

Lessons learnt from seven years' implementation of the UI scheme in Thailand

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Outline

- **Thailand's labour market**
- **UI scheme and severance pay**
- **Performance of the UI scheme**
- **Lessons learnt**



Thailand's labour market

	1995	2000	2005	2010
Population (Million)	59.31	62.24	65.10	67.31
Share of Female (%)	50.34	50.73	50.79	50.87
Share of Children (aged 0-14) (%)	27.66	24.65	22.81	20.51
Share of elderly (aged 60 and over) (%)	8.22	9.43	10.38	11.90
Labour force ³ (Million)	32.67	33.80	36.84	39.09
GDP ² (Trillion of Baht, at market price)	4.21	5.06	7.59	10.81
Share of agriculture	9.10	8.52	9.23	10.86
Share of manufacturing	26.51	28.65	29.90	31.53
Share of others	64.39	62.83	60.86	57.61
Growth of GDP (%)	8.14	4.46	4.18	7.53
GDP Per capita (Baht/year, at market price)	70,884	81,304	107,606	160,555
Inflation rate (Base year 2007)	5.82	1.59	4.54	3.28
Minimum wage in Bangkok (Baht/day)	145	165	175	213
Exchange rate (Baht/USD)	24.92	40.16	40.27	31.73

Employment

	1995	2000	2005	2010
Total employment (Million)	32.26	32.83	36.30	38.69
By Sex (%)				
Male	54.59	55.04	53.63	54.04
Female	45.41	44.96	46.37	45.96
By Age (%)				
15-19	8.39	5.51	4.28	3.54
20-29	28.65	26.27	22.93	21.03
30-39	26.91	27.43	27.11	25.29
40-49	19.04	22.08	24.27	25.06
50-59	11.76	12.88	14.27	17.20
60+	5.25	5.83	7.14	7.89

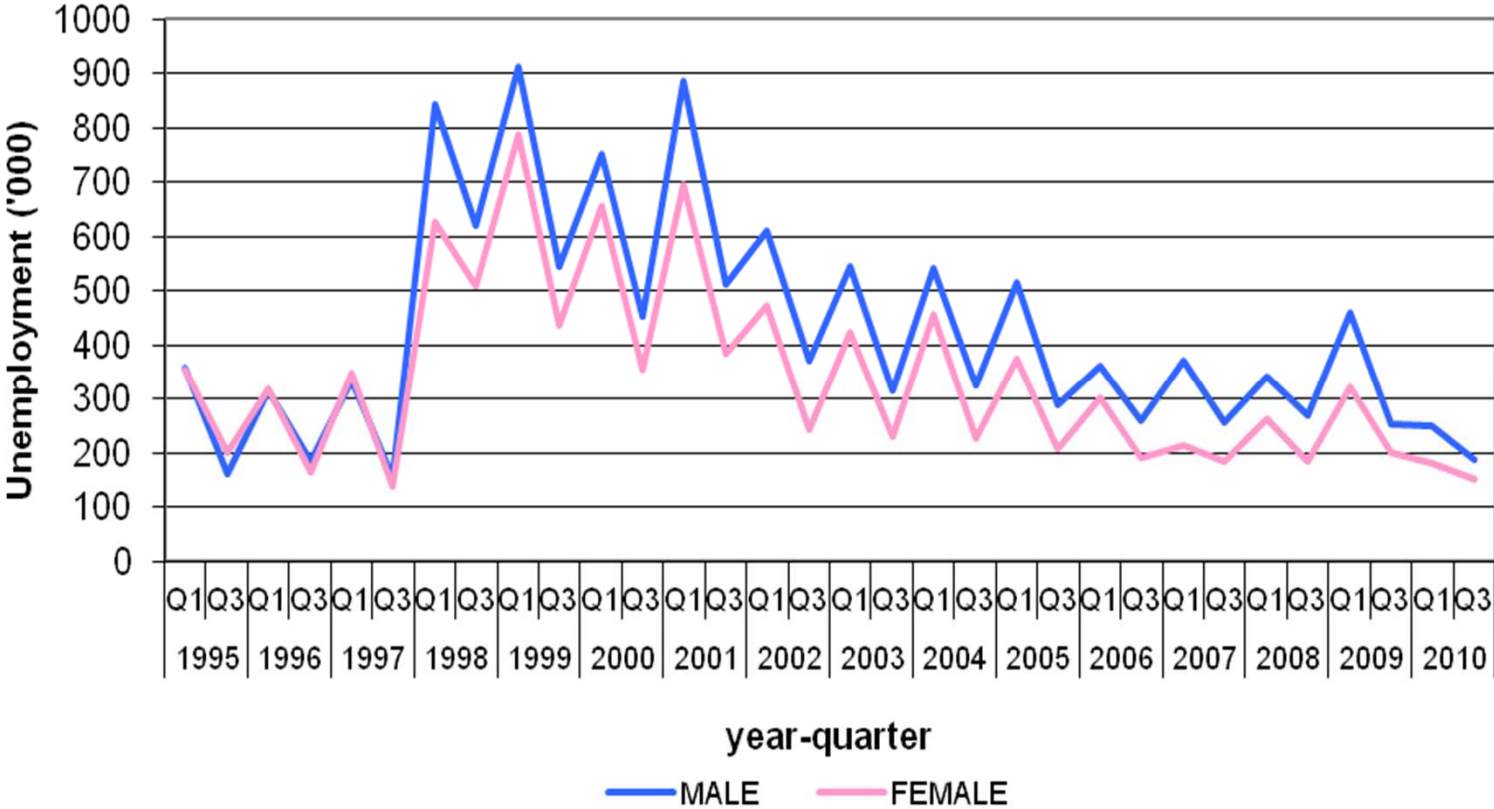
	1995	2000	2005	2010
Total employment (Million)	32.26	32.83	36.30	38.69
By Education (%)				
Primary or lower	77.79	68.30	61.57	54.41
Lower Secondary	9.20	12.84	13.74	15.61
Upper Secondary	3.33	5.62	8.03	10.52
Lower Vocational	2.67	2.96	3.34	3.40
Upper Vocational and Diploma	2.40	3.09	3.71	4.52
University	4.62	7.19	9.60	11.55
By Industry (%)				
Agriculture	51.73	48.63	42.56	40.69
Manufacturing	12.65	13.51	14.85	13.49
Construction	5.71	3.89	5.10	5.39
Utility	0.47	0.35	0.29	0.26
Commerce	14.29	16.96	17.32	18.85
Transportation	3.06	2.90	2.96	2.71
Services	12.10	13.76	16.91	18.62

Formal/Informal Sector

	1995	2000	2005	2010
Formal Sector (Million)	10.39	11.26	14.12	15.21
By Sex (%)				
Male	60.68	57.04	58.03	56.04
Female	39.32	42.96	41.97	43.96
By Industry (%)				
Agriculture	0.31	0.10	0.72	0.59
Manufacturing	29.89	31.34	32.20	28.53
Construction	16.52	10.73	12.34	12.61
Utility	1.42	1.02	0.76	0.65
Commerce	18.06	20.59	20.75	21.73
Transportation	4.18	4.04	3.67	3.47
Services	29.62	32.18	29.56	32.42

	1995	2000	2005	2010
Informal Sector (Million)	21.86	21.57	22.11	23.49
By Sex (%)				
Male	51.70	53.99	54.17	52.74
Female	48.30	46.01	45.83	47.26
By Industry (%)				
Agriculture	76.17	73.98	69.19	66.66
Manufacturing	4.46	4.20	3.80	3.75
Construction	0.56	0.32	0.50	0.71
Utility	0.01	0.00	0.00	0.00
Commerce	12.50	15.06	15.14	16.98
Transportation	2.52	2.30	2.52	2.21
Services	3.76	4.14	8.86	9.68

Unemployment



Unemployment rate

	1995	2000	2005	2010
Unemployment rate	1.11	2.39	1.35	0.87
By Sex (%)				
Male	0.91	2.44	1.47	0.90
Female	1.35	2.34	1.21	0.84
By Age (%)				
15-19	2.41	6.70	5.60	3.20
20-29	1.75	4.56	2.99	2.39
30-39	0.69	1.54	0.87	0.66
40-49	0.49	1.02	0.46	0.19
50-59	0.74	0.88	0.28	0.16
60+	0.64	0.46	0.21	0.05
By Education (%)				
Primary or lower	0.99	1.64	0.70	0.33
Lower Secondary	1.28	3.46	2.15	1.19
Upper Secondary	2.01	3.55	1.99	0.80
Lower Vocational	2.08	5.37	2.00	1.44
Upper Vocational and Diploma	1.53	6.95	3.47	2.03
University	1.28	3.29	2.60	2.38



UI scheme and severance pay

UI scheme

- Enforced by the Social Security Act 1990.
- Started implementing in Jan. 2004.
- Three government departments work together
 - Department of Employment (DOE)
 - Social Security Office (SSO)
 - Department of Skill Development (DSD)

SSF Contribution rate

% of wages	2010-11	Jan-June 2012	July-Dec 2012
Employee	1.5+3+0.5	0.5+2+0.5	0.5+3+0.5
Employer	1.5+3+0.5	0.5+2+0.5	0.5+3+0.5
Government	1.5+1+0.25	1.5+1+0.25	1.5+1+0.25
Total	12.75	8.75	10.75

Contribution rate for



Eligibility

- Age below 55.
- For those who are above 55 years old, they can request for old age benefit.
- Has been unemployed for at least 8 days.
- Has contributed money to the SSF for at least 6 months in the past 15 months.
- Has not reached the maximum period of receiving the benefit. The maximum benefit period in a calendar year is 180 days for involuntary unemployed and 90 days for voluntary unemployed.
- Has never rejected job offer from the employment service (DOE) or a training program from skill development service (DSD).

UI benefit

- Eligible person submits a claim form at the DOE within 30 days after the date of unemployment.
- DOE will check with SSO database whether the claim meets eligibility requirement and the cause of unemployment.
- If the cause of unemployment is involuntary unemployment, the benefit rate is 50% of the average wage.
- If unemployment is quit without just cause, the benefit rate is 30% of the average wage.
- UI beneficiaries have to report regularly upon the requirement of the employment office.
- UI beneficiaries do not rejected job offer.
- UI beneficiaries do not rejected recommendation to take a skill development program.
- Average daily wage is calculated using the highest wages in any three months during the last 9 month of employment period divided by 90. However, for those who have been employed for less than 9 months, the average daily wage is wages in the last three months divided by 90.

Severance pay

Period of employment	Severance pay
120 days – 1 year	30 days of last wage
1 – 3 years	90 days of last wage
3 – 6 years	180 days of last wage
6 – 10 years	240 days of last wage
10 years and above	300 days of last wage

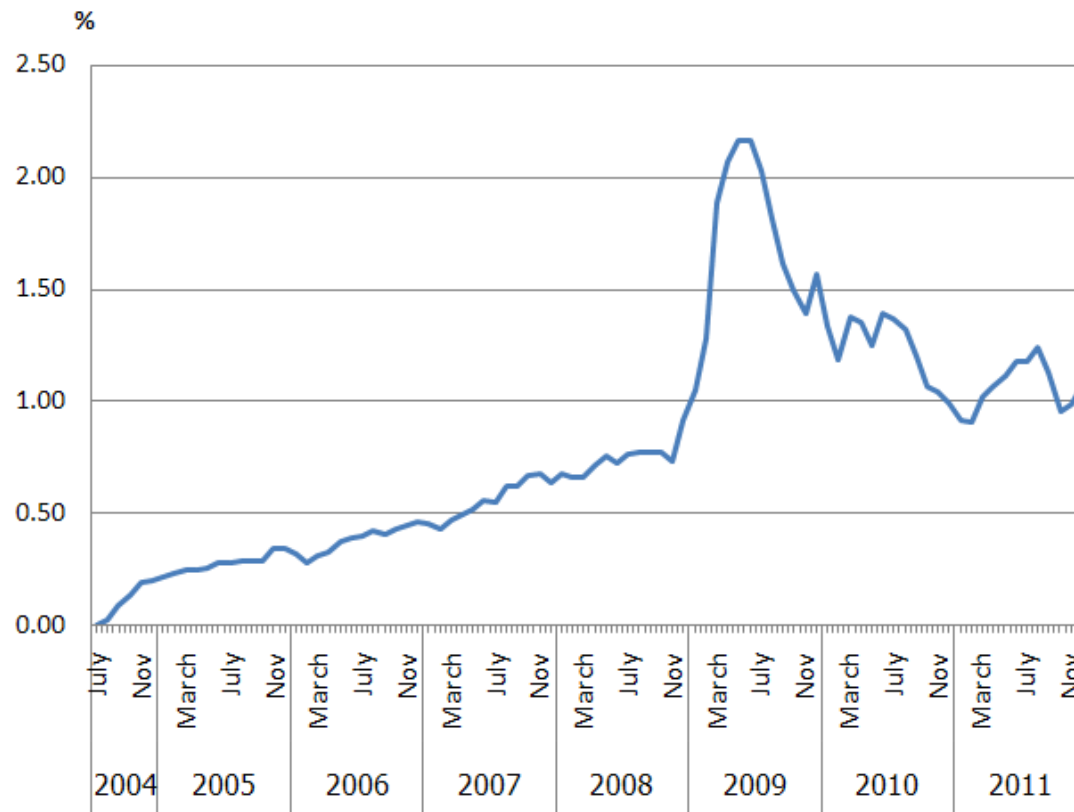
Exemption of unemployment compensation

- if employees intentionally commit a criminal offence against their employers or perform dishonest duty,
- if employees intentionally cause any damage to their employers,
- if employees carelessly perform their duty that cause serious damage to their employers,
- if employees violate work rules and regulation or order of their employers,
- if employees neglect their duty without justified reason for three consecutive working days,
- if employees are imprisoned by the final judgments of imprisonment with the except for offenses arising out of negligence of petty offenses.

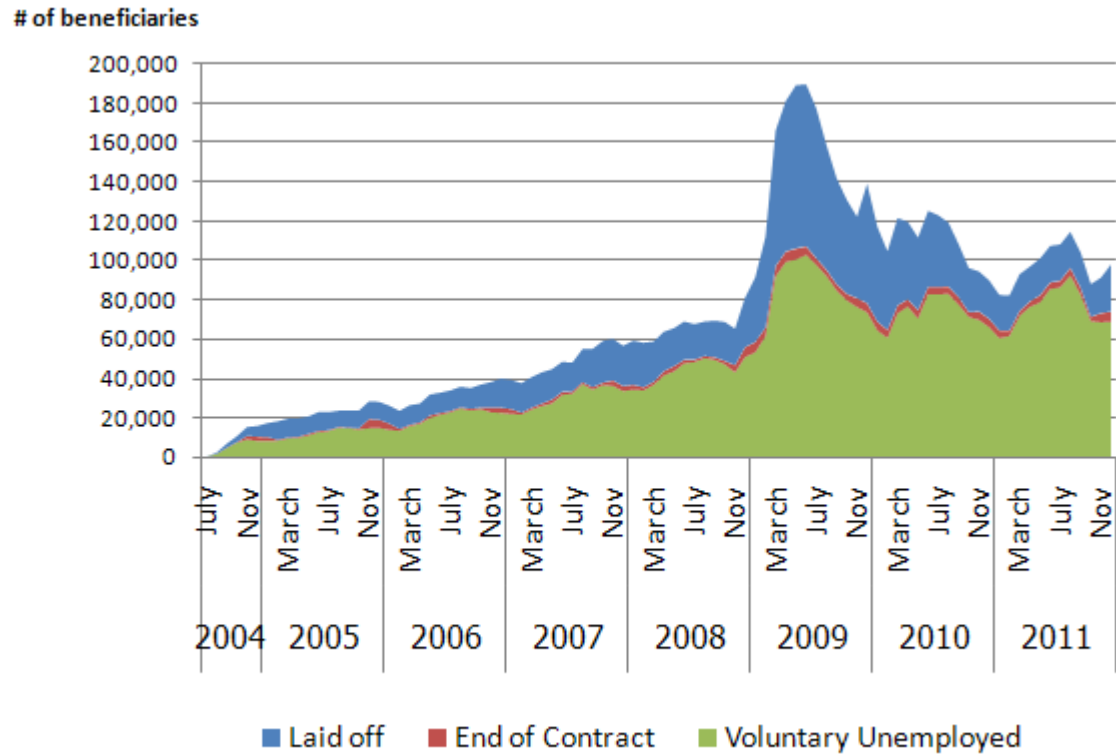


Performance of the UI scheme

Low unemployment rate among eligible persons.



Large proportion of voluntary unemployed beneficiaries

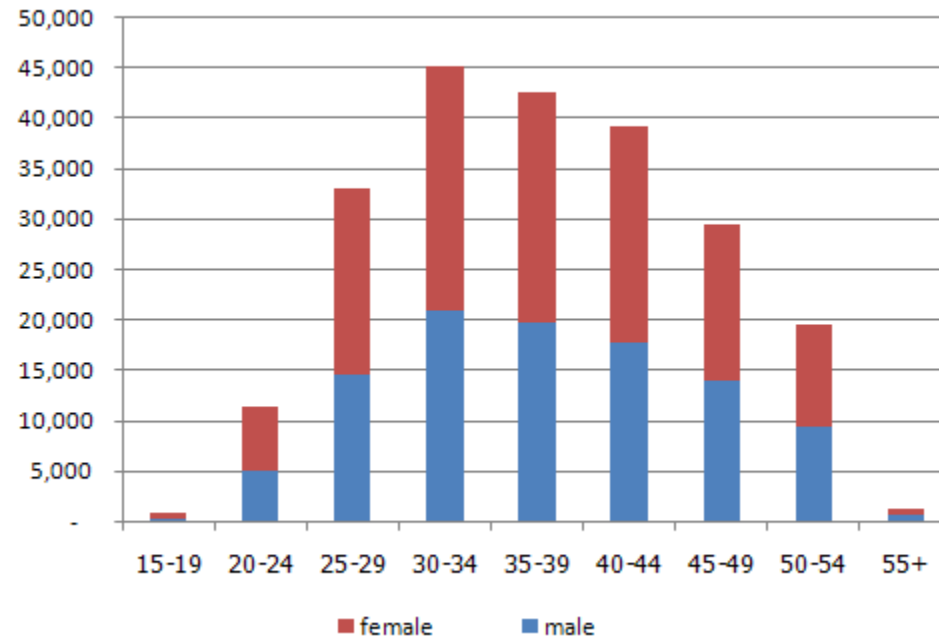


UI claim at DOE in 2011

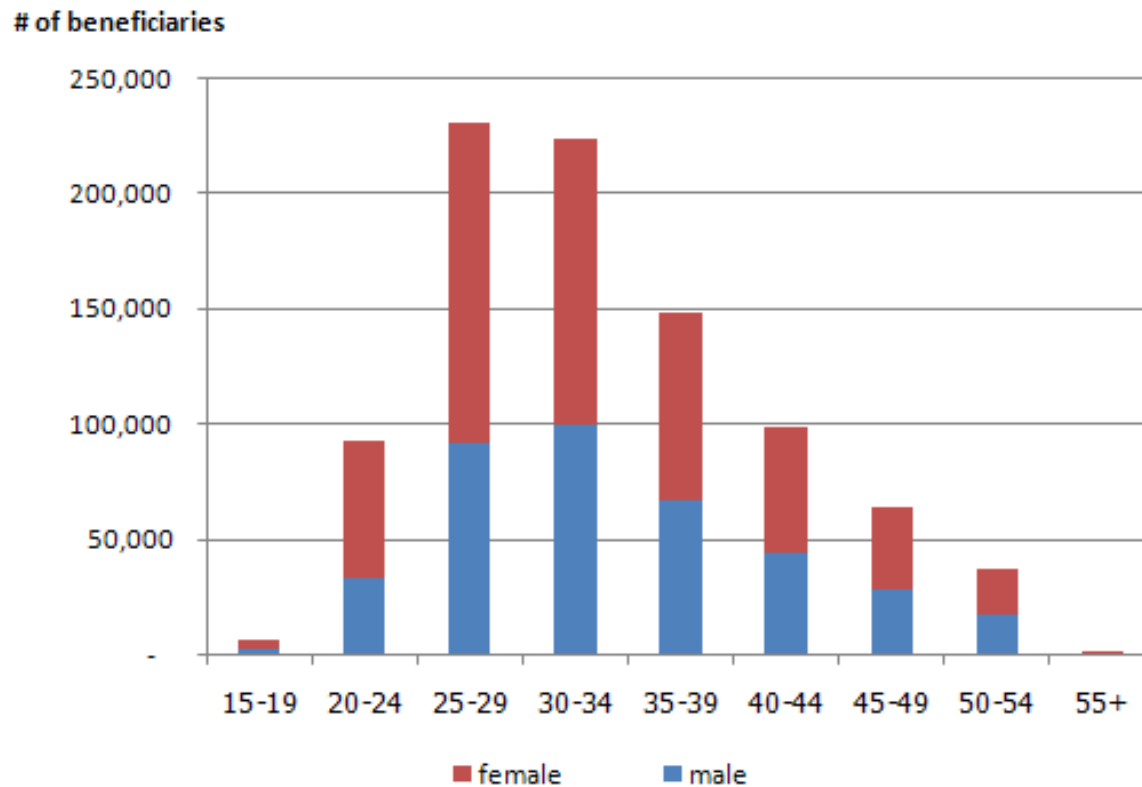
- 506,000 unemployed persons.
- About 87% quit without just cause.
- Only 3 persons (128 in 2010) voluntarily attend skill development training at DSD.
- Return to work 216,000 persons.
- About 108,000 persons (20%) do not seriously search for a job. They claim for the benefits and saying that they are self-employed.
- Seasonal unemployed also claim for the UI benefits.

Laid-off: age and gender distribution

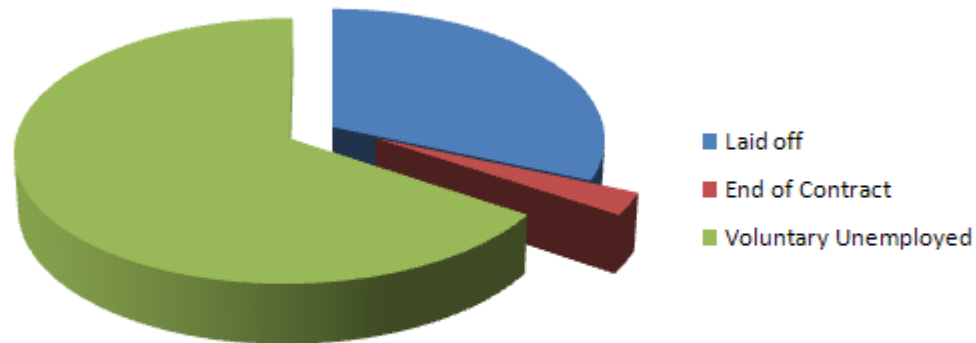
of beneficiaries



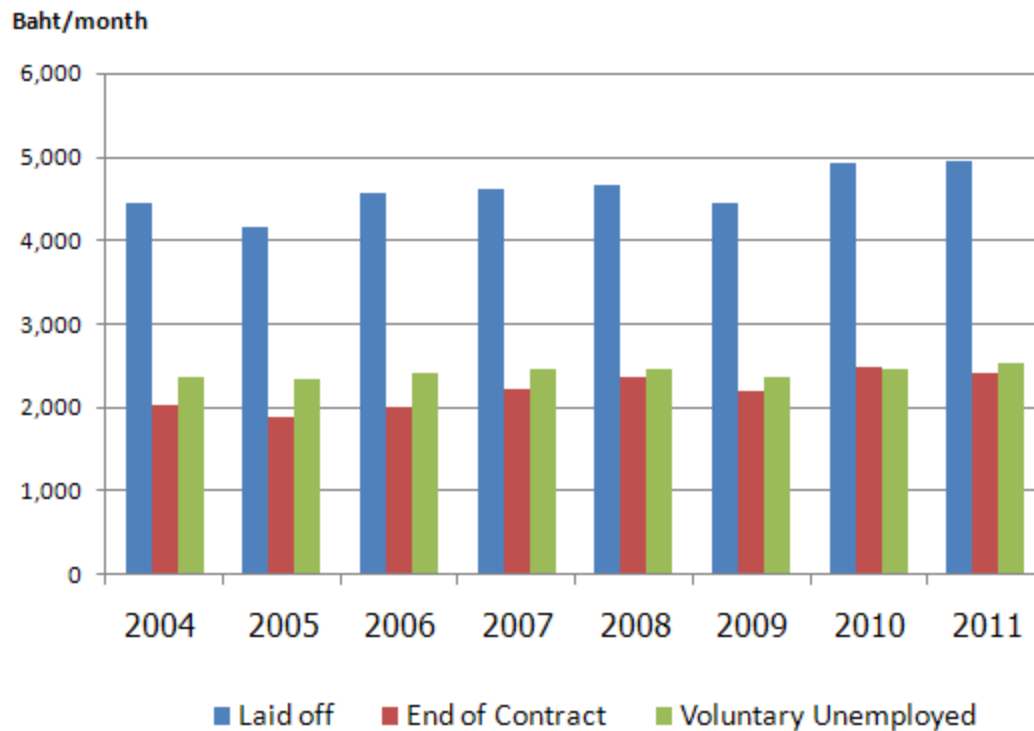
Voluntary unemployment: age and gender distribution



About 30-40% of UI expenditure paid to involuntary unemployed in 2011.



Average benefit is 2,000-5,000 Baht per month.





Lessons learnt

Duplication of two unemployment compensation

- Unemployed persons receive both severance pay and UI benefit. This might reduce incentive to work.
- The UI benefit should provide support after the period of severance pay is ended, e.g., if severance pay is 3 months and unemployed person cannot find a job after 3 month, he/she should receive the UI benefit for another 6 months.
- After 6 months of being unemployed, an unemployed person should be instructed to take a skill development program.

Eligibility requirement

- The benefit should not be paid to voluntary and seasonal unemployed persons as they are not available for work and do not search of jobs.
- Except for those who receive severance pay, the rule should be as mentioned earlier.
- This is because employers usually require employees to resign in exchange with a severance payment.
- The current system pays the UI benefit to the unemployed persons who do not search for a job because they are self-employed, but does not pay the benefit to temporarily unemployed persons due to flood or natural disasters.
- Short period of eligibility requirement may encourage quit without just cause and discourage skill improvement.

UI fund

- Social Security Fund should separate the UI and old-age benefits from other types of benefit. (Currently, 7 types of benefit, long-term and short-term benefits, pool risks together in a single fund).
- The UI should have a separate fund.
- The UI fund should support an unemployed person to seriously search for a job and to improve skill provided by both private and public sectors.
- Currently, the Social Security Act does not allow SSF to spend on non-monetary benefits.

Public relation

- Employees know about their entitlement to the UI benefit, but do not know about regulations. Some of them lose some proportion of benefits due to delayed registration.
- Employees and employers report different causes of unemployment. This can delay payment.
- Employers do not report starting date or ending date of employment.
- Many of Thai workers and new-entry workers do not know about social security and their entitlement.
- About half of inquiries through telephone in some provinces relate to the UI benefit.



UI implementation review

- This includes:
 - the definition of being unemployed,
 - the eligibility requirement and benefit rate,
 - the contribution rate and financial sustainability,
 - the monetary and non-monetary benefit, and
 - the coordination between three departments.

A misty forest scene with tall, thin trees and a large tree in the foreground. The text "Thank you" is overlaid in a stylized orange font.

Thank you