

Investigating Thai labor market... how well it recovered after the city re-opening

The COVID-19 pandemic severely affected the Thai labor market. The fact suggested that, first, in the second quarter of 2020 during the city lockdown, the number of unemployed and underemployed^{5/} workers totaled 6 million persons. The number of unemployed workers almost doubled, while the number of underemployed workers was at the historical high. Although the figures improved following the city re-opening and as economic activities started to recover, the number of workers unemployed and underemployed remained high at around 4 million persons. Second, the impact was uneven across economic sectors, where sectors relying on external demand were severely affected and would recover more slowly than other sectors. Third, more than 1 million workers returned to their domicile, with some remaining unemployed. Those that sought for new jobs were mostly employed in sectors with low productivity and wages, especially in the agricultural sector.

Against the backdrop of vulnerable recovery of the labor market and high uncertainties arising from various risk factors, the number of unemployed and underemployed workers would remain high, especially workers in tourism- and export-related sectors. Therefore, labor policy would be more important **in creating job and income, as well as enhancing skill development for workers to be consistent with the changing economic structure after the COVID-19 subsided.**

Fact No.1 In the second quarter of 2020, the number of unemployed workers almost doubled and that of underemployed workers was at the historical high following disruptions of economic activities during the city lockdown. The number of unemployed workers rose from around 400 thousand to 750 thousand, while underemployed workers recorded high level of 5.4 million. (Chart 1) Underemployed segment should also be given importance as these workers, though not yet unemployed, earn low income given low working hours. This might not be enough to sustain the whole households. **During the gradual re-**

opening of the cities, the number of unemployed and underemployed workers improved somewhat from the lockdown period, but remained high. In August, unemployed workers recorded 720 thousand, while underemployed workers stood at 2.6 million. Moreover, unemployed workers under the Social Security System or requested for unemployment benefits continued to rise to 4.4 thousand from 4.0 thousand in June. Looking ahead, the recovery of the labor market would be highly uncertain due to various risk factors, particularly the gradual phasing out of government relief measures and uncertainty pertaining

Chart 1 The number of unemployed workers had almost doubled and that of underemployed workers had been at the historical high during the city lockdown (Q2/2020) before the figure decreased somewhat following the gradual re-opening of the cities.

The number of underemployed workers (working less than 4 hours per day) and unemployed workers



Source: Social Security Office, calculated by Bank of Thailand

^{5/} The Bank of Thailand defines “underemployed” workers as employed workers working less than 4 hours per day.

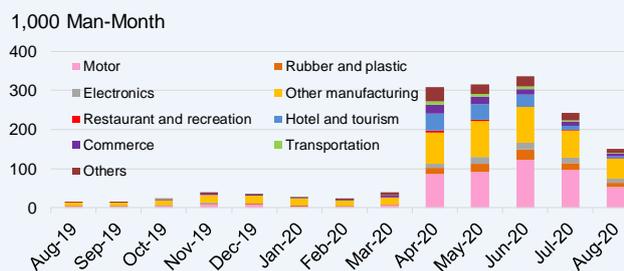
to the second wave of the outbreak. The number of unemployed and underemployed workers was thus expected to remain high.

Therefore, expediting job creation, both full-time and part-time jobs, was considered key measures in the short run to support unemployed and underemployed workers. Government should accelerate job creation to be sufficient in all areas, especially public work that would lead to local development and wealth distribution to the region. Part-time job creation should also be promoted in tandem with skill development for underemployed workers in order to offer second jobs and additional source of income. In addition, government may consider extending the benefits for unemployed workers under the Social Security System for longer than the normal standard of 6 months, while taking this opportunity to link the benefits providing to unemployed workers with requirements for these workers to engage in skills development. This would ensure that these workers would be able to live, adjust, and find new jobs.

Fact No.2 The impact was uneven across different economic sectors, where sectors heavily relying on external sector experienced severe impact from the COVID-19. This was particularly seen in, first, hotel and tourism sector, as reflected by the number of temporary suspension of businesses under section 75^{6/} in April that accelerated 35 times from that of March (Chart 2). This resulted in considerable work hour losses, while workers that did not lose job were underemployed. Thus, overall income declined 29 percent and 33.6 percent in June and August, respectively, relative to March. Looking ahead, workers in the hotel and tourism sectors could face high risk of earning less or losing jobs if the second wave of the outbreak were to occur and consequently affected the policy to reopen the country for foreign tourists. Second, workers in the **auto and auto parts sectors** were also heavily affected by the temporary suspension of businesses. Work hour losses in April accelerated by 14 times those of March (Chart 2). Despite some moderation, the figure was still high at 9 times of March due to falling demand both domestically and abroad.

Chart 2 The temporary suspension of businesses in auto and auto parts sectors decreased somewhat, yet was still high at 9 times of March 2020.

The number of working hour missing due to the temporary suspension of business (Section 75)



Note: (1) Index has a unit of man-month which is calculated by number of workers X (number of missing working days in a month/ number of days in a month)
 (2) The Section 75 number is calculated by summarizing firms and employees reported to the Ministry of Labor for the temporary suspension of business.

Source: Department of Labor Protection and Welfare, calculated by Bank of Thailand

For economic sectors facing high impacts, **government would consider introducing incentive measures, including co-payment measure, for businesses with potential to sustain employment for workers in these economic sectors.** The co-payment measure would ensure employment of these workers as well as employment of the newly graduates. This would help preserve the skills of workers, support workers and businesses with potential to survive, and maintain productivity a country's competitiveness.

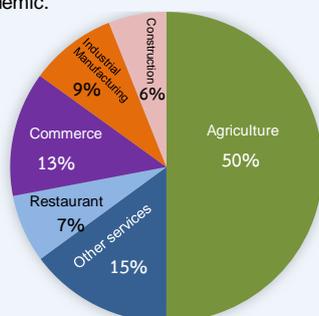
^{6/} Section 75 of the Labor Protection Act states that when it is necessary for an employer, for whatever cause other than a force majeure, to temporarily suspend business in whole or in part, the employer shall pay wages to an employee in amount of not less than seventy-five percent of wages received by the employee before the suspension of business for the entire period which the employer does not require the employee to work.

Fact No.3 More than 1 million workers returned to their domiciles and had not yet returned since the city lockdown. This group of workers used to work in the city or industrial and tourism areas, such as Bangkok Metropolitan and its vicinity, Chonburi and Phuket. When these workers returned to their domiciles, although some of them managed to get new jobs in the areas, such jobs were rather concentrated in sectors with low productivity and wages including agricultural sector. (Chart 3) On the contrary, workers unable to find new jobs would exacerbate unemployment and underemployment problem already occurred in the areas, especially in Nakhon Ratchasima and Nakhon Si Thammarat (dark blue shaded area, Chart 4^{7/})

Therefore, government should take this opportunity to design area-based policies which includes skill development measures consistent with economic activities in each area. If workers returned to their domiciles and largely went to the agricultural sector, government should thus promote development of skills, such as smart farmer to upgrade skills for farmers.

Chart 3 Some workers got employed locally but concentrated in sectors with low productivity and wages including agricultural sector.

Share of each economic sector in absorbing workers since the COVID-19 pandemic.



Source: National Statistical Office, calculated by Bank of Thailand

Chart 4 Top two provinces with the highest unemployment were Nakhon Ratchasima and Nakhon Si Thammarat.

The number of unemployed and underemployed workers in August 2020 in each province (not including workers moving into the new areas).



Note: Workers moving to the new areas were not included into the sample because they are not the sample group originally from that area.

Source: National Statistical Office, calculated by Bank of Thailand

In addition to expediting job and income creation, the government's skill development measures was another important issue necessarily to be implemented simultaneously. This was on account of structural change in the post-COVID environment. Moreover, although the economy would be fully recovered, employment pattern was expected to change from the pre-COVID-19 period. Hence, skills development will require mechanism for cooperation between the public and private sectors, as well as appropriate design of incentive measures. This includes, for example, subsidizing the upskill and reskill of workers that would be demanded in the future and suitable with particular group of workers such as digital skills, geriatric nursing skills. This would enhance opportunity to get new jobs and earn higher income.

In conclusion, the Thai labor market has obviously become more vulnerable during the COVID-19 crisis and has recovered somewhat after the city re-opening. However, the labor market is expected remain vulnerable due to the gradual phasing out of government relief measures and uncertainty pertaining to the second wave of the outbreak both domestically and abroad. **Thus, sufficient job creation and appropriate skills development measures will be vital to support adjustment of Thai labor amid rising uncertainties.** This would also help the economy to sustainably recover in line with the changing global context in the post-COVID environment that would never be the same again.

^{7/} The number of unemployed and underemployed workers by province in August 2020 was not include workers moving into the new areas as this would be sample group originally from the area.