**Overview**

Thailand’s economy, South-East Asia’s second largest, has shown remarkable resilience to economic shocks and political uncertainties, including the political crisis of 2010 and the floods in late 2011. For example, in 2010, year-on-year quarterly GDP growth rates showed no apparent signs of slowdown. Between the third and fourth quarter of 2011, GDP declined by 72 million baht. In the last 20 years, such absolute decline in output between the third and the fourth quarter occurred only in 1997. Yet, the rebound in terms of growth was rapid: between the last quarter of 2011 and the first quarter of 2011, GDP grew by 12.7 per cent.\(^1\)

In spite of the resilient economy, the Thailand labour market has been showing some signs of vulnerability. Since 2008, the employment-to-population ratio has fluctuated around an average of 79 per cent for men and 62 per cent for women. Real monthly earnings have slowly risen since 2008 but may stagnate in the first half of 2014. In terms of sector of work, the share of employment in industry has slowly risen, but the gradual move out of agricultural employment that was clearly observed up to 2010 has since experienced a reversal.

The recent difficult political situation in 2013 could potentially exacerbate emerging signs of sluggishness in the labour market. In particular, investment decisions by both domestic and foreign investors could be deterred, which in turn would affect the future capacity of the economy to generate productive employment.

**Economic growth has been volatile, while investment and consumption stagnated**

The economy of Thailand has weathered stresses both internal and external after 2007, but has managed to recover quickly. The global economic crisis which led to a contraction in GDP by 0.9 per cent in 2009 was offset by a successful recovery as the economy expanded by 7.4 per cent in 2010. Severe floods in 2011, however, sharply dented the growth process, with GDP growing at only 0.6 per cent. Nevertheless, the Thailand economy rebounded again in 2012 with an impressive increase in GDP of 7.1 per cent. 2013 has been politically difficult, with concerns about political stalemate hampering the public decision-making process and affecting the economy. The National Economic and Social Development Board estimates the year-on-year GDP growth rate at 0.6 per cent in the last quarter of 2013, after having expanded 2.7 per cent in the third quarter. The Bank of Thailand’s preliminary GDP estimate for 2013 stands at a modest rate of 2.9 per cent.\(^2\)

For 2014, however, the World Bank in February 2014 projected a 4 per cent growth for Thailand, supported by a 6 per cent increase in exports and a 5 per cent increase in private investments. There are some indications that such projected growth rate may be optimistic. For example, the Bank of Thailand and the

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1 This update was prepared by Makiko Matsumoto and Priyadarshini Bhattacharya of the ILO Decent Work Technical Support Team for East and South-East Asia and the Pacific, with contributions from Max Tunon, Phu Huynh, Malte Luebker and Tite Habiya. It provides a snapshot of economic and labour market trends in Thailand based on official data available as of 7 March 2014.

2 Bank of Thailand: *Key Economic Indicators*, table 2: Growth rate of domestic production in major sectors (calendar year).
Board of Trade have lowered their forecast to around 2.5 to 2.8 per cent for 2014.

Investment as a share of GDP has stagnated since 1998 and declined slightly between 2012 and 2013, from 22.8 per cent to 21.7 per cent. The fourth quarter of 2013 registered a share of 18.8 per cent, the lowest since 2002 (see figure I(a)). At the same time, the net inflow of foreign direct investment (FDI) and portfolio investment have become more volatile since the end of 2011 (see figure I(b)). In December 2013, the net FDI inflow is estimated to have turned negative.

Figure 1: Investment patterns: stagnant gross fixed capital formation and volatile FDI inflows
(a) Gross fixed capital formation as share of GDP, in the 3rd and 4th quarter (%)

(b) Net FDI inflows and portfolio investment (US$ million)


The sluggish labour market together with uncertainties over the political outlook may also be eroding consumer confidence. The Private Consumption Index (PCI) in Thailand stagnated in 2013, halting its upward trend in the last four years (see figure 2). This can be seen by near-zero month-on-month growth in the PCI throughout 2013. The average monthly growth rate in the PCI stood at -0.02 per cent, compared to 0.3 to 0.4 per cent between 2009 and 2012.

Figure 2: Private consumption index: stagnant throughout 2013

Source: Bank of Thailand: Private Consumption Index and Components (seasonally adjusted), table EC_EI_003.

Volatile growth and foreign investment and stagnant consumption and investment trends imply that recent growth has been mainly driven by the external sector, which to a certain extent lies beyond the influence of policymakers in Thailand. Moreover, exports and imports were weak in 2013, registering a slight drop in growth at -0.2 per cent and 0.4 per cent, respectively. Such economic trends signal the need for a clear stance in economic and employment policymaking that aims to move the Thailand economy further along and across the value chain, improve productivity and conditions of work and generate productive employment opportunities for new entrants to the labour market.

Employment opportunities steady overall but women negatively affected in 2013

As with the economy, the Thailand labour market has shown notable resilience to economic shocks and natural disasters. Since 2008, the employment-to-population ratio (EPR) has been steady and fluctuated around 71 per cent, breaking down to 79 per cent for men and 62 per cent for women. However, seasonal fluctuation in the EPR has narrowed for both men and women, due to stagnating or declining EPR during its annual seasonal peak in the third quarter, particularly for women, and due to increasing EPR in the first quarter of the year (see table 2).

Table 2: Employment-to-population ratio by sex (%): steady for both men and women with narrowing gaps across quarters

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
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<tbody>
<tr>
<td>Male</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q1</td>
<td>78.1</td>
<td>78.8</td>
<td>78.3</td>
<td>78.7</td>
<td>79.0</td>
</tr>
<tr>
<td>Q3</td>
<td>80.8</td>
<td>80.3</td>
<td>80.5</td>
<td>80.6</td>
<td>79.8</td>
</tr>
<tr>
<td>Female</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q1</td>
<td>61.2</td>
<td>62.3</td>
<td>62.1</td>
<td>61.7</td>
<td>62.0</td>
</tr>
<tr>
<td>Q3</td>
<td>64.7</td>
<td>64.6</td>
<td>65.4</td>
<td>64.9</td>
<td>62.7</td>
</tr>
</tbody>
</table>


In the third and the fourth quarters of 2013, women’s employment declined year-on-year by 449 thousand and 543 thousand persons, respectively. More than 90 per cent of this decline is accounted for by women with elementary education or less. This decrease in

3 The net FDI inflow is defined as increases in equity capital, reinvested earnings, debt securities and trade credit among affiliates. A positive net inflow is associated with the increase in investment during the period being higher than the associated decreases in investment (either in the form of disinvestment or affiliates’ repayment on their inter-company borrowings). Portfolio investment represent total liabilities by Thai non-residents’ investment in securities issued by Thai residents. For further details, see: Bank of Thailand: Foreign Direct Investment Classified by Country (US$), table EC_XT_057; Bank of Thailand: Portfolio Investment Classified by Country (US$), table EC_XT_061.
employment of women with less education has been a trend since around 2008, but in the fourth quarter of 2013, the absolute decline in female employment took place across all educational attainment levels (see figure 3). In comparison, employment growth for men in 2013 slowed but became negative only in the third quarter of 2013, declining by 17 thousand persons on an annual basis. Men with elementary education or less also experienced absolute year-on-year contractions in employment in the third and fourth quarters of 2013, by 231 thousand and 163 thousand persons respectively. The magnitude of decline, however, has been much lower than that for women, and the decline for men was offset by increases in employment of men with secondary education and above.

Figure 3: Change in number of employed women by education (thousands, year-on-year)


Improving the quality of employment remains a challenge

Among the employed, the share of vulnerable employment (defined as own-account and contributing family workers) remained high at above 45 per cent for men and above 50 per cent for women (see table 3). Except for a slight decline in this share in 2012, there has been a gradual increasing trend for both men and women. Between the third quarters of 2009 and 2013, the share of vulnerable employment rose by 2.3 percentage points for men and by 1.5 percentage points for women. The incremental rise in the share of vulnerable employment is partly accounted for by a gradual decline in the share of private employees, which decreased by 1.3 percentage points for men and by 1.8 percentage points for women, respectively, during the same period. These trends are partly due to the shift in employment back to agriculture (as discussed below).

Table 3: Share of vulnerable employment and private employees in total employment, 3rd quarter (%): vulnerable employment trending upward and share of private employees slowly declining

<table>
<thead>
<tr>
<th>Year</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private employees</td>
<td>34.8</td>
<td>34.1</td>
<td>33.8</td>
<td>33.6</td>
<td>33.5</td>
</tr>
<tr>
<td>Vulnerable</td>
<td>51.3</td>
<td>52.7</td>
<td>52.9</td>
<td>52.9</td>
<td>53.6</td>
</tr>
<tr>
<td>Female</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private employees</td>
<td>33.0</td>
<td>31.7</td>
<td>31.5</td>
<td>31.5</td>
<td>31.2</td>
</tr>
<tr>
<td>Vulnerable</td>
<td>55.5</td>
<td>56.9</td>
<td>56.9</td>
<td>56.6</td>
<td>57.0</td>
</tr>
</tbody>
</table>


Similarly, the share of informal employment in total employment declined to 62.3 per cent in 2010, but since then, it has slowly risen to 62.7 per cent in 2012.

The growth of real average wages seems to have lost some momentum in the latter half of 2013. Before 2011 average real monthly wages were less than 10,000 baht. This increased to an average of 11,500 baht per month in 2013. Moreover, based on past trends and seasonal fluctuations in earnings, real earnings could stagnate during the first half of 2014 (see figure 4).

Figure 4: Real average monthly earnings, original and seasonally adjusted (baht): slow to rise with possible stagnation in the first half of 2014

Source: Bank of Thailand: Average Wages Classified by Industry, table EC_RL_014l; Ministry of Commerce: Monthly CPI data.

Employment shifts back to agriculture

In terms of sector of work, since 2010 the share of agricultural employment has gradually risen again. In the third quarters of 2010 and 2013, it rose from 42.4 per cent to 44.1 per cent for men and from 38.7 per cent to 39.3 per cent for women. The rising share of agricultural employment is largely accounted for by the declining share of jobs in services (see box 1).

Figure 5: Output per person employed by sector (thousand baht): productivity in agriculture stagnant but grew in other sectors


Monthly average earnings were converted into real terms using monthly CPI data from the Ministry of Commerce, setting 2011=100. The seasonally adjusted real earnings trend is derived from actual monthly data from January 2008 to November 2013. Predicted data are presented for December 2013 to June 2014. Seasonally adjusted data and its predictions are obtained by using the Holt-Winters seasonal smoothing method.
The shift back to agricultural employment has occurred in spite of stagnating agricultural productivity between 2010 and 2013 and growing productivity in non-agricultural sectors (see figure 5). Agricultural output per person employed averaged around 26,700 baht between 2010 and 2013, while non-agricultural productivity increased from 179,400 baht to 196,600 baht in the same period.

Modest change in the sectoral distribution of employment in the last three years in favour of low productivity sector is a concern for the incomes of workers in the agricultural sector, as well as for the current and future capacity of the economy to generate more productive employment. The cause of this emerging trend, however, remains unclear and requires further analyses.

**Box 1: Recent developments in the tourism sector**

The tourism sector accounts for more than 7 per cent of the economy and is susceptible to economic and natural shocks, such as floods, appreciation of the baht or political uncertainty. For example, during the recent political crisis in Thailand between late 2013 and early 2014, media reports suggested declining tourism revenues. However, the number of foreign tourists visiting Thailand has been both high and stable. The number of foreign tourists increased from a low of 1.3 million in November 2011 during the floods to a high of 2.6 million in December 2013.

Nevertheless, hotel occupancy rates in Central Bangkok show some possible impact of the political climate. Deviating from its seasonal pattern, the hotel occupancy rate in Central Bangkok during the peak season progressively declined from 73.4 per cent in November 2013 to 63.1 per cent in December 2013 and further to 57.5 per cent in January 2014.

Consequently, there may be some implications for employment opportunities in the tourism subsector of accommodation and food services. In Thailand as a whole, employment in accommodation and food services, which peaks around February each year, has declined moderately since its seasonal peak in 2010. If the trends in 2013 continue, the number of employment opportunities in this sector is expected to flatten during the peak season of December 2013 to February 2014 at around an average of 2.3 million persons. This compares with an average of 2.6 million and 2.7 million during the same months in 2012–13 and 2011–12, respectively. Bangkok, however, has contributed only moderately to such declining employment trends in the sector.


**More effective management of labour migration is needed**

There is continued demand for low-skilled migrant workers in labour-intensive jobs, as well as a steady supply of workers from neighbouring countries drawn by the wage differential. The number of migrants entering Thailand through legal channels is increasing each year, but the vast majority of migrants have either gone through a legalization process or remain in an irregular situation. The Government of Thailand has recently been discussing new memorandum of understandings (MOUs) with the Governments of Bangladesh and Viet Nam.

<table>
<thead>
<tr>
<th>Entered through MOU</th>
<th>Completed nationality verification</th>
<th>MOU and nationality verification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cambodia</td>
<td>104,261</td>
<td>102,420</td>
</tr>
<tr>
<td>Lao PDR</td>
<td>18,147</td>
<td>37,958</td>
</tr>
<tr>
<td>Myanmar</td>
<td>46,078</td>
<td>776,834</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>168,486</strong></td>
<td><strong>917,212</strong></td>
</tr>
</tbody>
</table>

Source: Thailand Department of Employment, as of August 2013.

An estimated tens of thousands of migrant workers have become irregular in recent months after completing their 4-year period of employment (since a large nationality verification drive in 2009), and this number is rising daily. The Governments of Thailand and the countries of origin have agreed that migrants with employment can re-enter immediately (though the MOUs state that this period should be three years). However, there remains confusion on the process for doing so.

The Myanmar Government has indicated that that all migrants should now apply for an ordinary passport (instead of a temporary passport), a process that will take even longer for migrants that do not have a national identification card and household registration. Such processes are likely to lead to significant numbers of regular migrants workers falling into irregular status. After calls from civil society organizations, the Cabinet approved a 180-day amnesty for these workers on 25 March 2014.
Outlook for 2014

The Thailand labour market seems to have experienced a turning point around 2010, where the trends in the distribution of employment across sectors and employment status seem to have been disrupted. The share of employment in agriculture and informal employment have edged upward.

Furthermore, the economy and labour market in 2013 revealed signs of stagnation. Consumption, expressed in terms of the Private Consumption Index, did not grow. In the last two quarters, investment as share of GDP declined slightly between 2012 and 2013. Average real monthly wages have slowly grown since 2011, but its increase stagnated in 2013 and growth is likely to remain flat in the first half of 2014. Women’s employment, particularly those with elementary education or less, declined while women with secondary education and above also decreased for the first time since 2004.

Instances of short-term negative shocks to the economy and the labour market in 2010 and 2011 have shown that Thailand has the capacity to recover rapidly. Nevertheless, the recent economic and labour market trend since 2010 and in 2013 suggest the need for policymakers to re-strategize economic development policies in the coming years so as to ensure continued generation of productive employment opportunities and improvements in labour market prospects for workers and employers.

This is particularly the case as Thailand faces impending labour and skills shortages due to ageing demographics and shortcomings in the qualifications of the workforce. Deeper integration as a result of the ASEAN Economic Community in 2015 could induce relocation of investment and production of industries, with implications for jobs in the country. This critically calls for a combination of education and skills development strategies that enhance productivity and competitiveness, along with migration management, especially of low-skilled workers.

If the political impasse of late 2013 and early 2014 were to continue, much needed strategic economic and employment policymaking would be difficult to realize. The lifting of the state of emergency in March 2014 sends a strong signal in the short-term. However, more focus and attention by policymakers would be needed if the Thailand aims to lift its economy beyond middle income status, based on equity and productive employment opportunities.

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