

Restoring Thailand's labor markets from impacts of the COVID-19

The COVID-19 situation significantly affected economic activities and Thai labor markets. During the beginning of the outbreak, some businesses had to temporarily suspend business operations, which resulted in a widespread impact on labor. At present, the government was successful in containing the spread and thus, businesses could gradually resume operations. However, given the highly uncertain situation as well as changing business models under the new normal, this could add pressures on the recovery of domestic demand and labor markets. **Measures in the period ahead should support the adjustments of labor to foster long-term sustainable economic growth.**

During the beginning of the outbreak, most labor policies were short-term measures to remedy affected workers. These measures can be divided into 2 groups according to the status in the Social Security System. (Chart 1) **(1) Workers in the Social Security System have been remedied according to their rights** such as rights to receive compensation from the Social Security Fund in the event of unemployment,^{19/} job termination due to force majeure,^{20/} or temporary suspension of business operation according to section 75 that is not due to force majeure.^{21/} According to the latest data in June 2020, the Social Security Fund has remedied approximately 2 million affected workers. **(2) Workers outside the Social Security System have been assisted by the government through formal registration or application platform**, such as 15 million freelancers under the “Rao Mai Ting Gun” (You will never be left behind) project, as well as 8 million farmers, that were entitled to receive benefits of 5,000 baht for 3 months, and employment of newly graduates as demanded by government agencies.

Chart 1 Supports for labors affected by the COVID-19, classified by group of labors

Group of labors	Impact	Assistance from businesses	Public assistance
<i>Labors in the social security system:</i>			
1. Unemployed person	Unemployment and income loss	-	Employees are entitled to social security benefits for an additional period of 6 months
2. Work cessation due to force majeure	Job positions maintained, but cease working and suffer income loss	Businesses may ask employees to leave without pay	The Social Security Office compensates at a rate of 62% of daily wages for a period of 3 months
3. Temporary work cessation under section 75	Job positions maintained, but cease working and suffer <i>partial</i> income loss	Employers have to compensate at least 75% of daily wages during the work cessation period	-
4. Adjustment to hourly employment contract (old and new employees)	Job positions maintained, but work for <i>fewer</i> hours and suffer <i>partial</i> income loss	Employees get paid on an hourly basis.	-
<i>Labors outside the social security system:</i>			
5. Freelancers/ workers outside the social security system	Work for <i>fewer</i> hours and suffer <i>partial</i> income loss	-	“Rao Mai Ting Gun” project (The government offers 5,000-baht cash handouts per person for 3 months.)
6. Farmers	Work for <i>fewer</i> hours and suffer <i>partial</i> income loss	-	Relief measure for farmers (The government offers 5,000-baht cash handouts for 3 months.)
7. Newly graduates	Unable to find job and suffer income loss	-	The government considers hiring new graduates as requested by government agencies.

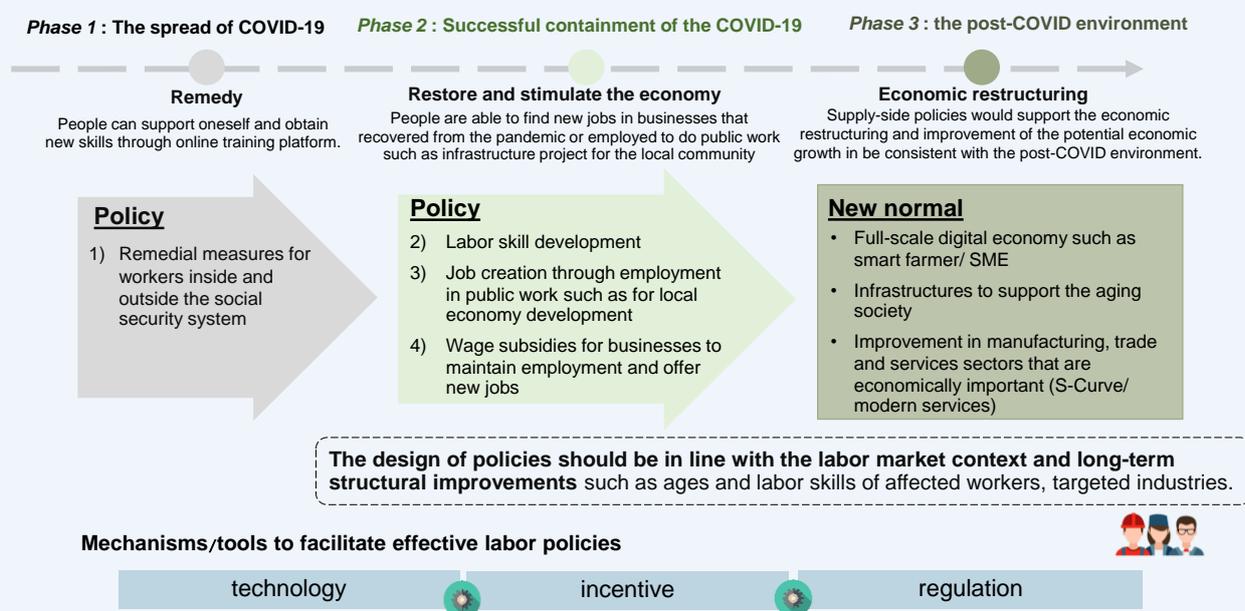
^{19/}Section 38 of the Social Security Act B.E. 2533

^{20/}Ministerial Regulations for receiving unemployment benefits due to force majeure caused by the pandemic of dangerous communicable diseases under the communicable disease law B.E. 2563)April, 17,2 020(

^{21/}Section 75 of the Labor Protection Act B.E. 2541

As for the second phase that the government began to successfully contain the spread (Chart 2), the government has relaxed the containment measures and implemented measures to boost consumption and domestic tourism to restore economic activities and facilitate employment of businesses. However, workers could be severely affected and find it difficult to return to the labor markets. These include workers in businesses with excess production capacity due to severe impacts and in businesses that adopted automation in the production process, as well as the newly graduated, aging, and low-skilled workers. **Therefore, labor policies should adapt their roles from remedying to employing and enhancing skills of labor.** (Chart 2) These policies include **(1) job creation policy** to support unemployed and newly-graduated workers, especially employment at the community level due to public work for local economy development, which would partly help create job for non-farm workers to return home, **(2) labor skill development policy** along with subsidies to motivate workers to reskill and upskill through various learning channels including online training platforms,^{22/} which can be continuously implemented in the long run so that workers will be familiar with lifelong learning and immuned to survive in the era of high uncertainties, **(3) wage subsidies for businesses to support employment** in the case that businesses does not cut employment or cut to the level not exceeding the specified threshold. This would ensure that workers remain employed and businesses could still operate. In recent periods, the government has already implemented some of these policies, where the Social Security Fund would compensate workers on behalf of the employers in case of job termination due to force majeure. Nevertheless, wage subsidies should be implemented together with providing incentives for the private sector to adjust to the new normal, including the move toward the digital economy, the aging society, and modern services.

Chart 2 Labor policies after the COVID-19 outbreak subsidies should focus on stimulating the economy, creating jobs, and promoting an upskill of labor to support changing economic structure in response to the new economic landscape



^{22/}Kampon Phornphattanapaisarnkul, 2020, “Labor Market Digital Transformation: Anti-crisis path” FOCUSED AND QUICK (FAQ) Issue171 , Bank of Thailand

Nevertheless, the design of labor policies in the period ahead should not only focus on widespread support, but should also be appropriately and clearly targeted, such as ages and skills of labors, as well as targeted industries through wage subsidies for businesses to support employment. The support should aim at small- and medium-sized businesses in S-curve and New S-curve industries that would employ young-aged workers or the first-jobbers so that this group of workers will be allowed to enhance skills, especially digital skills.

More importantly, policy makers should push forward broad-based measures that will be most effective through 3 key development mechanisms. These include **(1) technology development**, where cooperation between the government and private sector is necessary including job-search platform and upskilling of labor to match with job vacancies, as well as suggestions on labor skills to be further enhanced, **(2) provision of incentives for workers and employers to participate in skill development policy as needed or according to the national strategic plan** including allowing employers to link data on job vacancies, qualifications, and labor skills needed with the platform so that the system could correctly match unemployed workers with job vacancies, **(3) adjustment of some regulations to suit the new normal** including hourly employment or more flexible employment.

In conclusion, the government has implemented measures to remedy both workers within and outside the Social Security System affected during the beginning of the outbreak to a certain level. In the period ahead, labor policies would be more important in restoring and boosting the economy through job creation policy, skill development policy, and wage subsidies for businesses to support employment. This would partly help mitigate the economic scars from the impact of COVID-19 and support the strong and sustainable economic restructuring.