

*Thailand Social Monitor:
Challenge for Social Reform*

January 1999

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Preface

The crisis in Thailand, as in other East Asian nations, has led to many severe, unforeseen and sudden impacts, not only in the financial and corporate sectors but also more broadly in society, with many households enduring losses of wages, jobs, and opportunities. Faced with mounting social impacts, the response of the Government and its civil society partners has been both substantial and innovative.

The Regional Conference on Social Issues Arising from the East Asian Crisis (Bangkok, Jan. 21-22, 1999) presents an opportunity for the countries of East Asia and the donor community to share perspectives and learn from each other. The World Bank's Thailand Office has prepared this inaugural issue of the *Thailand Social Monitor* as part of the background information for conference participants and for others interested in the topic.

Note: The views expressed in the Thailand Social Monitor are entirely those of the authors and should not be cited without prior permission. They do not necessarily represent the view of the World Bank, its Executive Directors, or the countries they represent. The material contained herein has been obtained from sources believed reliable but is not necessarily complete and cannot be guaranteed.

This first issue of the *Thailand Social Monitor* presents a framework (based on the World Bank's **East Asia: The Road to Recovery**, 1998) for addressing social issues, and within that framework, summarizes the unfolding of the crisis in the social domain. The theme of this issue of the *Social Monitor* is how Thailand has seized the crisis as an opportunity for accelerating the social reform agenda. This agenda combines familiar social reform issues, such as job creation, social security, and employment services, but it also contains what we see as a unique Thai approach to addressing long-term social problems through investing in the development of local capacities, social capital and community self-reliance.

Future issues of the *Social Monitor* will attempt to present the results of ongoing analysis, assessments and surveys while examining selected topics within the overall social policy framework. An important focus will be the equity dimensions of the crisis, that is, the impacts on the poor and their access to safety net benefits.

The social aspects of the crisis are inherently complex and difficult to summarize in a single, brief document. Reliable data is rare, and there is disagreement on the interpretation of the available information. Rather than impose outside views on these issues, we have indicated the differing interpretations where appropriate.

We are grateful for sources and advice from many people and organizations, within the Thai Government, and outside of government in academia, civil society and of course from other donor agencies active in Thailand. Any shortcomings of this first *Social Monitor* are, however, completely our own.

J. Shivakumar
Thailand Country Director
The World Bank

I. Introduction

This first issue of the *Social Monitor* attempts to summarize the evolution of the social aspects of the crisis in Thailand. The Government's swift and effective response on the financial and corporate side of the crisis is widely acknowledged. Less recognized are Thailand's early and substantial efforts to address social impacts of the crisis. This effort has been broad-based, incorporating government and civil society, through central and local governments, communities, academics, trade unions, firms and enterprises, non-governmental organizations (NGOs), and Thai families themselves. The donor community has provided timely financial and analytical support to this broad effort.

To reflect both the diversity of social impacts and the wide range of responses, the *Social Monitor* summarizes first the pre-crisis social conditions, then moves to the available evidence on the social impacts of the crisis, followed by the actions taken to respond to the crisis. A final section on pending policy questions sets out some of the many uncertainties that remain concerning the impacts of the crisis and some of the difficult social policy choices that lie ahead for Thailand's leaders.

Thailand had not developed a comprehensive and dedicated set of social protection and anti-poverty programs before the crisis. There are several possible explanations: the many years of rapid economic growth lifted millions of Thai people out of poverty and eased the urgency of developing such programs; Thai traditions and values emphasize self-reliance and family responsibility; and such programs would have involved substantial burden on public expenditures and on government capacities.

When the social impacts of the crisis began to be felt in Thailand, the scope and depth of the income losses and unemployment called into question the adequacy of existing social protection programs to help vulnerable Thai families through the crisis. At the same time, the crisis focussed attention on what may be called the community-based, unofficial mechanisms for social protection. For example, would families be able to absorb laid-off relatives in their enterprises and farms; instead of lay-offs, would firms and labor agree to share work and adjust wages; would overseas and domestic remittances help distribute incomes to those in need; and would community-level social organizations take up social protection responsibilities?

Much of debate in Thailand on social protection centers on how far Government should go in developing publicly-funded or mandated social programs and on whether the spontaneous, unofficial mechanisms can be effective instruments in cushioning the blows of the crisis, particularly on the poorest. This kind of debate is heard elsewhere, but what makes Thailand's approach to social protection so distinctive is the determination to strengthen the community-based, unofficial mechanisms as a complement to improving the safety net and social insurance mechanisms that are found in higher income countries around the world. The Government is taking specific steps on *both tracks*.

This approach raises many vital questions, which are beginning to be subject to analysis and testing by the Government and its partners in civil society and the donor community. This and future issues of the *Social Monitor* will attempt to summarize the ongoing debate and report on the progress of the distinctive Thai approach.

The framework used in this issue of the Social Monitor thus presents the impacts of the crisis in the following categories: falling demand for labor capital. Common to all the impact areas is the question of equity; that is which segments of Thai society have been impacted more severely, the poor or the better off.

These impact categories are reflected in the response categories discussed in Section IV: Employment and Income Maintenance Programs; Protection and Targeting of Public Expenditures; and Income

(unemployment and declining wages); price changes of key commodities; reductions in public spending on social services; and erosion of social Security Schemes. Thailand's unique approach to the crisis warrants an additional response category, "Community Capacity Building" referring to a wide array of initiatives from the Government and civil society to help communities become more self-reliant and flexible in adjusting to economic downturns, that is to build up Thailand's social capital.

II. Pre-Crisis: Social Attainments, Vulnerabilities and Early Policy Reforms

Spectacular growth led to impressive welfare gains

The exceptional performance of the Thai economy in the three decades prior to the mid-1990s is widely recognized. Between 1965 and 1980 growth averaged 7.3 percent annually, accelerating to 7.8 percent in the period 1980 to 1995 – nearly twice the growth rate of other low- and middle-income developing countries. Per capita income more than tripled. Thailand's economic management won international praise, and the country attracted large international capital flows.

This rapid and sustained economic growth produced impressive achievements in people's well-being. Poverty declined dramatically in all regions of the country, irrespective of the particular level at which the poverty line is set. Using poverty estimates published by the National Economic and Social Development Board (NESDB) based on a head-count index, poverty declined from one-third of the population in 1988 to 23 percent in 1992 and finally to 11 percent in 1996. During this period, the number of people living in poverty was more than halved - from 17.9 million to 6.8 million.

Public provision of social services widened. Substantial gains in life expectancy and declines in infant mortality were achieved (see Table 1). Access to education, particularly at the secondary level, expanded significantly and the transition rate from primary to lower secondary increased from 47 percent in 1989 to 85 percent in 1994. The overall enrollment rate for lower secondary doubled to 63 percent. The number of working children as well as their labor force participation rates fell sharply from 37 percent in 1990 to 20 percent in 1993. The productivity of the poor and their employment opportunities increased enormously (World Bank estimates).

Table 1: Thailand's Social Indicators, 1970-95

Year	1970	1995
Life expectancy at birth	58.4	69.0
Infant mortality rate (per 1,000 live births)	73	35
Total fertility rate (births per woman)	5.0	1.8
Primary net enrollment (percent)	78.6	88.2
Secondary net enrollment (percent)	18.2	34.9

Source: World Bank Database

Emerging vulnerabilities

Widespread growth and prosperity, however, masked continued poverty in segments of Thai society, rising inequality of incomes, and large gaps in the Government's social safety net.

Although the decrease in poverty incidence was seen throughout the country, poverty remains acute in some areas and groups. In 1996, rural poverty contributed 92 percent or nearly all of Thailand's total poverty problem. The North and Northeast accounted for 77 percent of total poverty, with the Northeast having the highest incidence of poverty (19 percent) and the highest concentration of poor people. The highest incidence of poverty (19 percent) was found in households headed by farmers, explaining much of the large urban/rural poverty differentials. Children suffered higher-than-average poverty rates. Taking into account their relative population sizes, adults aged 25 to 59 years contributed the largest share to national poverty.

Despite the impressive reductions in absolute poverty, the benefits of growth were not shared equitably. As consistently as poverty fell between 1988 and 1992, income distribution became more skewed – dampening the rate at which poverty was reduced. Between 1988 and 1992, the share of personal incomes of the richest 10 percent of the population increased to 28 times that of the poorest decile. In 1996 the Gini coefficient, a measure of income inequality, was 0.50, well above the regional average for the current decade of .38 percent (World Bank 1996).

During the period of consistent growth and poverty reduction, the Government took relatively modest steps toward establishing an integrated social protection program. A set of social risk management, social service and transfer programs served as an ad hoc social safety net. Interventions included: small-scale indigent and elderly grant programs; national health insurance schemes for the poor and near poor; national student loan programs for secondary students; targeted school lunch programs for primary school students; and short-term vocational and technical training programs. Various publicly-funded civil works and rehabilitation projects provided employment in the

construction sector, but were not designed as job creation programs.

In the area of labor policy, the Thai government put in place a severance pay requirement, which was lengthened in August 1998 from six to ten months. A workmen's compensation fund was also established with contributions from employers and employees, and is functioning for workers in the formal sector. Minimum wage standards and various occupational and safety standards for workers were also promulgated. Prior to the outbreak of the crisis, there was no government-sanctioned unemployment insurance program nor a government-sponsored social security scheme for the private sector. Private provident funds were available in some larger firms, but only civil servants were enrolled in a government-sponsored retirement scheme. Other social security benefits were available through the social security system for formal sector group players (health, maternity, funeral, etc.)

The Growing Reform Agenda

In the years leading up to crisis, many currents of social reform were gaining momentum in Thailand. Civil society organizations and leaders pushed for political reform and government policies more responsive to the lower income and vulnerable groups. Their activities culminated in the drafting of the Eighth National Economic and Social Development Plan (1997-2001), widely regarded as a seminal social reform document in Thailand. In parallel, political reforms were introduced in the new Constitution which was promulgated just months after the advent of the crisis in July 1997.

The Eighth Plan was prepared by the National Economic and Social Development Board (NESDB), the Thai planning agency. A widely consultative process was launched, seeking inputs from local communities and non-governmental organizations in the formulation of the Plan. The result was a document focusing on the poor and under-privileged, and with initiatives designed to empower local communities through decentralization of government, public participation in the Government's decision-making process, increased transparency and improved governance,

and the building of local capacities and self-reliance (see Box 1 for excerpts from the 8th Plan).

Box 1: 8th National Economic and Social Development Plan

The 8th National Economic and Social Development plans states that “...rapid economic growth has had negative effects on Thai culture, traditional ways of life, family, community and social values...development based only on economic growth without due consideration of human, family, community, social and environmental dimensions cannot be sustained in the long run.” The Plan envisioned a shift away from “the top-down approaches practiced by the public sector in the past” to “people-centered development”. Focus was placed on the development of human resources through education, health care and social welfare; more equitable sharing through regionalization, participation and community rights; and the rehabilitation of the environment through better management and greater local participation. As a result, Thailand would be integrated into the global economy, but would remain a society where “all people learn to live together in an enlightened way, with mutual care for each other, in harmony, peace, justice and freedom; in other words, as Thais.” **Phongpaichit and Baker (1998), pp. 307-8.**

Implementation of the 8th Plan has been launched in several ways. The Plan calls for the coordination of government and non-governmental activities. Monthly learning forums are being held at the NESDB share local-level development experiences and new initiatives. Provincial civic forums have

been promoted to encourage all concerned parties including the public to participate in the planning and decision making in each province. District and sub-district civic forums are also being encouraged.

The approach to community empowerment embodied in the 8th Plan borrows from the experience of the royal development projects to strengthen local communities and build local safety nets through community economic self-sufficiency programs. Under his Majesty the King’s “New Theory” initiated in the early 1990s, farmers participating in a new form of land and agricultural management seek to become self-sufficient and repay debts. During the next stage of the projects, farmers form groups and create networks hence building up civil society.

Complementing the 8th Plan’s commitment to “people-centered development”, the new Constitution creates the framework for the restructuring of national representative institutions and reform of the electoral process. Drafted in the three years leading up to the crisis, the new Constitution introduces a number of new measures to empower civil society and safeguard individual liberties. Along with the promotion of greater political accountability and transparency, the Constitution emphasizes gender equality, environmental preservation, local resource management, community empowerment, and basic rights in education and health.

III. Social Impacts of the Crisis

“The true impact of the crisis comes less on the people in the financial sector, but rather on the millions of people just near the poverty line.” James D. Wolfensohn, President of The World Bank Group, during his visit to Thailand, Bangkok Post, February 1, 1998.

The onset of the East Asian financial and economic crisis began in Thailand in July 1997. After months of speculative attacks on the Thai currency, the baht was allowed to float on international currency markets, and there ensued a now very well-known series of events, including massive flight of capital, sharp depreciation of the Thai currency, growing insolvency of financial institutions, and a relentless contraction of economic activity.

The sequence of events on the social side of the crisis is less visible and much harder to document, but no less real. Three stages of social impacts may be hypothesized for later study. A first stage, marked by the rapidly depreciating Thai currency through early 1998, was dominated by inflationary price increases and drought-induced shortages and price hikes for agricultural commodities. There seem to have been some gains in the agriculture sector as some farmers exploited improved export opportunities and higher domestic prices for their output. Government revenues fall precipitously, triggering several rounds of cuts in the FY1998 budget, including social programs.

In the second stage, beginning toward the end of 1997, the crisis impacts expanded to the real economy with sharp increases in lay-offs and a widespread and substantial drop in worker wages and incomes. In this stage, finance companies closed and the construction industry, already in crisis, ground to a halt. This phase may also have marked the acceleration of social fabric problems, in the form of increasing drug trade and abuse, the first increases in school drop-outs, the taking up of illegal activities to replace lost incomes, and other social ills.

A third phase, in parallel with the increasing stabilization of the Thai economy and the bottoming out of the economic contraction may have set in during the second half of 1998 and into 1999. In this last phase, layoffs and wage reductions have eased and public spending on social and economic programs has grown with encouragement and financial support from donors. Inflation has fallen to pre-crisis levels. There is also some evidence of the workings of the unofficial safety net in Thai labor markets, both urban and rural, serving to cushion job losses and distribute remaining wages and jobs more widely so as to avoid catastrophic impacts on households. Social fabric problems persist, however, and possibly deepen, suggesting a “lag” between employment shocks and the erosion of social capital and family values.

The available evidence on social impacts comes from both regular nationally representative labor force and household surveys, as well as from more selective surveys of particular regions and groups. In addition, in-depth participatory assessments have been undertaken, and these provide a more detailed picture of household and community-level conditions and coping strategies. The following sections review some of the available evidence to provide an account of the evolution of the crisis along the four main channels of social impacts:

- A fall in demand for labor and reductions in wages;
- Increases in prices of key commodities, especially those that form a large part of the daily requirements of the poor (rice, cooking oil, etc.);

- Reductions in government spending on social services and subsidy programs benefiting the poor and unemployed; and
- Erosion of the social fabric.

In presenting social impact data, there is a risk of attributing to the crisis long standing problems caused by other factors. Problems such as drug abuse, crime, suicides, and domestic violence have many complex causes, only some which are economic. Sorting out causation requires careful econometric and social analysis.

Falling labor demand, migration and wage declines

Economic recession, the corporate crisis and contraction of credit have caused significant increases in unemployment, underemployment and real wage declines. The National Statistics Office publishes tabulations of three rounds per year of the Labor Force Survey (LFS). After summarizing results of the LFS for employment, wages and migration, the *Social Monitor* reviews the interesting results of econometric analysis of LFS data. Because employment exhibits a strong seasonal component, LFS results are compared year to year.

Employment and Underemployment

According to the February 1998 round of the LFS, the first to capture employment impacts of the crisis, the total number of unemployed more than doubled from almost 700,000 (2.2 percent of the labor force) in February 1997 to 1.48 million people (4.6 percent) in February 1998. Measured underemployment (defined as persons working from one to 20 hours per week) showed an even greater increase, from 544,000 (1.7 percent) in February 1997 to 1.48 million (4.6 percent) in February 1998.¹

Due to budget constraints, no survey was conducted in May 1997. However, compared to May 1996,

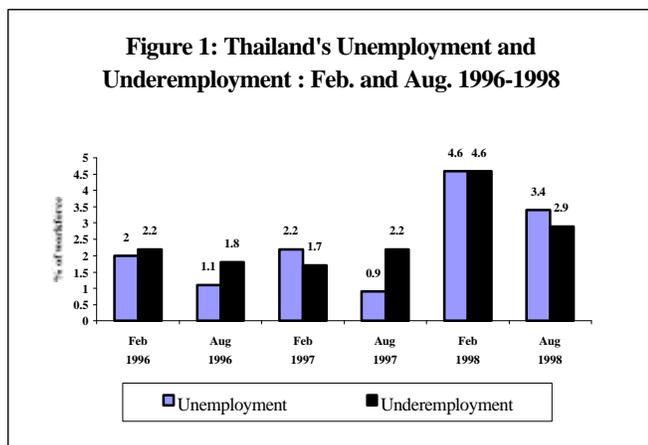
unemployment had increased significantly from 2.0 percent in May 1996 to 5.0 percent in May 1998. The number of seasonally inactive workers also increased so that when added to the unemployed this total increased from 6.5 percent in May 1996 to 11.2 percent in May 1998. Underemployment did not increase in aggregate.

By August 1998, the number of unemployed was 3.4 percent of the workforce. Some have used this apparent “dip” in unemployment from 5.0 percent in May 1998 as evidence that the impact of the crisis on employment lessened. However, adjusting for seasonality, August – traditionally a time of low unemployment due to seasonal demand for labor within agriculture for the planting of the main rice crop – saw the largest proportional increase in unemployment since the onset of the crisis from 0.9 percent for the total labor force in August 1997 to 3.4 percent in August 1998. Underemployment increased only modestly from 2.2 percent in August 1997 to 2.9 percent in August 1998. The increase in underemployment evident in February 1998 was apparently a transitional phenomenon. By August 1998, the employment effect of the crisis was primarily on overt unemployment (see Figure 1).

At a regional level, the largest initial increase in unemployment after the advent of the crisis occurred in the rural areas and the Northeast region, where concentration of poverty is highest. According to the February 1998 LFS, rural unemployment roughly doubled from 0.5 million in February 1997 to 1.04 million in 1998. The absolute increase in the rate of unemployment was the largest in the rural Northeast (3.5 percent in February 1997 to 8.2 percent in February 1998). The increase in measured underemployment was greatest in Bangkok (0.3 percent in February 1997 to 12 percent in February 1998). By August 1998, the overall unemployment rate was highest in urban areas. Unemployment was concentrated in the Bangkok metropolitan area (4.6 percent of the workforce) and the Northeast (3.6 percent). Of the total number of unemployed, almost 40 percent were located in the Northeast region.

¹ Underemployment rates are calculated at different thresholds of hours worked per week. Recent NESDB compilation which defines underemployed at those working under 35 hours per week shows considerably lower numbers for underemployed, particularly for the February 1998 LFS round.

Figure 1: Thailand's Unemployment and Underemployment : Feb. and Aug. 1996-1998



Source: Labor Force Survey
National Statistical Office
NESDB Estimates

Migration

Migration is a critical issue for understanding labor market flexibility and remittances and for targeting the unemployed. Data on migration are incomplete. Exiting unemployment and underemployment figures suggest hypotheses for crisis impacts on labor migration. The initial impact of the crisis seems to have occurred in urban areas and caused large numbers of workers to be laid-off in the construction and in the manufacturing and services sectors. The urban contraction may have induced two distinct labor market responses: the reverse migration of unemployed people from urban to rural areas, increasing the number of rural unemployed; and an increase in urban underemployment as some of the newly laid-off workers found part-time work in the cities. By August 1998, it appears that the rural economy could not support the large number of returnees. Unable to find employment in the rural areas, it seems that many returned to urban centers in search of work.

Wages

Declining wages in Thailand have had a more substantial impact on welfare than pure unemployment. The impact of the crisis on wages may be assessed by comparing the February 1997 and February 1998 Labor Force Survey results. Over this period, average money wages fell in real

terms by close to six percent across all worker categories identified in the LFS.

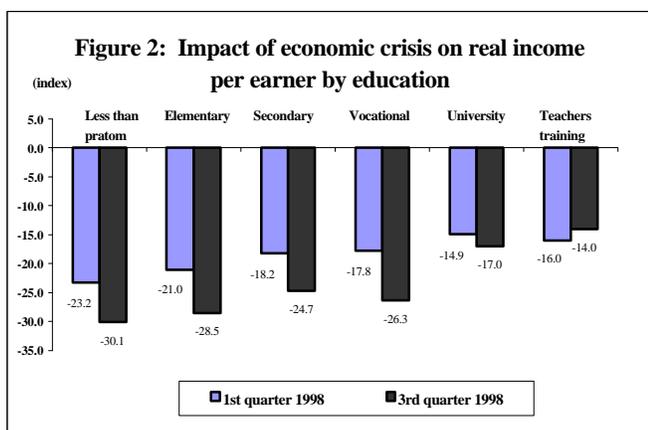
This decline in average real wages was greater in urban areas, at 8.3 percent, than in rural areas, at 4.7 percent. At the aggregate level, the decline in real wages was about the same for males and females, but in urban areas the decline in female real wages exceeded that for males, while the reverse applied in rural areas. Thus, at an aggregate level the male-female earnings disparity remained virtually unchanged, but it increased in urban areas and declined in rural areas.

In urban areas, average female wages actually fell in money terms by 1.6 percent, implying a decline in real wages of 10.5 percent. This decline in female wages in urban areas was especially significant in the manufacturing sector, where money wages for females fell by four percent and real wages fell by around 13 percent. In the urban sector construction, a very large decline in male money wages occurred (15 percent), implying an average decline in real wages for males in that sector of 24 percent. Overall, real wage declines for males were largest in the urban construction and the rural services sectors, while for females they were largest in urban manufacturing and in rural small-scale trading.

Analytical Perspectives

The NESDB, with the support of the ADB, has carried out sophisticated econometric analysis of the LFS data sets. The most recent paper produced by the NESDB team (N. Kakwani and J. Pothong, "Impact of Economic Crisis on the Standard of Living in Thailand", Development Evaluation Division, NESDB, January 1999) examines LFS data from 1992 to 1998 and is able to estimate an index of crisis impacts compared to "counterfactual" trend growth rates in employment and other indicators in the absence of the crisis. Also informative is the use of analytical tools to measure the relative impact on standard of living from unemployment, underemployment and declines in wages. Seasonality of the data set is also addressed. Some of the many valuable findings from this rich analysis are summarized below. All estimates of impacts are in relation to the expected trend in the absence of the crisis:

- The crisis has hit the poor hardest, significantly reducing employment and real wages of people with education equal to or below the primary level, on the assumption that primary education attainment is highly correlated with low incomes (see Figure 2).
- The agricultural sector has played an important role in cushioning crisis impacts as employment has shifted from the informal non-farm sector to the informal farm sector.
- The crisis has hit small and medium enterprises hardest, many of which were forced to close. Businesses employing less than five people have contributed a reduction in employment of 19.6 percent, while those employing between six and ten people have contributed a 24.5 percent reduction. In the third quarter of 1998, the impact spread to medium-sized enterprises. Similarly, the impact of the crisis on real wages is also most severe among small and medium-sized enterprises.
- The crisis has had a severe impact on real income per earner through the reduction in work hours and hourly productivity. The magnitudes of real income reductions are highest in rural areas, particularly in the Northeast.
- The crisis has contributed to a larger increase in the unemployment rate among males compared to females.



Source: Kakwani and Pothong, 1998

Price changes

The living standards of low-income households have also been seriously affected by price increases.

The floating of the baht in July 1997 set off rapid price increases of imported goods and pushed domestically produced goods toward the export market. Between July 1997 and the fall of 1998, prices of all commodities were rising faster than they had prior to the crisis. Overall inflation jumped from 4.4 percent in June 1997 to a peak of 10.7 percent in June 1998. The price of food and beverages increased by 10.2 percent in the first ten months of 1998 over the same period in 1997. The price of electricity, fuel and water rose by more than 18 percent in the first half of 1998 compared to the first half of 1997. The VAT was increased by three percentage points to ten percent.

The depreciating exchange rate as well as increased demand due to the effects on other countries of the El Nino-induced drought caused the price of rice and other agricultural products to increase sharply. By February 1998, there was anecdotal evidence from households that the price of rice had increased by over 60 percent. Net producers of agricultural products are affected differently by price increases. Agricultural households who produce more than they consume – about 25 percent of the Thai population - saw an increase in their net earnings, although a part of the earnings were off-set by higher input costs (S. Gupta, et.al, 1998).

The prices of pharmaceuticals and other medical supplies were also significantly affected by the sharp depreciation of the baht. The Health Systems Research Institute reports that by November 1997, the price of domestically produced drugs rose by at least 12 to 15 percent and the price of imported drugs by 18 to 20 percent. NGO networks expressed concern that the treatment of HIV/AIDS patients, heavily dependent on imported drugs, may be seriously affected. With higher medical costs and lower incomes, people's demand – particularly for those less able to pay for the out-of-pocket cost of medical care – is likely to drop. Evidence indicates a shift to public sector care, postponement of medical attention and self-medication. The deteriorating health of vulnerable groups may not be immediately evident. But demands for particular health services are increasing as a result of the crisis. More patients are reporting stress-related ailments and the incidence of depression and suicide rates are reportedly rising (Thanjarenrsatien and Lertsataindamrong).

By October 1998, the exchange rate had stabilized and domestic demand had contracted. Prices in October rose at an annual rate of only about six to seven percent, a pace comparable to pre-crisis price increases. In November and December, the suppressed demand and the strengthening of the baht led to prices actually falling on a month-on-month basis. For example, the price of rice and cereals fell by 2.3 percent from October to November while the price of vegetables and fruits declined by 3.9 percent. This reduction in the inflation rate, it can safely be assumed, has eased the crisis impacts on low-income consumers, but food producers in Thailand, as many have predicted, may suffer due to falling prices.

Reduction in public spending

As part of its fiscal adjustment, Thailand undertook a series of budget cuts in the first phase of the crisis. In FY97, the initial budget of baht 984 billion was cut by 6 percent. This reduction was followed by cuts in the FY98 budget totaling 152 billion for a final budget of baht 830 billion. The appropriation for education declined by 9.0 percent and public health by 15.2 percent over the FY98 budget submitted to Parliament in the month prior to the onset of the crisis. Although guidelines used in making the cuts included preserving those aimed to lessen the social impact of the crisis and education and health expenditures, they did not include any explicit poverty-related criteria. The FY 1999 budget overall is less than a one percent reduction from the previous year, and there are plans to substantially increase spending on social programs to stimulate the economy, create jobs, and improve services.

An Asian Development Bank review conducted in early 1998 found that cuts in the government budgets for education and health and delays in disbursing approved funds inevitably affected a number of programs and created challenges for public sector institutions. In both sectors, there have been significant shifts from private to public sector providers as people seek to reduce expenditures. As a result, public schools and health facilities are strained, and private institutions are struggling to survive. There have been serious concerns about the effect the lack of funds will have on the ability to maintain quality of services. Rural schools appear to be more severely affected as they

were comparatively under-funded to start with and have fewer non-budgetary sources of income from which to draw. NGOs also report a significant decrease in their ability to provide social services, particularly in health-related fields (The Brooker Group, 1998).

The Ministry of Health budget cuts were concentrated on capital projects so as to avoid cuts in operating costs of vital services. However, the HIV/AIDS program, according to a paper presented at the World AIDS Conference last year, has endured substantial cuts to certain programs in the early rounds of budget reduction in FY98. Within the MOH, the free condom distribution program, antiretroviral drugs, vertical transmission program, and drugs for opportunistic infections were reported to be cut. The NGO grant program for care of AIDS patients, the breast milk replacement program, and the blood screening program were protected. How these programs were dealt with subsequently in the last round of FY98 budget restoration and in the FY99 budget and its adjustments has yet to be analyzed (Pothisiri, et.al., 1998).

A UNICEF survey of 46 elementary, lower secondary and secondary schools in the North and Northeastern regions focus groups was conducted with community members to determine the impact of the financial crisis on children. It reported that the largest number of dropouts occurred at the grade 7 and grade 10 transition points (see Box 2). More generally, the study revealed weaknesses in student monitoring systems. At the elementary and lower secondary school levels, widespread teacher indebtedness was seen as reducing the time teachers can devote to schools instead of second jobs. Concerns were also raised that past policies of targeting key inputs, such as school lunch and milk subsidies, may need to be adjusted to include more students as the crisis continues and deepens (Mehrotra, 1998).

Box 2: Impact on School Attendance

Declining family incomes due to the crisis could be expected to reduce family ability and willingness to shoulder the costs of keeping children in school. Information available from the Ministry of Education (MOE) and a special study conducted by UNICEF indicates that attendance has fallen. Although the aggregate number of students leaving school in the first year of the crisis are low compared to other affected countries, notably Indonesia, the patterns are worrisome.

A large share of the dropouts are leaving the system at the crucial transition points to lower and upper secondary school. Between 1993 and 1997, the percentage of grade-to-grade drop-outs declined at almost all levels. In 1998, however, all transition dropout rates rose, reversing prior trends. Increases in the drop-outs at the elementary level were relatively small, in most cases remaining lower than in 1994/95. But sharp increases in drop-outs were seen in grades six to seven and nine to ten – the transition point to higher levels of schooling.

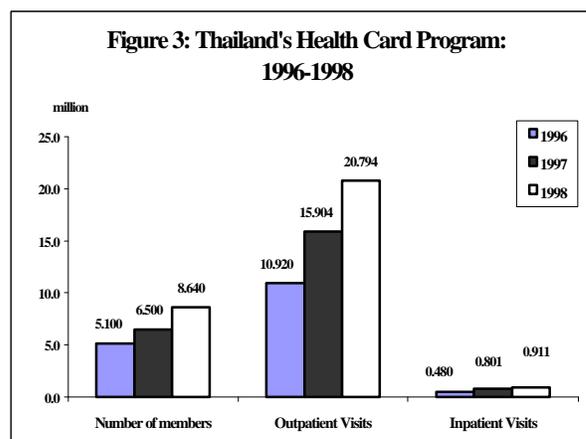
The relatively small increase in drop-out rates may be explained in part by the Ministry of Education's instructions issued in mid-1997 to allow all students to stay enrolled even if they were unable to pay school fees. Incomplete data from the MOE, suggests that by the fall of 1998, approximately 200,000 students had taken advantage of this *de facto* scholarship. The more formal scholarship and loan programs, expanded with the support of the ADB, have encountered administrative bottlenecks. Recent press reports suggest that fewer than 30,000 students have benefited from programs capable of assisting at least 200,000 per year.

The ability of families to find ways to maintain expenditures of education as incomes fall will be the subject of a special 1999 study conducted by the National Education Commission, with support from the ASEM-EU Trust Fund administered by the World Bank.

Source : Ministry of Education; Mehrotra, 1998

The Ministry of Health has received financing from the World Bank and the ADB to sustain its level of services to low income patients at the provincial level. Preliminary patient utilization rates do not show dramatic overall increases (8 percent increase in FY 98 for outpatient visits in provincial and regional hospitals, for example) perhaps reflecting decisions to put off care or self medicate. There are reports, however, that some programs are over-subscribed and under-funded, such as the voluntary Health Card Scheme. This program offers health

cards at a modest charge that entitle the family to receive a package of free health services at public facilities. Enrollments have grown rapidly in recent years. It was anticipated that the program might falter during the crisis due to the fee charged, but a substantial increase was recorded in Card sales as, apparently, many Thai families are turning to public from private facilities (see Figure 3). The scheme is encountering difficulties in financing services for new enrollees, as the inadequate budget subsidy for the program must now be distributed over an ever larger patient base.



Source: Ministry of Health

Erosion of social capital

The economic downturn is reverberating through to the social fabric of the country. Although the data is largely anecdotal, there are many reports of gains in social capital, that is increased trust, reciprocity and functioning of social networks. At the same time, other reports document the many cases of familial breakdown and the erosion of traditional Thai values. It is difficult to ascertain the impact of the crisis on these events, but there is widespread recognition that economic hardship is adding to both trends.

A village-level study conducted by the International Fund for Agricultural Development found that family and community networks are helping to cushion some of the affects of the crisis. Returning migrants with no immediate relatives are being taken in by extended family or local temples, which are supported by the community. Employment in non-farm enterprises is being rationed to maximize the number of people benefiting. Farmers are

offering loans to friends and relatives. Group loans are reportedly being repaid ahead of individual loans, even in cases where additional high interest loans are necessary to repay the group obligation. These accounts suggest social gains at the group level (Nathan, et.al., 1998).

Box 3: Amphetamines: An Escalating Social Problem

Although it cannot be directly attributed to the crisis, the number of drug addicts and abusers has surged in the past years, with amphetamines -or “speed”- topping the list, according to the Office of the Narcotics Control Board (ONCB). More than half of all drug users are teenagers. Out of 157,000 charged with drug offences in 1997 -an almost 40 percent increase from 1993- 73,880 involved amphetamines. Production of illegal drugs is also up throughout the country.

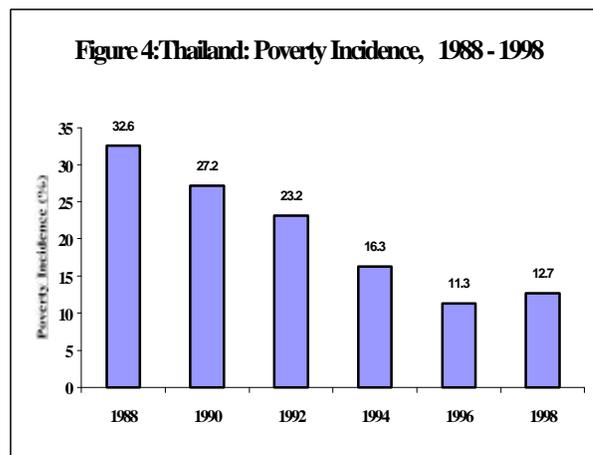
“Amphetamines are a fact of life in every community across the country, and the dealers and their clients are of all ages, occupations and social groups...The spread of the drug in recent years has been phenomenal and the authorities admit they are struggling to deal with a problem that is out of control. In the first half of this year, for example, drug abuse tops the list of criminal offences in Bangkok. Among the drug offences, amphetamine-related crime top the nationwide list,” Bangkok Post, December 6, 1998. How much of the drug abuse problem can be attributed to the crisis, or are other long-term social forces at work? These are inherently complex issues requiring further analysis. However, some observers have noticed the connection: *“Some of those who are out of work for a long time are tempted by the fast money. They just think if worse comes to worse, they will have to go to jail. They have nothing to lose. It’s better than seeing their family starve.”* Police Colonel Chuchart Suwannakom, Bangkok Post, January 10, 1999.

As the crisis endures, and wages and job losses mount, there is evidence that families are turning to damaging coping mechanisms and breakdowns in cohesion. Focus group discussions in February 1998 revealed increased conflicts within families, among households, and in society more generally. The number of street children, abandoned by families hard hit by the crisis, more than tripled between 1997 and 1998 (Yue and Bhanu, 1998). The crisis appears to have led to increased school drop outs, child labor, child prostitution and child beggars. Business failures have affected mental well-being. According to government estimates, the suicide rate more than doubled in 1998 and

informed observers attribute part of the cause to economic hardship. Crime rates are rising and the crisis has reinforced the drug trade as an easy and safe way to earn money (see Box 3). Many Thai experts on social issues regard this erosion of social values as a serious threat to the long-standing cohesion of Thai society.

Crisis impacts on poverty and inequality

The social impacts of the crisis can also be analyzed through changes in poverty and inequality, as measured by household consumption and incomes. Preliminary estimates of poverty incidence and inequality by the Development Evaluation Division of NESDB with ADB assistance (N. Kakwani), are available for the first two quarters of 1998 from the Social and Economic Survey (SES). They indicate that the long-term trend of declining poverty and recent reductions in income inequality have been interrupted. Since 1996, poverty incidence, measured by a head-count index, has increased by approximately 1.5 percent to 12.7 percent indicating that about 1 million Thai people have been pushed below the poverty line (see Figure 4). As the data are available only for the first half of 1998, it does not capture the acceleration of income declines recorded in the second half of the year.



Source: NESDB

Changes in poverty incidence varied considerably by region. In Bangkok and the vicinity, poverty incidence is low and increased only slightly, from 0.6 percent in 1996 to 0.75 percent in 1998. In the Northern region, poverty incidence actually fell, from 11.1 percent in 1996 to 9.3 percent in 1998, as it did in the Western region. Moderate increases

occurred in the Central and Eastern regions, but the largest increases in poverty incidence occurred in the Northeast and Southern regions, where it increased from 19.3 percent to 22.7 percent and from 11.4 percent to 15.6 percent, respectively. The increase in poverty incidence was greatest in rural Thailand where it increased from 14.9 percent in 1996 to 16.9 percent in 1998. The comparable increase in urban poverty incidence was from 3.8 percent to 4.4 percent. As rural areas represent more than half of the Thai population, these numbers indicate that in the first half of 1998 the absolute increase in the numbers of people in poverty was much larger in rural than urban areas.

The SES data reveal a small increase in inequality and reduced income share for the poor. The Gini coefficient increased from .50 in 1996 to .506 in the first two quarters of 1998. The income share of the richest quintile increased from 55.3 percent in 1996 to 56.2 percent in the first two quarters of 1998. The income shares of all other quintiles declined.

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Continued...

IV. Responding to the Crisis

“In these difficult times as we focus on the immediate tasks of economic recovery, the need for adequate social safety nets – to protect the unemployed, the poor and the marginalized – assumes even greater urgency. But it would be a terrible disservice and demeaning to our peoples if we think of social safety nets solely in terms of handouts. For real human security --the real social safety net – is human development, holistic human development. Intelligence and equal access to opportunities are the best insurance against future calamities. Helping them to help themselves constitute the most important investment that we can make for our own future and shall help enable us to emerge from the present crisis on to the path of stronger, more disciplined and sustained growth.”
H.E. Dr. Surin Pitsuwan, Minister of Foreign Affairs, in a speech at “An Intellectual Dialogue on Building Asia’s Tomorrow”, Japan, December 2, 1998.

Policy Response of the Government

In the months after the crisis hit, the Thai government took several decisions which signaled the priority accorded the social reform agenda. First, the Parliament proceeded with passage of the new Constitution which, as noted above, introduced far-reaching reforms to the political system. Second, in February 1998, Government endorsed revisions to the 8th National Economic and Social Development Plan to better respond to the crisis through the following three major guidelines:

1. Minimizing the effects from rising unemployment through measures to alleviate unemployment in urban areas and promote employment generation in the rural areas to absorb returning migrants;
2. Assisting the underprivileged groups of people and those affected by the crisis through assistance measures in the areas of social welfare, education and health;
3. Preventing and alleviating social problems, especially drug use and crimes, as well as promoting commendable social values.

The third decision, also at the policy level, was made by Prime Minister Chuan Leekpai in July 1998 as he established a new National Social Policy Committee (NPSC) in response to public demand for increased coordination of social policy and attention to the social reform agenda. Chaired by the Prime Minister, the widely-representative NPSC comprises the ministers responsible for social issues, NGO representatives, members of people’s organization, business persons, academicians and a religious leader. A partnership among the public, non-governmental and private sectors to formulate and monitor social policies is believed to be key to solving the country’s social problems.

After the depreciation of the baht and ensuing economic crisis, the Government requested assistance from the international financial community. The response, led by the International Monetary Fund, was a package of loans totaling US\$17.2 billion as well as an increase of grant resources. Most of this package was aimed at stabilizing the volatile currency markets, calming foreign creditors, and restoring confidence. A substantial portion of the package, however, was dedicated to addressing social impacts.

The main Government and donor-supported investments were aimed at providing social protection for the unemployed and vulnerable and can be grouped into four major areas:

(i) employment and income maintenance; (ii) protection and targeting of public expenditures; (iii) income security schemes; and (iv) community capacity-building. The scope of the effort has involved almost every government ministry, and a wide array of initiatives down to the operational level. It is not possible to recognize in this brief summary all of the important government actors and efforts.

The safety net and the larger social protection framework in Thailand contains many gaps in instruments and coverage. On the eve of the crisis, Thailand's social protection system did not include several instruments common in OECD and Eastern European countries, such as unemployment insurance, a pension scheme for the private sector, and large scale transfer programs for the poor, such as food stamps, transfer entitlements for the indigent, and so forth.

The onset of the crisis has been a period of intense scrutiny of the existing gaps in the social protection framework and debate over how to address them. As will be seen in the following sections, the Government has strengthened aspects of the public sector safety net, such as the severance pay requirements and the social security scheme, and it has vigorously pursued employment generation and training as ways to assist those with job and income losses.

The Government has not, however, launched an unemployment insurance scheme or expanded its small-scale transfer programs for the indigent. There are concerns about permanent entitlements, fiscal burdens, and untimely taxes on labor and employers. Beyond those reasons are more deeply felt views on how best to restore the damaged social fabric and strengthen self-reliance. The Prime Minister and his cabinet, leading civil society thinkers, and of course the views of H.M. the King, share a determination to restore traditional Thai values of self-reliance and self-help and an equally strong desire not to undermine such values in society.

This view has helped precipitate long-pending reforms and initiatives to build up the capacity of communities and families to help themselves and each other. Thus, in addition to the vital improvements to the official safety net programs in

the public domain, this Government with its civil society partners has pursued an innovative second track designed to build an unofficial social protection network, through empowering communities and developing social capital. It is far too early to measure any outcomes from this second track, but the reform agenda has certainly been enriched by the initiative.

Employment and Income Maintenance Programs

During the first few months of the crisis in 1997, the Government became increasingly concerned with reports of lay-offs, not only in the financial sector, but also in construction and services. As the contraction of the economy accelerated, the Government approached international donor agencies (the Asian Development Bank, the World Bank and the Overseas Economic Cooperation Fund of Japan) for financing in two areas: job creation and budget support for vital services benefiting the poor and unemployed. The first loan came from the ADB in the form of an emergency Social Sector Program Loan, which provided balance of payments and budget support aimed at improving health, education, and employment services (see Box 5).

The second loan package was the Social Investment Project, financed by the World Bank, the Overseas Economic Cooperation Fund of Japan (OECF), the Australian Agency for International Development (AusAID), and the United Nations Development Program (UNDP). The Project financed expansions of selected Government programs to create jobs and provide services to the poor and unemployed. The Project also financed a new Social Investment Fund to support community capacity-building and an Urban Development Fund to provide infrastructure loans to municipalities. International donors are considering follow up loans to further support the Government's efforts in employment generation and the establishment of a more comprehensive social protection system.

The Government took other steps to address the unemployment problem as it became clear from various sources that the incomes of the poor and

near poor were declining. The Ministry of Labor and Social Welfare, for example, in cooperation with relevant ministries formulated an Action Plan for the Alleviation of Unemployment Problems. It set forth seven measures to address the impacts of the crisis, including: immigrant labor; encouragement of Thai workers abroad; employment generation in rural areas; training for the unemployed; and employment preservation through support to labor-intensive and export industries.

Financed through a combination of budget allocations and loans from the World Bank, the OECF of Japan and Asian Development Bank, the government initiated temporary, labor-intensive civil works programs in both rural and urban areas consistent with regional unemployment and poverty patterns. These works include: school repair; road, small dam and weir construction; rural industrial promotion; rehabilitation and expansion of small-scale irrigation projects; improvements of basic infrastructure benefiting the tourist industry; and a village center development project which will employ new labor market entrant volunteers (see Box 4).

Box 4: OECF(Japan) and Employment Generation

The Government's emphasis on job creation has involved close partnership with Japan's OECF, which has long experience in Thailand's transport, agriculture and tourism sectors, including support for labor intensive small works. The OECF joined the World Bank's Social Investment Project as a major co-financier, lending over US \$120 million last year at a concessional interest rate of 1% for two components: conservation and tourism development; and rehabilitation of small scale irrigation works. Both components were designed according to minimum standards of labor intensity and the capacity of the Government's agencies to implement these small scale works on an urgent basis. Over 250,000 man months of employment will be generated by these two components. In addition, the OECF provided financing (about US \$330 million) for local cost requirements of key transport projects so as to accelerate implementation of these OECF financed operations. OECF support for the Government's social program is set to expand further with financing from the Miyazawa initiative.

In addition to civil works projects, employment generation initiatives also focus on: the expansion of vocational and skills training programs for the unemployed and new labor market entrants; occupational and income generating promotion; foreign worker supervision; promotion of overseas

employment; loans for employment promotion and the establishment of an employment information system. With assistance under the Asian Development Bank's Social Sector Program Loan, the Ministry of Labor and Social Welfare has launched Centers for Assistance to Laid-off Workers – a one-stop service center to help laid-off workers in the areas of severance pay, social security, placement and counseling services, training and low interest loans. The subsidy for urban bus and rail fares is being maintained to protect urban low-income workers.

The International Labor Organization (ILO) is working with Government, workers' and employers' organizations to develop and implement a package of responses which cover a range of activities relating to employment generation, wage policy, protection of child labor, industrial relations, social protection, occupational safety and health and small enterprise development.

Protection and Targeting of Public Expenditures

A second pillar of the government's social protection efforts has been the protection of social sector expenditures during the period of fiscal restraint and the targeting of publicly-financed programs to those least able to pay. With the adoption more recently of a fiscal stimulus package under the most recent Letter of Intent with the International Monetary Fund, the majority of new investment will be allocated to social protection.

Although in the year following the crisis overall budget appropriations for social services declined as noted earlier, allocations to key programs targeted to the most vulnerable groups were maintained or increased. Scholarship and loan programs to minimize student dropouts were expanded and, combined with the commitment of Thai families to education, have helped explain the relatively low increase in dropout rates. The number of children receiving school meals increased. Operational budgets for teacher training and instructional materials were protected.

Financing for the Public Assistance Scheme (low-income health card) was increased and coverage expanded in response to the substantial increase of enrollments in the program. Maternal and child health activities are also protected. Immunization and prevention programs are being extended. Health staff are being redeployed to rural areas. Responsibility for resource management is being decentralized to universities and vocational schools with increased powers to provinces and municipalities.

The increases in planned spending in the current fiscal year will be allocated heavily towards social expenditures. In addition to job training and labor-intensive projects, the budgetary allocation to the secondary education loan program will be increased which will supplement the ADB-financed primary education projects. The school lunch program will be expanded significantly. Opportunities for the unemployed to become entrepreneurs through expanded small loan facilities and training programs will be strengthened (see Box 5).

Box 5: ADB Social Sector Program Loan

At US\$500 million the Social Sector Program Loan (SSPL) is the largest social program loan ever provided by the Asian Development Bank (ADB). Aimed at both mitigating the immediate social impacts of the crisis and implementing structural reforms, the project focuses on three areas: labor and social welfare, education and health. Key activities supported under the SSPL include: a scholarship fund to keep some 200,000 vulnerable primary and secondary students in school (baht 1 billion); the provision of health care to low-income voluntary health care holders (baht 1.2 billion); and the extension of health, disability, death and maternity benefits for laid-off workers from six to 12 months. Projects under development include: computer training; community strengthening through employment creation; improving labor force data; establishing a community unemployment register; support for disadvantaged pre-schoolers in urban areas and provision of lunch and milk to disadvantaged pre-school children in child development centers. Activities to address structural weaknesses will lead to the downsizing of bureaucracy and increased autonomy for local governments in line with the new Constitution.

Income Security Schemes

As traditional family and community-level coping mechanisms have been strained by the crisis and with incomes so sharply reduced, much discussion has centered on the adequacy of existing unemployment assistance benefits and pension

schemes. Such savings or tax-based social insurance programs pose a dilemma for policy makers, due to the contractionary impact of new taxes or additional savings in the midst of substantial economic downturn.

Thailand relies on unemployment assistance benefits, notably severance pay requirements, as opposed to an unemployment insurance scheme. Prior to August 1998, employers were required to pay laid-off workers with a minimum of three years service a severance equal to six months of wages. As of August 1998 and as a result of the crisis, the maximum severance pay requirement for employees with more than ten years of service was increased from six to ten months. The extent to which severance requirements are being implemented during the crisis is open to question. Government is establishing a public compensation fund to ensure that workers dismissed from firms facing bankruptcy receive adequate cash severance support. This fund will be financed by fines imposed for violation of the Labor Protection Act. In addition, a Workman's Compensation Fund reduces risks of income loss for workers in the formal sector. Employers alone contribute to the Fund. In 1996, the Fund's total contributions exceeded total claims payments (McCleary, et al., 1998).

Thailand's social security system is entering a period of rapid change. Formerly, pension benefits were available only to civil servants, while some larger firms offered provident funds. Other benefits (medical, maternity, invalidity and funeral), but not pension, were extended to firms and their employees with at least ten employees. As a result of the crisis, the Government extended social security benefits, for the unemployed from six to 12 months and reduced the tripartite contribution rate for such benefits by one-third.

Late last year a more far-reaching change to the social security system was implemented, establishing pension and child allowance schemes for private sector employees. Due to the crisis and hardships on employers and workers, the implementation plan will phase in the full contribution rates over several years, so as to minimize the contractionary impact of the new system. Questions remain about the long-term financial viability of the scheme, given the

mandated benefits and contribution rates. A child allowance scheme uses general government revenues to finance benefits for children of only enrolled families, a relatively well-off group (IMF and World Bank estimates).

However, this is a major step in the development of the social security system and the realignment of an historic social commitment for Thailand. The Asian Development Bank will provide substantial technical support during this critical early phase of implementation of the pension scheme.

Community Capacity Building

“If you don’t have a strong community, anything you do will be set to fail. No matter how much the government or authorities might try to help, nothing will be accomplished. But with a strong community, coupled with government support, you can foster development which can stand on its own.” Phra Subin Panito, the spiritual leader of Baan Pret, Bangkok Post, January 11, 1999.

A critical and innovative element of Thailand’s response to the social impacts of the crisis is support for decentralization and community development as articulated in the 8th Plan. At the policy and program levels, the Government has viewed the crisis as an opportunity to advance reforms towards decentralization, better governance, community empowerment and the forging of broad development partnerships with civil society. This innovative approach is aimed at rebuilding and consolidating social capital eroded by economic growth and to strengthen the unofficial, community-based “safety net.”

In addition to their successful advocacy efforts, civil society organizations have played an increasingly important role in providing social protection at the community level. The Thai government as well as donors have allocated an increasing proportion of their budgets to civil society organizations to implement programs including HIV/AIDs prevention and treatment, care of the elderly, small and medium enterprise development, and environmental protection.

In response to the crisis, many new community-level initiatives have been supported by Government as well as donors. The Social Policy

Committee (SPC) has created the Pattana Thai Foundation to channel over baht 40 million in government funds to: (i) conduct pilot projects to support local communities to established civic forums in every province; (ii) set up community learning centers for social services and sustainable development and (iii) planning, monitoring and evaluation. The SPC has contracted the Local Development Institute, a Thai NGO, to coordinate the implementation of these activities by a large number of partners in civil society. In September 1998, Government, with the assistance of the World Bank, UNDP, and AusAID, launched a new initiative in this area, the Social Investment Fund which provides grants to community-based organizations to undertake investments designed and implemented by the community (see Box 6).

Box 6: Social Investment Fund

By financing approximately 11,000 small projects over the next three years, the Social Investment Fund (SIF) aims to improve the access of poor communities to basic infrastructure, services and employment through the creation of community-level physical and social capital assets, and to advance the decentralization process by strengthening decision-making and implementation capacity at local levels. The SIF accepts proposals from eligible applicants - community organizations and networks, community institutions and local authorities - consistent with the above objectives in four areas: Community Economy; Community Welfare and Safety; Natural Resource Preservation and Management and Environmental and Cultural Protection; and Community Capacity-building and Networking. Project proposals are appraised by the SIF against transparent institutional, economic, social, technical and environmental criteria. The community-based applicants implement their projects themselves. A layered system of supervision and monitoring and evaluation, involving SIF staff, technical, consultants, local entities, communities and the press ensures that approved projects are implemented according to standard, and that leakage of resources is minimized and benefits are realized.

Under the Thailand-United Nations Collaborative Action Plan (Thai-UNCAP), numerous United Nations agencies, including the UNDP, UNICEF, and the Food and Agriculture Organization have undertaken community-led activities in pilot areas with special attention to crisis impacts. Several bilateral donors have grant programs which fund community-based activities, such as AusAid’s Small Activities Scheme, the Canadian International Development Agency’s Canada Fund and New Zealand’s Small Projects Fund.

IV. Policy Issues and Questions

This first issue of the *Social Monitor* has touched upon many social aspects of the crisis, but it is by no means a complete compilation. Some sources were not available or located; and many impacts and responses to the crisis are only beginning to emerge, and have yet to be measured or analyzed. In particular, the Government's bold initiative to invest in community-based *unofficial social protection mechanisms* raises many questions on the role, scope, and effectiveness of existing mechanisms as they operated at the village level, in social groups, and in labor markets before the crisis. Also unknown is how effectively such unofficial mechanisms have responded during the crisis. Are the widely distributed declines in wages and employment an indication of success or failure of the unofficial, community mechanisms? And finally, the Government will want to know how well its first round of initiatives has worked in building up community capacities.

Underlying this discussion is the dilemma faced by policy makers around the world: should the Government spend scarce tax revenues on public programs that only serve to displace resources and mechanisms at the local, community, private and unofficial level? Here in Thailand, the question is enriched by the issue of values and social reform. Many reformers in Thai society view this question in terms of restoring parts of the social fabric damaged during the years of rapid growth and reversing the deterioration of social behaviors and values, in particular personal values of hard work, honesty, mutual support, and self-reliance.

Donors from developed countries come to these questions with experience in social protection systems that are managed, mandated or financed by the Government. Such programs have responded to large social constituencies found in the highly industrialized societies. Thailand and its leaders argue for a selective, Thailand-specific approach, building up, even during the crisis, such instruments as severance pay requirements and a public pension scheme, but postponing others, such as unemployment insurance and transfer programs. As Thailand pursues its two-track strategy for social protection, investing in both official and unofficial mechanisms, there is a growing opportunity for mutual learning and new forms of development support between Thailand and the donor community.

A number of other issues for further analysis and debate have emerged from the work already done and summarized in the *Social Monitor*:

- Unmet demand for microcredit services, now much discussed in Thailand, needs to be analyzed and options explored for support to this potential avenue of strengthening community-based solutions;
- The question of migration and its links to remittances and labor markets needs further analysis to better understand how labor markets and inter-familial transfers may be cushioning the effects of the crisis, and to better target employment services;
- Poverty analysis and program targeting in Thailand now will have a new set of challenges as a result of the crisis, as the framework for analysis has shifted from one of sustained high growth to a more volatile and uncertain environment, and the profile of the poor has shifted, probably substantially;

- Opportunities for social reform in the public, official sector are far from exhausted in Thailand, and a rich agenda awaits policy makers in such areas as refinements of the social security system, rationalization of Government health insurance programs, development of more agile and targeted public employment schemes such as workfare, and options for savings-based or insurance-based unemployment programs. These options will benefit from careful debate, international experience, and analysis of the potential demand for and effects of such mechanisms;
- Phasing of the social impacts of the crisis is partly known and can be further developed so that other countries may benefit from the Thai example;
- Erosion of social capital and values is a compelling topic which will benefit from
- further participatory social research and from quantitative analysis, separating out crisis effects from other causes, and introducing a set of comparable and reliable indicators;
- The full story of budget outcomes and their significance will be an important chapter in understanding the Government's management of resources and program protection; the role of donor financing in financing the protection of “core” social programs and services will also be important in the story.
- Employment generation and other emergency investment programs mounted by the Government will need to be monitored and evaluated carefully, as there are surely lessons for the Government and donors in the performance of key projects and programs that were expanded or launched during the crisis.
- Reliable and timely data on employment, wages, incomes, migration and social capital is essential, and Thailand's sources can be improved and expanded.

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