period 2009-2013. In principle, it is the mechanism that the Bank of Thailand uses for increasing access of the unserved and underserved groups to financial services. The microfinance scheme combines the operation of the formal banking system and the financial services provided for low-income people. Currently, the microfinance scheme can be subdivided into three main categories: (a) formal and large microfinance institutions; (b) semi-formal microfinance institutions; and (c) self-help savings and credit groups (Figure 6) (Foundation for Development Cooperation, 2010).

In the study, it was found that most of the credit coverage is in the formal sector where such coverage is estimated to be about US\$ 234 billion. For the semi-formal sector, the credit coverage is worth about US\$ 26 billion, while the credit coverage for the informal sector is US\$ 909 million. The key players in the microfinance scheme include the government, financial institutions, such as the Bank for Agriculture and Agricultural Cooperatives, the Government Savings Bank. Others include insurance companies, cooperatives, and village banks.

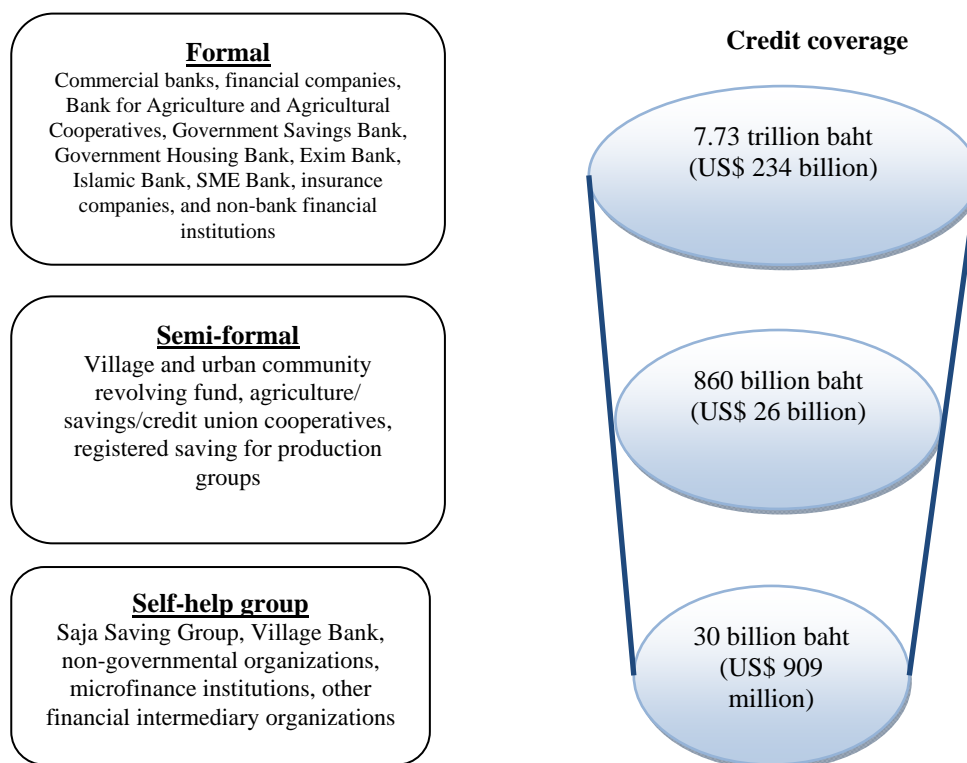
Village and Urban Revolving Fund

The Village and Urban Revolving Fund had its start in 2001 as a populist program; it was started as the Thailand Village and Urban Revolving Fund program. The objective of this fund was to provide 1 million baht to every village and urban community in Thailand so that it could be used as working capital for locally run revolving credit associations (Jirawan et al. 2009). In other words, this fund helps people in rural communities to access financial resources. The fund, which has been implemented for more than 10 years, has produced numerous beneficiaries: approximately 79,250 villages populated by 12.8 million members. The fund has generated an estimated 160 billion baht (Thanapat 2012).

Figure 5 Social protection's staircase



Source: *Community-based Social Protection in Thailand: Innovation and Opportunity* (National Economic and Social Development Board, 2009).

Figure 6 Categories of microfinance schemes in Thailand and their credit coverage

Source: *Microfinance Industry Report: Thailand* (Foundation for Development Cooperation, 2010).

Even though the government recently announced its minimum income and wage guarantee policy, it was found in the study that not many informally employed persons are being protected by this scheme. Only farmers benefited from the scheme; others still lack the opportunity to access the scheme.

Health-care services

Insurance schemes under Article 40 of the Social Security Act

There are a variety of social protection schemes for people in the informal sector, including insurance schemes under Article 40 of the Social Security Act. A provision of the schemes is that anyone who is not an employee under Article 33 may apply to become an insured person under this Act by notifying the Social Security Office of his or her intention. Rules, rate of contributions and type of benefits to be received under Section 54, including rules and conditions of entitlement, were prescribed in the Royal Decree concerned.

As in Table 3, the insurance schemes under Article 40 of the Social Security Act are sub-divided into two schemes: the **100 baht scheme** and the **150 baht scheme**, both of which are partially subsidized by the government. The 100 baht scheme receives a 30 baht subsidy while the 150 baht scheme receives 50 baht. Insured persons under both schemes receive

different benefits. According to the Social Security Office (2009), the organization that undertakes these schemes, there are an estimated 1.84 million informally employed persons registered for these schemes.

Universal Health Care Coverage

According to Srawooth 2012, universal health care coverage was initiated under the Seventh National Economic and Social Development Plan (1992-1996), with implementation starting in October 2001. This scheme arose from the populist policies of the Thaksin Shinawatra government, and was first called the 30 Baht Health Care Scheme. Thai citizens who applied for the scheme would be charged 30 baht for an outpatient hospital visit or admission. The scheme was aimed at providing full health care for all Thais not covered by the Social Security Fund or the Civil Servants' Medical Benefit Scheme (Srawooth 2012).

The 30 baht scheme consolidated all of the previously existing health insurance schemes belonging to the Ministry of Public Health, such as the Health Welfare Program for the Low Income and Disadvantaged and the Health Card Scheme (the 500 Baht Health Card for Families). Eligible persons have to register with the networks concerned in order to obtain a free insurance card and they can then pay a flat rate co-payment of 30 baht for each outpatient visit or hospital admission (the co-payment was exempted in 2006).

Table 3 Contributions and benefits of the insurance schemes under Article 40 of the Social Security Act

Scheme and contribution	Contribution	Benefits			
		Injury or sickness	Invalidity benefit	Death benefit	Old-age benefit
First scheme, or 100 Baht Scheme	<ul style="list-style-type: none"> Insured person contributes 70 baht Government provides subsidy of 30 baht 	√	√	√	–
Second scheme, or 150 Baht Scheme	<ul style="list-style-type: none"> Insured person contributes 100 baht Government provides subsidy of 50 baht 	√	√	√	√

Source: Social Security Office, 2009.

The Universal Health Care Coverage Scheme is financed from government revenue. For inpatients, the government pays fees to hospitals according to the types of illnesses of the patients; this is called the Diagnosis Related Group. For outpatients, the government pays lump sum amounts to hospitals according to the number of individuals who registered to receive services from such hospitals; this is called capitation.

The health care package includes: (a) outpatient and inpatient treatment; (b) maternal care; (c) child delivery; and (d) necessary dental care, including acrylic dentures, preventive care and emergency care. Insured persons must visit public hospitals in their designated areas. If a specialist is required, patients are referred to a higher level of hospital at no extra charge for treatment.

The National Health Security Office was established in 2002 to supervise the universal health care scheme. The number of Thai people insured by the 30 baht scheme increased from 45.35 million people in 2002 to nearly 47 million people in 2008. Those who are not insured under of the scheme are assumed to be insured under other programs, such as Social Security Office, and Civil Servant Medical Benefit Schemes.

In addition, some people in the informal sector who are not insured persons according to Article 40 of the Social Security Act of 1990 can receive benefits under the Universal Health Care Coverage scheme. In August 2012, the Minister of Public Health stated that this scheme covered 75 percent of Thailand's population, or about 48 million people. He further mentioned that in fiscal year 2012 the government had raised the per capita expenditure budget under the Universal Health Care Coverage Program to 2,755.60 baht per head.

Income security for the elderly and disabled

Universal Pension Scheme

The 500 Baht Universal Pension Scheme was established in 2009 in order to allocate benefits for every elderly Thai citizen, but at a lower amount at that

time. A contributory scheme, it provided financial assistance to persons at least 60 years of age who had inadequate income to meet their expenses, lacked a supporter, had been abandoned, or were unable to work.

At first, the elderly were provided 200 baht; the allowance was increased to 300 baht per person per month in 2000. In 2002, the rule for targeting the appropriate recipients was revised. It prioritized the elderly in several underprivileged situations or those living in remote areas where public services were minimal. In addition, the selection committee for this scheme was diversified in order to include representatives of local authorities, elderly-related local organizations, or the community. In 2005, significant reforms of the means-tested old-age allowance system were instituted. In line with Thailand's decentralization process, the tasks of identifying clients and defining allowance payments were delegated to local authorities through grants from the central government, namely, the Department of Local Administration in the Ministry of Interior. The definition of "underprivileged elderly" was maintained. The targeting process occurs cooperatively between local authorities and the community council (*prachakom*). The community ranks the elderly on the list of new applicants and on the waiting list (from the previous fiscal year). The community councils use a range of methods for the ranking process, such as ranking the elderly by age, using the majority-voting mechanism, adopting the community committee system, ranking by various characteristics of the elderly, and allocating the allowance to all elderly (Thaworn 2006). In addition, local authorities with adequately strong fiscal resources could use their own funding to increase allowances. In 2006, the benefit was increased to 500 baht (or 31.4 constant 2005 purchasing power parity dollars, i.e., US\$ 13.88) per person per month (Thaworn and Worarat 2011).

Currently, the government provides a progressive old-age allowance for the elderly, above the previous flat rate of 500 baht. Under the income support policy, elderly persons between 60 and 69 years of age would receive a monthly allowance of 600 baht. Those

aged between 70 and 79 years old would receive 700 baht, with the amount increasing for those between 80 and 89 years (800 baht), and 90 years or older (1,000 baht) (The Government Public Relations Department, 2012).

National Savings Fund

In 2011, the government enacted the National Savings Fund Act B.E. 2554 (2011). This fund is managed and administrated by the National Savings Fund Office to enable people without social welfare services, such as those in the informal sector, to save their income in this government fund; benefits would be returned to them when they reach age 60. This scheme became available to interested persons in July 2012.

Table 4 summarizes the characteristics of the social protection system for Thailand's informal sector. According to the Table, there are six social protection schemes for people in the informal sector. They are aimed at covering all groups of informally employed persons, which are very dynamic, especially in terms of their contributions.

III. ASSESSMENT OF THE JUSTICE OF SOCIAL PROTECTION SCHEMES

The coverage of the social protection schemes is the main element used to measure and assess the justice of the social protection schemes provided for people in Thailand's informal sector.

Srawooth (2012) stated that, regardless of the economic sector, social protection scheme practices normally are acknowledged to be "imperfect" and "unjust." This is due to the fact that some groups of people, such as people in the informal sector, lack opportunities to access the social protection system.



In the past decade, social protection schemes for the informal sector developed very rapidly. They grew from the populist policies of the government, and later were expanded to cover all sectors. Theoretically, the protection schemes should cover informally employed persons; however, Yongyuth (2012) pointed out that many informally employed persons in Thailand still lacked access to social protection schemes. Statistical data collected by the Social Security Office (2010) show that at the end of September 2012 there were 1,184,647 informally employed persons registered in insurance schemes under Article 40 of the Social Security Act. That number accounted for only 4.82 percent of all informally employed persons.

In addition, it was found that informally employed persons are not covered by the Workmen's Compensation Fund, according to a survey undertaken in 2012 by the National Statistical Office. It revealed that many of the informally employed persons use the Universal Health Care Program (30 baht health care scheme) when they are involved in accidents at work. The study revealed that almost of them would pay for the medical treatment by themselves as they lack medical benefits.

Table 4 Characteristics of the social protection system for Thailand's informal sector

Social protection schemes	Details	Institution
Insurance schemes under Article 40 of the Social Security Act	Voluntary schemes provide opportunities for informally employed persons.	Social Security Office
Universal Health Care Schemes	The so-called 30 baht health-care scheme is subsidized by the government, and creates opportunities for all Thai people, as well as migrant workers, especially those who lack social insurance coverage.	National Health Security Office
Universal Pension Scheme	This scheme allocates benefits to every elderly Thai citizen.	Ministry of Public Health
National Savings Fund	This scheme enables people without access to social welfare services, such as those in the informal sector, to build up savings for their old age.	Ministry of Finance
Village and Urban Revolving Fund	This fund provides 1 million baht as working capital to every village and urban community in Thailand.	Ministry of Finance
Microfinance schemes	These combine the operations of the formal banking system and financial services provided for low-income people.	Ministry of Finance, banking institutions, NGOs, and cooperatives

Source: By authors.

It was pointed out in the study that the social protection schemes for informally employed persons currently lack justice in terms of coverage under Article 40 and medical benefits (Table 5). In considering the coverage of the social protection schemes for the informal sector, even though there are no empirical data that show the difference between social protection schemes provided in urban and rural areas, many scholars have pointed out that urban areas provide easier access to social protection schemes than do rural areas. A study by Amara et al. (2001) proposed that decentralization is needed because it would help to increase the efficiency of social protection schemes due to the fact that local governments have better information regarding local needs and preferences. Their study also stated that decentralization strategies would result in poverty reduction. In terms of allocating money to social protection, in particular to social assistance and services programs, civil society organizations have actively played an increasing role nowadays. The media have also played a very important monitoring role in the implementation of social protection schemes, such as village funds, and the 30 baht program. As Amara et al. (2001) stated, “the public has been told of the mismanagement or misuse of certain funds, resulting in a growing demand for transparency.”

With regard to the constraints against just forms of social protection for Thailand’s informal sector, it was found in this study that there are two main constraints against just social protection in Thailand: the institutions and budget allocation; and government policies and existing legislation.

As for the institutions, the empirical study showed that the institutions related to the informal sector still lack integration. Even though there has been an increase in the level of cooperation among the government and other stakeholders, such as the banking institutions, local authorities, and non-governmental organizations, in delivering the social protection schemes to the informal sector, each institution still lacks integration, especially in terms of information.

With regard to budget allocation, the budget for social protection is not very large. Social protection accounts for 7.5 percent of the national budget’s expenditures, or 4.5 percent of Thailand’s GDP; however, a large portion of this amount is allocated to the formal sector rather than the informal sector.

Thailand has several mechanisms, such as government policies, legislation, and national policy structure, for enforcing just social protection for informally employed persons; however, the main obstacle arises in terms of the implementation of such policies.

IV. CONCLUSION

This paper was aimed at studying social protection for the informal sector in Thailand. According to the study, the informal sector is the country’s largest sector, and it plays a very important role in terms of its economic contributions. In considering the social protection schemes for the informal sector, although many schemes have been developed and expanded for informally employed persons, only a small number of such persons can access those schemes. Owing to the fact that the characteristics of the sector are very dynamic, the existing social protection schemes do not fit all workers. As for creating a just social protection system for the informal sector in the government, the study disclosed that the coverage of social protection, accountability and transparency, and sustainability are still “unjust” for the informal sector in Thailand. As for coverage, Only a small number of informally employed persons can access the social protection schemes. In considering accountability and transparency, the study found that a monitoring system is still lacking; such a system is needed to monitor the organizations that undertake social protection for the informal sector. In terms of sustainability, Hu and Stewart (2009) stated that broadening the access to social assistance programs, especially non-contributory pensions, is needed.

Table 5 Work injury claims of informally employed persons

	Whole Kingdom		
	Total	Male	Female
Total	287,298	201,148	86,151
No benefits paid for medical expenses	59,818	42,528	17,290
Employer	2,287	1,871	416
Parents, relative, friend	3,065	2,784	281
Own paid	54,466	37,873	16,593
The benefits paid for medical expenses	227,480	158,620	68,860
Universal health insurance	198,366	137,204	61,162
Social security/ompensation fund	-	-	-
Welfare official/State enterprise	6,905	3,789	3,116
Private health insurance companies	19,132	15,552	3,580
Others	3,078	2,076	1,002

Remark: The total number is counted from informally employed persons, who claimed for medical expense.

Source: *The Informal Employment Survey 2012 Whole Kingdom*, National Statistical Office, 2012.

It is less deniable that informal sector workers in Thailand comprise the largest group in the economy and is very dynamic. In this context, it is very difficult for the government to undertake any action to bring social protection to individuals. Hu, Yu Wei further stated that it is important to provide social protection for the poor elderly, and this must be on a non-contributory basis. Means testing and universal access are the two main approaches. With regard to the means testing approach, only those who are too poor to support themselves should be eligible for benefits; under the universal access approach, all older people would be eligible.

Compulsory social protection schemes must be proposed for the entire informal sector, because currently only a small number of the informally employed can access social protection schemes. Even though the government has policies that are identified at a high level, it must intentionally propose such policies for all informally employed persons.

For subcontracted workers, a clear legal relationship between employers (contractors) and subcontracted workers needs to be established, identifying their mutual obligations. Part of this would involve having employers (e.g., company or factory managers) register the informally subcontracted workers whom they employ either on or off the premises. The employers should then make social security contributions for those workers, either in a form similar to that for formal workers, or as a fixed amount per informal worker employed payable into a general fund administered by the government for informal employees and their families.

Certain legislation regarding social protection in Thailand needs to be amended, in order to easily allow the development of community-based insurance schemes administered through cooperatives. Regarding health policies, the Thai government should continue moving toward adequate universal coverage, and should monitor and improve over time upon the 30 baht health policy. An immediate need is to inform low-income individuals and families in particular so that they could benefit most from the plan. Other concerns center on the referral system (where smaller health centers transfer patients to larger centers with better health services, relying exclusively on the judgment of local health practitioners to determine whether specialists can be seen) and the quality of care and benefits available through the plan. However, since this is a new program, these aspects need to be evaluated carefully.

The most important component is integration among the stakeholders in managing social protection for the informal sector. The government, along with non-governmental organizations and the private sector, as well as other national and international organizations, should continue working toward the implementation of better policies and institutions that deal with occupational safety and health. Among other efforts, these institutions should help monitor current

conditions, using readily accessible information about safety and health problems and their causes, and help create and enforce new legislation and programs that are aimed at trying to find effective ways to deal with hazardous conditions in the informal economy.

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