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**The impact of the global food, fuel, and financial crises and policy responses:
A child-sensitive approach**

The Case of Thailand

Ms. Suwanee Khamman

Deputy Secretary- General, National Economic and Social Development Board

Royal Thai Government

Abstract

The global economic crisis is having a significant impact on Thailand. The Thai economy is heavily dependent on external trade and tourism both of which have fallen sharply (exports by 23.5% in the first half of 2009, and arrivals by 22%). Firms are reacting by reducing working hours, cutting pay and laying-off workers. The country's notable progress in reducing income poverty has been disrupted. This blow to Thailand from the global economic downturn echoes the shock to the national economy created by the 1997 Asian financial crisis.

In the aftermath of the 1997 crisis, Thailand began a number of long-term policy reforms aimed at expanding social security by establishing unemployment benefit, protecting mother and child health, building human capital and mitigating the risk of families falling into poverty. Among the key reforms were the setting up of a low-cost health insurance program (the "30 baht" scheme) and increasing the period of free compulsory education. At that time, Thailand was hailed as a regional model in showing how a lower-middle country could begin to build a social protection system even in the face of severe economic challenge.

Thailand's response to the current crisis draws on experience from 1997. Two phases of a government stimulus package aim to protect poor and vulnerable groups, enhance food and energy security, improve infrastructure in the education and public health care systems, as well as create jobs and generate incomes through public investment initiatives.

This paper examines how the policy responses to the 1997 and current economic crises are laying the foundations for a child-sensitive social protection system in Thailand. It shows how the free basic health care and compulsory education systems strengthen the resilience of families and their capacity to protect children from the impact of global crises. The paper highlights how the policy response to the global economic crisis aims to build social capital and supplement protection

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systems already in place. It identifies some of the challenges that remain towards a comprehensive child-friendly social security system. Finally the paper suggests that by exploring ways to enhance child-focused social protection interventions that are in line with its level of economic development, Thailand remains at the forefront of social development innovation.

Note: value of Thai baht in October, 2009 is approximately 34 to US\$1

1. **Recent economic crises: a brief look at their causes and consequences**

Thailand has experienced two major economic crises in its modern history. While the two crises, one in 1997 and 2008, are approximately a decade apart, they share many similarities yet simultaneously show a number of differences. For example, they both had their roots in the financial sector but had a widespread impact on all sectors of the economy. They were internationally contagious in the sense that they were originated in one country before spreading to the others via the rapid globalization process. Evidence in Thailand also shows that the population groups most affected by both crises are not only the upper middle income class who would seem to bear the direct consequences of the collapse in the financial sector, but also the rural and urban poor who are relatively more vulnerable to *any* kind of economic shock.

Nevertheless, both crises possess many differences in their causes and impact. The 1997 crisis, which started in Thailand following the financial collapse of the Thai baht, had a relatively limited geographical impact. While almost all South East Asian countries and especially Thailand, Indonesia, and South Korea were heavily affected, other parts of Asia, Europe and America were much less so. The 2008 crisis, which was triggered by the bursting of the housing asset bubble in the United States in 2007, however became a truly global problem. The crisis, which has been termed the worst financial crisis since the Great Depression, quickly spread throughout the world, resulting in the collapse of a number of financial institutions according to the vulnerabilities and strengths of the domestic financial systems of each country.

The scope and magnitude of the impact of the second crisis on the world economy implies that the effectiveness of policies that were successful in helping Thailand out of the 1997 crisis is not immediately guaranteed. For example, an export-promoting strategy may be comparatively less effective in stimulating the economy due to declines in the real income of many trading partners of Thailand. The economic and social environment prior to the second crisis have also been complicated by a number of issues, such as the problem of global warming and the high volatility in food and fuel prices, both of which pose challenges to Thailand as a major producer for the world agricultural market. Nevertheless, the current crisis has provided an opportunity for Thailand for self-examination; it is perhaps not unrealistic to say that the country is in much better shape to cope with the present situation following a series of reforms. The Constitution of Thailand, even though it has been amended several times between the two crises, points in a direction that promotes

decentralization of power, which, perhaps for the first time, enables a truly democratic process such that people at the grass-roots level of society are allowed greater economic and political freedom. The establishment of local administration organization empowers people in the rural area to manage their own budgets, part of which is funded by the central government, and set up economic and social projects pertinent to their own needs. In the broader scope, there has also been a major change in the priority the country puts on its economic and social development. Emphasis shifted from basic infrastructure to human development. There have been several policies, though heavily criticized for their underlying motives as merely populist aimed at winning the election at the time, that directly benefit people, especially the poor. Three notably significant policies include the universal health care system, the establishment of village funds, and the expansion of free compulsory education, all of which either directly benefit children during crisis or indirectly benefit them as a safety net for their families.

In the rest of this section, we compare the economic and social impact of the two economic crises on Thailand. Needless to say, readers of this paper will bear in mind that it is perhaps too soon to draw definite conclusions about the scope and depth of the impact of the current crisis at the time of writing.

1.1 The 1997 Crisis

Before the 1997 crisis, Thailand was one of the fastest growing economies in the world, with an average growth rate per annum of 9.6 per cent during 1986-1996. Rapid economic growth has proven to be a successful poverty reduction tool as it brought a substantial reduction in the head count poverty ratio of the country from 33 per cent in 1988 to 11 per cent in 1996. There was also a marked improvement in the development of children; for example, estimates of under-five mortality fell from 39 per 1000 live births in 1986 to 16 per 1000 live births in 1997.

The impressive economic performance of the country ended abruptly in 1997 when GDP decreased by 0.4 per cent in that year and dropped further by almost 8 per cent in 1998. While the cause of the 1997 crisis is not the focus of this paper, it was said to be a combination of a careless financial liberalization process that led to over-borrowing for speculation in non-productive sectors; the loss in the country's competitiveness as a result of the rapidly increasing wage rate in the Thai labor force with very little increase in productivity; and the lavish lifestyle of many successful

business entrepreneurs and upper middle income groups that led to over-consumption of imported luxury goods.

While it is well known that the crisis had an enormous impact on virtually everyone in Thailand, the focus of this paper is on children. The avenues through which the crisis affected children are as follows.

1) Education

The direct channel of the impact of the crisis on children is education. Evidence showed that households affected by the crisis withdrew their children from school. At a time of economic stress, education of children can become costly for families in two ways. First, education is no longer affordable as the income of the household dramatically decreases (including affluent households who could once afford an overseas education for their children). Second, education can entail an increasing opportunity cost for poor households as all productive members are needed to make-up the drop in the family income.

Table 1 Change in the student dropout rate 1997-1998

Type of Education	1997			1998		
	Students	Dropouts		Students	Dropouts	
		Number	%		Number	%
Primary	5,927,940	144,185	2.4	5,936,174	148,819	2.5
Lower secondary	2,462,631	77,536	3.2	2,426,905	89,523	3.6
Secondary & Vocational	1,620,434	121,862	8.2	1,676,974	146,214	9.0
Total	10,011,005	343,583	3.4	10,040,053	384,556	3.8

Source: Office of the National Educational Commission, 1995-98, 1996-98

Table 1 compares estimates of the number of school dropouts between 1997, the year in which the crisis started and 1998 when the impact of the crisis fully culminated. The numbers of school dropouts are highly evident during the economic crisis, with the magnitude more pronounced in the upper level education such as secondary and vocational schools. While it is not possible to conclude without in-depth statistical analysis that the crisis was the cause of these

dropouts, the pattern highly accords with our previous conjecture. The relatively low dropout in the primary level can perhaps be explained by the fact that education at the primary level was already subsidized via a number of public programs such as free school uniforms and lunches, and that children at the primary level, with a relatively low labor productivity, may not provide a significant source of income of the family.

In addition to the rise in the number of school dropouts, there was also evidence that the quality of education decreased during the crisis. The economic downturn brought about a drastic drop in the public education budget, leading to the postponement or cancellation of education projects for many public schools. It is likely that schools in rural areas were affected to a relatively greater extent since most of their revenue came directly from the government.

The job market in Thailand for recent graduates was also heavily affected, as the demand for labor rapidly declined in light of the economic slump, while the number of workers looking for jobs quickly increased as many firms were forced to downsize their payroll to cut costs. It was estimated that as many as 86 per cent of the more than 424,000 students who graduated in 1998 with a bachelor's degree or higher would be unemployed.

2) Health

The crisis also brought an end to the trend of continuous improvement in the nutritional status of children in Thailand. According to a survey by the Ministry of Public Health, the number of underweight children under the age of five increased from 7.9 per cent in 1996 to 11.8 per cent in 1998. The problem of malnutrition was not only concentrated in rural areas of the North East region of Thailand which was traditionally the focus of attention but also in urban areas. The number of underweight children in 1998 was estimated at 5 per cent in Bangkok, a sharp increase in the figure compared to before the crisis.

3) Social Aspect

To some extent, the crisis gave rise to a unique opportunity for Thailand to demonstrate how the social cohesion that has always been implicit in the Thai society can provide an informal social safety net for the less fortunate individuals who lost their jobs. Returning internal migrants were welcomed back by their family to their rural areas, which helped absorb the large excess supply of workers from the cities and thus mitigated the effect of the crisis. Nevertheless, there were reports of increasing conflict within families as a result of both financial and psychological pressures, reflected in an increase in the divorce rate, the number of children under stress, and the number of elderly people being indirectly forced to work to supplement family income.

There is evidence that the number of child workers, i.e. workers under the legal employment age of fifteen, increased by 350,000 in the twelve months after the crisis started. There were also reports of parents selling their daughters and sons into commercial sex work. Other evidence indicating severe social problems during the crisis include a three-fold increase in the number of street children between 1997 and 1998 (UNDP, 1999), an increase in the number of babies abandoned after delivery by almost 10 percent since 1997, and increasing cases of child abuse.

1.2 The 2008 Crisis

The crisis that began in 2008 is however complicated by a number of factors that prevailed even prior to its onset. There has been political turmoil in Thailand since the 2006 coup d'état, which divided the political parties and their supporters into those who supported the ousted Prime Minister Thaksin Shinawatra and those who opposed him. The rapidly rising food and fuel prices in the world market also pose challenges to Thailand as a main exporter of many agricultural products. As discussed earlier, the fact that the current crisis is a global phenomenon also suggests that an export-promotion strategy may not be as effective in helping the country out of the crisis as was previously the case.

While it is perhaps too soon to provide firm evidence of the impact of the current economic crisis on children, there have been a number of studies that attempt to analyze the scope of the impact, as well as the channels through which the crisis can affect children. Kane (2009) examines the impact of the recent world financial crisis on child labor and argues that responses of family at

times of crisis are complex, so that it is crucial to understand why families of similar socio-economic background make different decision in sending their children out to work. Parents are faced with a number of options when making decisions about the allocation of children's time to child labor:

Positive outcomes

Positive outcomes of the crisis may include sending an idle child to school, sending an idle child to legitimate work, and removal of a child from an illegitimate work in order to send the child to school.

Neutral outcomes

Neutral outcomes of the crisis may include retaining the status quo of the child by doing nothing in response to the crisis, removal of a child from school in order to send the child to a legitimate employment, and removal of a child from an illegitimate employment to become idle at home.

Negative outcomes

Negative outcomes of the crisis may include a part-time illegal employment of child labor whereby the parents continue sending a child to school, but additionally require the child to bring in an income, a full-time illegal employment whereby a child is withdrawn from school, removal of a child from school to be idle at home in order to save costs, removal of a child from school to do housework in order to replace an adult who moves into employment to supplement some income during the crisis, and sending an idle child at home into child labor.

Although it is unclear what options parents in Thailand are choosing in response to the current crisis, improvements in the education system provide a "shock-proof mechanism" that is likely to yield positive outcomes. The free schooling and free lunch program for students at the primary level will typically induce parents to send an idle child to school. The drop in employment during the crisis has however two opposing effects on the demand for child labor. On one hand, the overall demand for labor falls as the economy shrinks. On the other hand, children may provide a cheap substitute for adult labor at times of crisis. The net effect on the child wage rate is therefore uncertain, making it uncertain to determine if parents will prefer to remove their child from an illegitimate work to receive free schooling. Recently, there has also been a free schooling program as

a part of the Thai government's first economic stimulus package in 2009. This provides free education for children for twelve years up until the upper secondary level. There is also evidence suggesting that younger unemployed and laid-off workers affected by the crisis are more likely to return to or remain in school when jobs are scarce.

The simultaneous increase in the food and fuel prices becomes both an opportunity and a threat for Thailand as an exporter of agricultural products. There are two effects that work in opposite directions but the net effect cannot be verified without a further quantitative analysis. On one hand, an increase in fuel price raises the cost of production, which in turn increases the domestic inflation rate. An increase in food prices, on the other hand, may benefit producers but negatively affect consumers. The net effect thus depends on the magnitude of these two opposing forces: whether the increase in food price can compensate for the increasing input prices, and whether one is a net producer (e.g. when the income from selling food exceeds that from buying food) or a net consumer of that food. In a recent study by the Thailand Development Research Institute on the effect of the increase in the price of rice on welfare of households classified by their income, it was found that households at lower income deciles tend to be net producers of rice and thus more likely to gain a net benefit. Another recent study by Ruenbanterng et al (2008) also found that producers of major crops such as rubber, cassava, rice, sugar, maize, and palm oil benefit from food price rises as the largest portion of the cost structure of these products is labor rather than oil.

2. Policy responses to the crisis

2.1 Responses to the 1997 crisis

There was a remarkable political stability in Thailand at the time of the first economic crisis. As a result, the government was able to introduce several measures and short and long term policies that provided a prompt response. These measures were aimed at both mitigating the impact of the crisis, as well as reforming some structures of the economy that were revealed as weaknesses in light of the crisis, which can be grouped into four major types as follows (UNDP, 1999).

- 1) Measures aimed at stabilizing the economy, restructuring financial institutions, restoring investor confidence, and establishing the monetary and macroeconomic conditions required to reactivate growth, especially in the real sector.

2) Measures to reduce and redirect overall levels of expenditures in the light of sharply reduced government revenues, while seeking to safeguard investments in especially the social sectors.

3) Measures aimed at providing protection to the unemployed and vulnerable groups, with initiatives that can be grouped under four main headings: (i) employment creation and income generation; (ii) protection and targeting of public expenditures; (iii) income security schemes; and (iv) community capacity building. Some of the measures were facilitated by opportunities created by the Constitution and Eighth National Economic and Social Development Plan, especially provisions concerning participation and empowerment.

4) Measures aimed at addressing longer-term structural impediments in the Thai economy.

The impact of these measures on children is discussed by Gordon et al (1999) as follows.

Nutrition

A free school lunch program provided by the Ministry of Education was already in place prior to the crisis. To help school students, especially those from low income families, maintain their nutritional status during the crisis the program was expanded and covered approximately 50 per cent of children as of 1998. A subsidy of 15,000 to 20,000 baht (approximately 400-500 U.S. dollars in 1998) was given to each school in response to the increasing demand for free school lunches.

Health

Thailand also had a number of systems that provided necessary health services to children before the onset of the crisis. These systems however faced many financial challenges during the crisis as the demand for public health increased along with the costs of imported medical supplies resulting from a sharp fall in the value of the Thai baht. Despite these financial difficulties, there was a health insurance card program, available at 500 baht per year, that allowed the card holder to gain access to free and unlimited medical services at public hospitals and clinics. Those whose monthly income was lower than 2,000 baht per month were also eligible to free medical services, although some specific operations and medical procedures were excluded from this

program. Budget support from international organizations such as the World Bank was provided in response to the increasing number of people eligible for the program.

Education

The Ministry of Education promptly responded to the crisis by expanding educational programs that were already in place. These programs include 1) a scholarship program that provided grants of 4,000 to 5,000 baht for primary and lower secondary students whose annual family income was lower than 120,000 baht; 2) a loan program (with the repayment period starting two years after graduation at a 1 per cent interest rate) for upper secondary and university students of up to 20,000 baht per year for students whose annual family income was lower than 150,000 baht and 3) extended opportunity schools which provided free lunch and exempted fees for secondary school students.

Overall, the responses to the 1997 began to put in place or strengthen the basic elements of a welfare system that significantly protects children from the impact of economic shocks. Families on low or falling incomes were no longer prevented by cost from accessing basic health services, or from ensuring that their children continued to attend school. As mentioned previously, the free schooling and free lunch program can also induce parents to send an idle child to school, which simultaneously mimics the impact of the crisis and strengthening the quality of the younger work force by the time that the crisis subsides.

2.2 Responses to the 2008 crisis

The government of Thailand has initiated two economic stimulus packages as a policy response to the current crisis. By the time of this paper, the long term impact of the first package, as well as the immediate effect of the second package cannot yet be verified.

The main goals of the first stimulus package are to restore confidence in Thailand, to facilitate the continued development of the country, and to protect and increase employment. Protecting employment helps mitigate the impact of falling household incomes. Nine target groups are identified: (1) the agricultural sector; (2) laborers outside the agricultural sector; (3) children and parents; (4) low income earners; (5) the elderly; (6) private enterprises; (7) the tourism industry; (8) foreign investors; and (9) other wage earners. The policies combine measures to generate income, reduce costs-of-living, activate social investments, and provide support to business. Evidence shows

a significantly positive outcome that is alleviating the impact of the recession, especially on consumption and investment.

1. Income generating measure

1.1 Programs for generating income and building grass roots economic potential by establishing a sufficiency economy fund

The government has adopted the sufficiency economy principle of HM the King (see Box 1) as a guideline for building and strengthening potential at the grass roots. Villages are encouraged to submit proposal for projects pertinent to their own needs for the government approval. Budgets, ranging from the minimum of 100,000 baht to the maximum of 700,000 baht, are allocated according to the size of the population residing in the village. The program covers approximately 80,000 villages and communities throughout the country, including rural area, municipalities, and Bangkok.

1.2 Programs to create income insurance for senior citizens

To create a formal income assurance for senior citizens and to stimulate domestic spending, the government allocated funds to provide a 500 baht (US\$15) per month allowance for citizens who are over 60 years of age. As of April 9, 2009, the number of eligible senior citizens is over 3.5 million, all of whom received the allowances. There is anecdotal evidence that pensions for the elderly can also help support the large number of children in rural areas whose parents have migrated to cities and are cared for by grandparents.

1.3 Programs for promoting the proactive role of village health volunteers

To create motivation for the volunteers to work in a flexible and efficient manner, the government has provided a 600 baht per month per person as a fringe benefit to all of the nearly 1 million volunteers. Village volunteers play a crucial role in rural areas of Thailand in supporting primary health care.

2. Reducing costs-of-living and social investment measures

2.1 Programs for a 15-year free education

The government has made access to education for all in an equitable manner a policy priority. The total budget of 19,296.10 million baht has been allocated to provide free education for everyone for fifteen years, from kindergarten to the secondary level. The cost of textbooks, student uniforms, and learning stationary presents the risk of inducing parents

in poor families to withdraw their children from school; free provision of these materials helps alleviate this risk. The government has allocated some 97 per cent of the allocated total budget to schools. Parents were given a cash transfer to purchase student uniforms and learning stationary, while textbooks are provided directly by schools. There are 12,363,084 students who have benefited from the program. A number of parents eligible for the program chose to waive their rights, thus allowing the Ministry of Education an additional budget of approximately 40 million baht to provide financial assistance to 577 schools in rural areas. This act of altruism reflects the virtue of care that is a core value of Thai society, and helps students understand the concept of sharing among their peers.

2.2 Programs for reducing the cost-of-living and providing income subsidies

The government has regulated and supervised the prices of consumer goods and services necessary for daily life, such as cooking oil, medicines, milk, rice, detergent, toothpaste, and fertilizer, so that they are fairly priced and appropriately reflect the production costs. The government has also initiated an income subsidy program as a quick stimulus to the economy by providing a 2,000 baht cash transfer to low income earners. Approximately 9 million people across the country, including laborers within the social security system, public officials, and private school teachers whose income is lower than 15,000 baht per month benefited. Lack of data to target these transfers meant that the benefit was limited to workers in the formal sector of the economy.

2.3 Five-measures, 6-months program

The world economic recession and increasing oil price have reduced domestic consumption and investment, raised the unemployment rate, and increased the cost of living. To mitigate these effects on the cost of living of the people, on January 20, 2009, the Cabinet further approved additional measures, to be implemented after the first Stimulus Program (Five-measures, 6-months program), which are summarized in the table below.

Measure	Budget
1. Prolonging the increase in LPG price	713
2. Reducing the cost of water	2,234
The Metropolitan Waterworks Authority	780

The Provincial Waterworks Authority	1,454
3. Reducing the cost of electricity	4,349
The Metropolitan Electricity Authority	317
The Provincial Electricity Authority	4,032
4. Reducing the cost of bus fares	804
5. Reducing the cost of train fares (3rd class)	354
Total	8,454

These untargeted subsidies have benefitted all sections of the population in urban areas but have had more limited impact in rural areas.

3. Unemployment alleviation and internal capacity development measure

The wellbeing of children in times of economic crisis can be most effectively addressed by taking measures to ensure the household and family income, especially by avoiding and reducing unemployment. The measures aimed at mitigating the problem of unemployment and reducing the layoff rate are both *passive* and *active*, and include steps to help adjust the workforce to the market demand.

3.1 Programs to strengthen the capacity of the unemployed to generate economic and social value in the community

The government passed an urgent measure to reduce unemployment caused by the economic recession by increasing the capacity and skills of the unemployed. This measure targets approximately 500,000 unemployed individuals and workers who are vulnerable to being discharged.

3.1.1 The unemployed

There five government training programs which support job creation were established, including (1) program to reduce the administrative work of teachers initiated by the Office of the Basic Education Commission (15,000 positions); (2) program for providing educational and career opportunity for children in 31 border provinces initiated by Internal Operating Security Commands (25,000 positions); (3) program for improving the information base of households in the agricultural sector initiated by the Ministry of Agriculture and Cooperatives (7,305 positions);

(4) 2010 census conducting training program initiated by the National Statistical Office (1,250 positions); and (5) programs under the operation of the Ministry of Public Health, which include five sub-projects that cover 58,509 targeted population (4,954 positions).

3.1.2 Workers vulnerable to being discharged

The government is helping firms improve labor productivity to be ready for the economic recovery. During April to June 2009, nearly 26,000 jobs were covered, and workers received 205 million baht in supporting budget. Firms agreed to hire the workers for another one year. Training programs for the agriculture, industrial, and service sector have also been designed to fit the skills and interests of discharged workers, and provide a network for information sharing among workers of common interests, helping to expand social capital formation in the labor force.

3.2 Programs for alleviating unemployment and reducing lay-offs

The government called for an urgent program to assist laid-off workers and the unemployed after the economic recession by introducing “three-reducing and three-increasing” measures. The three-reducing measure includes reducing the layoff rate, reducing labor mobility, and reducing the cost of living of workers and the unemployed. The three-increasing measures include increasing the hiring rate and job positions, increasing career opportunities, and increasing skills of workers.

3.2.1 Reducing lay-offs

The government has urged firms to delay lay-offs as much as possible and provided support and unemployment benefits to the discharged workers in accordance with the Labor Protection Act 2008, and the Labor Protection Act (amended) 2008. Over 35,000 workers have benefited from the program, totaling 1,985 million baht.

3.2.2 Reducing the labor mobility

The Ministry of Labor, in corporation with the Bank for Agriculture and Agricultural Cooperatives, has launched a four billion baht project that helped workers who were affected by the crisis return to their homeland and provided them a financial loan at a low interest rate. There was also an urgent employment and skill improvement project for those affected by the crisis with a budget of 300 million baht. The project employs laid-off people to carry-out public works in their

hometowns thus reducing the need to migrate to urban areas, and also provides training. Over 49,000 workers have participated in the program, out of a target of 75,000 potential participants. Other projects include the provision of benefits in addition to those required by law in 10,521 enterprises, which covers 1,066,739 workers out of 12,000 targeted enterprises; the provision of breast-feeding corners in 82 enterprises; the extension of the period during which discharged workers are entitled to receive compensation benefit in accordance with the regulations by the Ministry of Labor from no more than 180 days to no more than 240 days. This covers the insured who are laid-off between 1 December, 2008 and 31 December, 2009, and is effective from June 15, 2009.

Outcome of the 3-increasing measure

3.1.1 Increasing the employment rate and job positions

Projects include the provision of job searching service in targeted communities and sub-districts via mobile unit vans: over 4,500 participants successfully found new employment and more than 212,000 participants were assisted in working in a form of freelance career. There were also organized career fairs, and a job creation project for the recent graduates with over 14,000 participants, of whom 4,303 successfully found employment.

3.1.2 Increasing the career options

Projects include a job creation project for the unemployed that provides a skills-training course for interested individuals, with over 2,600 participants; skills improvement project for labors to expand the opportunity of workers to move to other sectors, as well as increase the current work pay, with over 62,000 participants, and (3) a freelance career development project, which enables the workers to work independently, with 7,100 participants.

3.1.3 Increasing the labor skills

Related projects include the career training project for workers in enterprises affected by the crisis, with 4,600 participants and 2,900 graduates from the project.

In March, 2009, the Cabinet approved a second stimulus package for the fiscal year 2010-2012 totaling 1.56 trillion baht. The objectives and the allocated budget are as follows.

Objective	Budget (Million baht)
1. Enhancing food and energy security, and increasing productivity of agricultural and industrial sectors	238,515
2. Upgrading public infrastructures for both economic and social services to improve economic competitiveness and quality of life	837,642
3. Improving income-generating capacity of tourism sector	8,506
4. Creating new income-generating sectors in the Creative Economy	17,585
5. Upgrading quality of education and holistically modernizing learning system	53,969
6. Raising quality of public health care system for all Thais	10,441
7. Creating jobs and increasing incomes for people at community levels in order to improve their quality of life	91,708

The two stimulus packages attempt to promote job creation, preserve employment and invest in human and social capital formation so that Thailand may be ready to benefit as the world emerges from the global economic crisis. The stimulus packages have mostly been funded by drawing on reserves and adjusting planned allocations.

3. Challenges

The elements of a social protection system that were strengthened or put in place in Thailand following the 1997 Asian financial crisis have helped mitigate some of the worst effects that the current global economic crisis could transmit to children. Notwithstanding the impact of the two stimulus packages, the global economic crisis that began in 2008 is placing a severe test on the resilience of social protection in Thailand and points to a number of challenges that need to be addressed.

3.1 Quality and accessibility

While children in Thailand are assured access to fifteen years of education, the quality, appropriateness and efficiency of the public education system needs assessment. In response to the global economic crisis and as part of its long term development plan, Thailand seeks to strengthen its overall human capital base and become a more creative, diverse and value-added economy. This transformation and reduction on dependence on exports will make Thailand more resilient to external crises; however, the new economy will only be possible with a well-educated workforce.

While the basic health and education of children in Thailand is protected even during times of economic crisis, poor families outside the income protection schemes of the formal sector social security system may still face the risk of inadequate nutrition and other hardships due to reduced household income. In addition, poor households may bear a greater per-visit cost of seeing a doctor as most laborers are paid an hourly wage so that the opportunity cost of missing a day of work may finally deter ones from getting the health services. Another major concern is the uneven distribution and the growing disparity of the quantity and quality of hospitals and health personnel in the urban and rural area.

3.2 Affordability

The rapid aging of Thailand's population has made reform of the pensions system a priority in order to guarantee the indigent elderly a minimum income. The provision of universal old-age pensions will place a large and continuing burden on the national budget.

Extending the benefits of the social security system to workers in the informal sector could enhance social protection. If the minimum income guarantees that the social security system currently provides to its members were extended to laid-off workers in the informal sector, it would be a significant protection against children in poor household falling into poverty due to their parents' unemployment. The affordability and feasibility of proposed reforms to the social security system is under constant review and assessment.

The use of cash transfers to alleviate chronic child poverty and to break cycles of deprivation is also being discussed in Thailand. Questions about how to target cash transfers in the

absence of relevant and accurate poverty data, the potential weakening of social solidarity, dangers of non-transparency and other externalities need to be addressed. In the medium term, various options need to be reviewed, including assessing the fiscal space for a system of cash transfers to poor families with children, and economic modeling of their potential impact developed. The NESDB is working with UNICEF and other partners to examine these ideas and their implications.

The posed challenges shape the direction and scope of the future policy. Thailand needs to have a comprehensive outreach capacity to channel help to the needy in the most effective and efficient manner; this can be done using the following steps (proposed in Jitsuchon and Siamwalla, 2009):

1. Improving area-based budget allocation process to minimize the problem of over- and under- budgeting that may result from imperfect information of the central government. The appropriate level suggested is the provincial level since provinces tend to have an appropriate geographical size and representatives from all ministries, thus covering all aspects of public assistance to the poor.
2. Coordinating with local governments at all levels in delivering help to the needy.
3. Establishing community based social protection program as well as strengthening on community empowerment.
4. Delegating some tasks to selected non-governmental organizations (NGOs) for particular target groups such as the disabled, widows, and HIV-affected individuals.
5. Providing training assistance to officials from the central government to locate the poor and monitor the effectiveness of the program as well as the accuracy of targeting.

The philosophy of sufficiency economy (see Box 1), a guiding principle that the Thai government has adopted in shaping its policy, can also help minimize the vulnerability of the poor to various economic and social shocks. First, the sufficiency approach focuses on the small-scale, human-based projects, in contrast to the large-scale, capital-intensive projects that are mostly beneficial to politicians and contractors. In the pursuit of greater self-reliance, and a greater dependence on one's knowledge, capital, and resources, the philosophy stresses the principles of moderateness, insight, and resilience, which helps minimize vulnerability to shocks. The philosophy

also emphasizes greater self-reliance at the community level as the foundation for sustainable development of the local economy, raising the level of commitment of corporations for their responsibility to the community, and improving standards of governance in public administration, all of which are vital components for sustainable development of the country in a rapidly changing world.

Box 1: The Philosophy of the Sufficiency Economy

Sufficiency Economy

“Sufficiency Economy” is a philosophy bestowed by His Majesty the King to his subjects through royal remarks on many occasions over the past three decades. The philosophy provides guidance on appropriate conduct covering numerous aspects of life. After the economic crisis in 1997, His Majesty reiterated and expanded on the "Sufficiency Economy" in remarks made in December 1997 and 1998. The philosophy points the way for recovery that will lead to a more resilient and sustainable economy, better able to meet the challenges arising from globalization and other changes. “Sufficiency Economy” is a philosophy that stresses the middle path as the overriding principle for appropriate conduct by the populace at all levels. This applies to conduct at the level of the individual, families, and communities, as well as to the choice of a balanced development strategy for the nation so as to modernize in line with the forces of globalization while shielding against inevitable shocks and excesses that arise. "Sufficiency" means moderation and due consideration in all modes of conduct, as well as the need for sufficient protection from internal and external shocks. To achieve this, the application of knowledge with prudence is essential. In particular, great care is needed in the utilization of untested theories and methodologies for planning and implementation. At the same time, it is essential to strengthen the moral fiber of the nation, so that everyone, particularly public officials, theorists and businessmen, adheres first and foremost to the principles of honesty and integrity. In addition, a balanced approach combining patience, perseverance, diligence, wisdom and prudence is indispensable to cope appropriately with critical challenges arising from extensive and rapid socioeconomic, environmental, and cultural changes occurring as a result of globalization.

Source: The 1999 TDRI year end conference material

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