



## ► ILO Brief

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# Thailand labour market update

## Concern remains over the drawn out impact of COVID-19

### Key points

- The labour market in Thailand shows the negative impact of pandemic-related restrictions, in terms of hours of work, joblessness, productivity and wage income.
- Total working hours fell by 7 per cent, and at 9 per cent the joblessness of young men and women reached a level unseen in recent years. At the same time, employment of young men and women both fell by 7 per cent.
- Some sectors have been highly vulnerable to pandemic-related restrictions, including accommodation and food services, transport and storage, and wholesale and retail trade. Wage incomes in these sectors declined considerably.
- A looming concern is that the pandemic has affected Thailand throughout 2021. The cumulative drawn-out negative impact of pandemic-related restrictions on incomes, joblessness, hours of work and productivity is a serious concern.

### Some sectors still hard hit

The COVID-19 crisis comes on top of longer-term economic and employment challenges in Thailand and may have reversed any recent progress. For example, **wage inequality increased** in the second quarter of 2020 year-on-year. Wages increased at the top of the distribution, while the **low pay ratio trended upward** on a quarterly basis in 2020.<sup>1</sup>

The crisis has hit the Thai economy hard with it declining by 6 per cent in 2020. In the second quarter of 2020, when

the impact was the largest, GDP shrunk to 88 per cent of its 2019 value.<sup>2</sup>

Compared to the 1998 financial crisis, when the economy shrunk by 8 per cent, the socioeconomic impact could become even larger due to **the protracted nature of the crisis in 2021**. In spite of some recovery in 2021, the level of GDP in the second quarter of 2021 still had not regained its 2019 level while Thailand imposed tight restrictions in the third quarter of 2021.<sup>3</sup> The strictness of the third quarter containment measures in 2021 is equivalent to that of the second quarter in 2020. The

<sup>1</sup> ILO, 2021. "[COVID-19 and rising wage inequality: trends and challenges in Thailand and Viet Nam](#)", Research Brief.

<sup>2</sup> Calculated from Office of the National Economic and Social Development Council, Quarterly Gross Domestic Product 2<sup>nd</sup> quarter 2021, Table 4. GDP, chain volume measures [reference year = 2002] (original). The reference used is the second quarter of 2019.

<sup>3</sup> The average stringency index for Thailand in the third quarter of 2021 was 73. The global average was 55 during the same period. Data from Oxford COVID-19 Government Response Tracker.

**depth and duration** of the crisis remains a concern and requires continuous monitoring as it **further dampens productivity and incomes from work**.

**Hardest-hit sectors** by the second quarter of 2021 were accommodation and food services (61 per cent of the 2019-Q4 value added), transport and storage (74 per cent), and wholesale and retail trade (95 per cent) (figure 1). The three sectors accounted for 30 per cent of non-agricultural GDP in 2019. Other sectors have either **recovered**, such as agriculture and manufacturing, or **continued to expand** through the pandemic, such as construction, information and communication, and real estate activities. Thus, there are temporary cross-sectoral imbalances. **If the socioeconomic crisis is further prolonged**, any existing cross-sectoral **mismatch in the labour market can worsen** and become structurally embedded.

► **Figure 1. Value-added in selected sectors (2019-Q4=100)**



Note: TRA = wholesale and retail trade, TPT = transport and storage, and A&F = accommodation and food services.  
Source: National Socioeconomic Development Council, National Accounts, Table 6. Readjusted to make Q4-2019 = 100.

## Churn in the labour market

Total employment increased by 98,000 in the first quarter of 2021 compared to the fourth quarter of 2019.<sup>4</sup> The labour force participation rate increased by 0.3 percentage points overall, though it fell by 1 percentage point for young men and women. It seems that all in all, **people remained in the labour market, to the extent**

**possible** over this period by shifting employment. However, there are signs that **income and working conditions may have worsened**.

► **Table 1. Key labour market indicators**

Statistics/Indicators	Q4-2019	Q1-2021	Percentage point difference
Labour force participation rate	66.6	66.9	0.3
Youth: Male	47.5	46.2	-1.3
Youth: Female	33.8	33.0	-0.8
Employment ('000s)	37 483	37 581	0.3
Youth: Male	2 175	2 018	-7.2
Youth: Female	1 477	1 380	-6.6
Unemployment rate (%)	0.7	1.4	0.7
Youth: Male	2.9	6.1	3.2
Youth: Female	4.9	7.5	2.7

Note: The column "Percentage point difference" for employment shows the percentage change.  
Source: ILO estimate from Labour Force Survey Thailand.

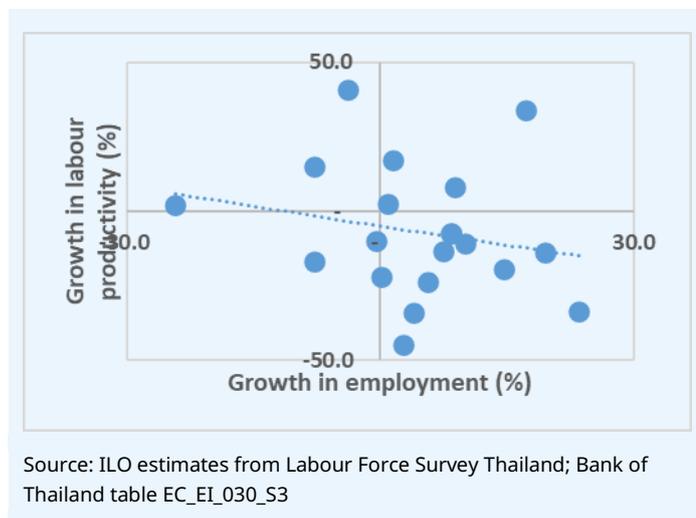
It is clear that **youth suffered a negative shock** to their labour market opportunities (table 1). **Youth employment fell by 7 per cent** in the first quarter of 2021. The **youth unemployment rate increased by 3 percentage points** for both men and women, reaching a high of 6 per cent and 8 per cent, respectively.

**Employment grew in many sectors, but accompanied by a fall in labour productivity** (figure 2, quadrant IV). Sectors that experienced positive growth in both employment and labour productivity include finance and insurance, education, and construction (quadrant I). The agricultural sector experienced a notable employment and productivity decline between 2019-Q4 and 2021-Q1.<sup>5</sup>

<sup>4</sup> This brief uses data from the fourth quarter of 2019 as the pre-pandemic reference point.

<sup>5</sup> Part of the decline in agricultural employment in the first quarter of 2021 can be attributed to the fact that it is an agricultural low season.

► **Figure 2. Growth in employment and labour productivity by sector, 2019-Q4 to 2021-Q1 (%)**



Incidence of **part-time employment increased in almost all sectors** over the same period<sup>6</sup>, including professional, scientific and technical activities (by 23 percentage points), manufacturing (by 20 percentage points), and information and communication (by 19 percentage points). Thus, while employment may have been maintained, **the volume of work in terms of hours has weakened**.

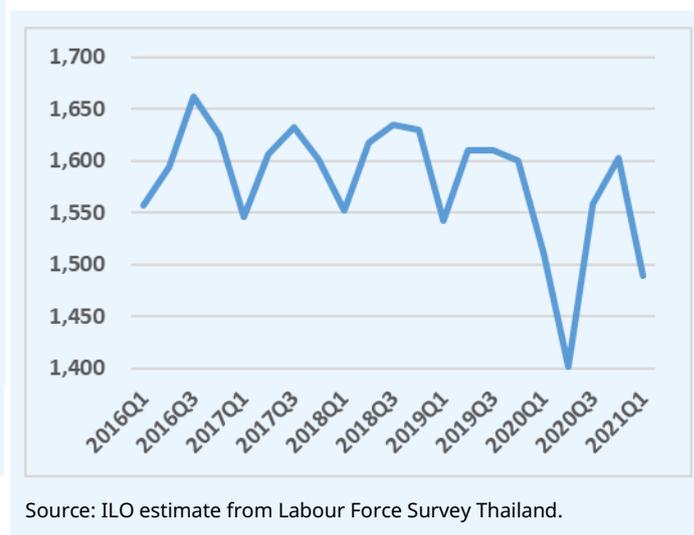
Pandemic-related restrictions **negatively affected employment in smaller establishments** with less than 50 workers. Between 2019-Q4 and 2021-Q1, it **declined by 7 per cent** in almost all sectors<sup>7</sup>, except in real estate (10 per cent increase), activities of household as employers (8 per cent), and construction (5 per cent). The **decline in employment in small establishments was most notable among youth**, falling by 18 per cent for young men and by 24 per cent for young women.

### Significant losses in working hours

Between the fourth quarter of 2019 and the first quarter of 2021, total working hours **fell by 7 per cent**, or a decline in full-time equivalent employment by 2 million.<sup>8</sup> **A fairly strong recovery in working hours and employment in the last half of 2020 was reversed in the first quarter of 2021** due to the re-emerging waves of

the pandemic and the restrictions that were put in place in response (figure 3).

► **Figure 3. Total hours worked per week (million)**



### Rising underutilization of labour

Losses in hours worked and the need to earn an income can be captured by the share of **time-related underemployed (wanting to work more hours) and unemployed** persons in the labour force.<sup>9</sup> Since the onset of the crisis, this indicator records **a historic increase** across all population groups (figure 4). The increase was **particularly notable for both male and female youth**, reaching 9 per cent in the first quarter of 2021.

On the other hand, the share of **youth not in employment, education or training** in the youth population **declined by 1 percentage point** between 2019-Q4 and 2021-Q1. Such a decline may be partly capturing the need to earn any income and partly the education seasons. The decline was pronounced for **young women** (2 percentage points), though at 17 per cent, they continue to be more affected by non-participation in education or the labour market than men (12 per cent) in the first quarter of 2021.

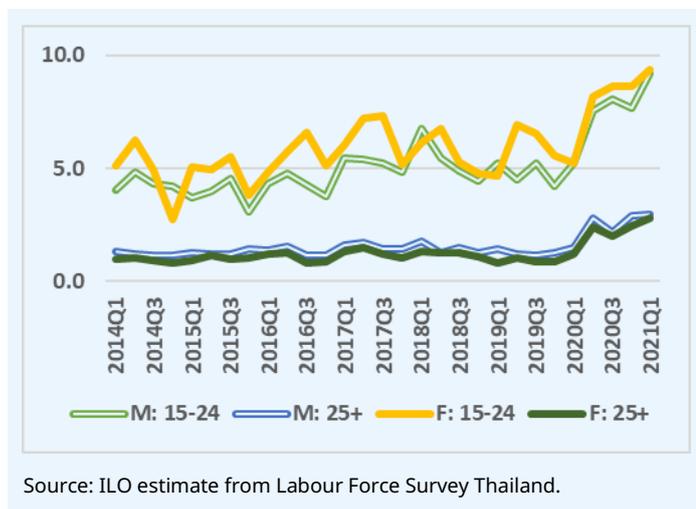
<sup>6</sup> The exceptions are water supply, sewerage and waste management and education, where the incidence of part-time work declined by 1.3 and 0.3 percentage points, respectively, between 2019-Q4 and 2021-Q1.

<sup>7</sup> Utilities and public administration are excluded due to their relatively small numbers in terms of employment.

<sup>8</sup> The labour force data in Thailand displays high seasonal traits. Thus, the magnitude of change is highly sensitive to the choice of the reference period. For a full analysis of the impact of COVID-19 on the labour market, the trend and seasonality effects need to be accounted for.

<sup>9</sup> This gives one measure of labour underutilization rate (LU2), which is the share of unemployment and time-related underemployment in the labour force.

► **Figure 4. Time-related underemployment and unemployment as % of labour force**



## Uneven distribution in wage income growth across sectors

In recent years, **average wage income per month**, as captured by its median, remained steady, with little sign of growth in most sectors.

At the same time, the total monthly wage bill actually **increased by 3 per cent** in the first quarter of 2021. However, the **gains and losses were unevenly distributed across sectors**. The **manufacturing** sector accounted for the biggest share of the wage bill (25 per cent) in the last quarter of 2019, and since then it **grew by 4 per cent**. Total wage earnings in **education** also **grew by 12 per cent**, a sector that accounted for 10 per cent of the wage earnings in the fourth quarter of 2019.

On the other hand, at 14 per cent, the **wholesale and retail trade sector** accounted for the next biggest share after manufacturing, but the wage earnings **fell by 9 per cent** over the same period. **Accommodation and food services** and **transport and storage sectors** also experienced a **significant fall in wage earnings by 13 per cent and 10 per cent**, respectively.

Thus, the **cross-sectoral picture is highly mixed**, but it is clear that **even if employment numbers remain stable** in the last three sectors which have been highly vulnerable to the pandemic-related restrictions (figure 1), **income from work seriously declined**.

## Hope for a recovery in 2022

**Up to the first quarter of 2021**, the Thai labour market shows **negative impacts** of pandemic-related restrictions in terms of hours of work, joblessness, productivity and wage income. In spite of difficult conditions, the overall labour market response during the first year of the pandemic has been to **stay in the labour market**. This may have been supported by the employment protection measures that were put in place in 2020.<sup>10</sup> Nevertheless, the crisis has already resulted in **high joblessness of young men and women**, to a level unseen in recent years, which will require an active policy response.

The picture is **highly mixed at the sectoral level**. However, **productivity growth was negative** in most sectors, and **employment in small establishments (with less than 50 workers) fell**, in almost all sectors. **Youth employment in the small establishments suffered the most**. If small establishments were one of the channels for youth to get employment, the channel has severely narrowed. Finally, there were considerable losses in the hours of work and wage earnings in the sectors that have been most vulnerable to pandemic-related restrictions (figure 1).

A looming concern is that the **pandemic has affected Thailand throughout the second and the third quarters of 2021**, and is also biting into the fourth quarter. In the third quarter of 2021, the strictness of the restrictions that were implemented was equivalent to the one in the second quarter of 2020. A similar magnitude of socioeconomic shock as the one seen in the second quarter of 2020 could be expected. The **cumulative drawn-out negative impact** of pandemic-related restrictions on incomes, joblessness, hours of work and productivity is a serious concern. Concern also remains in regard to the extent to which employment protection measures had been extended or adjusted in 2021.

Nevertheless, with the gradual easing of health-related restrictions, rising vaccination rates and the announced easing of cross-border mobility in November 2021, a **slow and uneven recovery** could be expected in the last quarter of 2021 and into 2022.

<sup>10</sup> ILO, 2021. "COVID-19 and employment protection policies: A quantitative analysis of the Asia-Pacific region", Research Brief.

**Contact details**

**ILO Regional Office for Asia and the Pacific**  
United Nations Building  
Bangkok 10200  
Thailand

T: +66 2288 1234  
E: [BANGKOK@ilo.org](mailto:BANGKOK@ilo.org)  
W: [www.ilo.org/asiapacific](http://www.ilo.org/asiapacific)