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Democratization and Social Welfare in Thailand¹

By Johannes Dragsbaek Schmidt²

Introduction

On the second of July 1997 the Thai government was forced to do what it had sworn in months it would never do; giving up a steady rate policy in relation to dollars, and the Baht was subsequently untied from its peg to the dollar. First the value of the currency fell with more than 20 percentage points, then it fell 40 percent and with that started what the international media pronounced the financial crisis in East Asia. A characteristic that should prove partly having a different background from what the leading media voiced, and partly the crisis proved to have serious consequences not only in the region, but also in other parts of the world economy.

What is interesting in this connection is that the multilateral organizations before the crisis praised Thailand as 'Asia's Fifth Tiger' and a number of East Asia's economies were held up as development icons for their open economies and high growth rates (World Bank 1993; Bullard 1998). Three years after the onset of the crisis it is hard to miss the open wounds in Thailand's economy. Just drive along Bangkok's Ploenchit Road, and you'll see a big one: an almost completed multi-story building meant to serve as the headquarters of one of Thailand's most aggressive lenders, Finance One. However, the company did not move in: Its share prices declined to 4 percent in 1997 compared to 1996. A government bail-out was priced at an estimated 166 billion baht (\$6.7 billion), or 3.5 percent of Thailand's GDP.

Once touted as Southeast Asia's fastest-growing economy, Thailand is now three years after the crisis took off staring at a prolonged period of hardship. The very same institutions that mistakenly were put in as firemen by the international society, but as it later emerged it was not really to support the maimed economies, they entered to secure and protect Western investors and banks. One of the reasons why the World Bank and IMF did not react to the considerable incurring of debts was, as illustrated in the case of Finance One, that the debt was raised by the private sector and not by the state unlike similar debt crises in most Third World countries.

In this paper globalization is regarded as a neoliberal ideology, but also as a concrete challenge and threat, creating winners and losers in the international economy. The impact of globalization on Thailand has occurred through a number of phases: Through foreign investments, pressure from multilateral institutions to open up different sectors;

particularly the finance and the banking system and through currency speculation, unregulated short-term capital flows, particularly unregulated portfolio investments from hedge funds and pressures on the exchange rate from the revaluation of the Yen and the devaluation of the Renminbi. This furthermore had a tremendous effect on the room of manoeuvre for the execution of economic policy. Thus weak supervision of banks and poor state regulation of domestic private financial sectors were the results of yearlong pressures from the IMF, the World Bank, unaccountable international rating bureaus like Moody's Investor Service who review emerging economies credit ratings, and emerging domestic business segments always in search for easy short-term capital for speculative purposes without taking any developmental or national considerations. The genesis of the crisis lay in the way the country opened its doors to foreign capital. Thailand liberalized by allowing domestic investors access to cheap offshore funds through the Bangkok International Banking Facility (BIBF), launched in 1992. But it made the mistake of keeping the baht pegged to the US dollar. With no concern about currency devaluation, freewheeling Thai speculators borrowed freely and imprudently, without hedging (FEER 12 June 1997: 70). Actually the crisis was an effect of underregulation rather than of overregulation as the spokesmen of globalization claim. Naturally, the crisis has affected the Thai political economy in a number of ways. This analysis will in particular point to the social tensions and differences of what started as a financial crisis, but which quickly escalated into a structural social crisis. The basic argument is that the so-called financial crisis in East Asia has intensified the need for the 'Japanese Model' rather than proving its disadvantages,³ but Thailand cannot rely on economic growth alone. It has to improve the qualifications of its labor force and the infrastructure, and related to this comparative experience suggests that, 'a social security scheme - if it works efficiently - can have a positive impact on the skills and health of the labor force' (Reinecke, 1993: 79).

The ideology of globalization

The concept of globalization has been one of the most disputed and discussed topics within social science research since the end of the Cold War. Globalization has supporters among those wishing an opening of the international markets and believing that increased trade, deregulation and communication between people in the world will create peace and harmony. Opponents of globalization are among those losing their jobs and control of their embedded politico-economic, cultural and social, national, local and private life spheres and human processes. Supporters are to be found among the leading political parties particularly in the Western world, in business and management schools, in the academic world and the 'transnational class' - the new internationalists employed in multilateral

institutions like the World Bank and IMF and international and regional organizations like the EU, APEC and NAFTA - which are defined as individuals who have lost their nationality as a fixed denominator and have arisen as a class on its own terms defined by having separate interests opposed to the interests of their original homeland. Opponents are to be found among trade unionists, political representatives and social movements from the Third World and critics within the academic world.

Even though globalization at the very general level can be interpreted as increased 'global communication' agreement regarding its definition among scholars has not been reached (McGrew 1997). The intention here is to utilize an understanding of the concept being an ideological and politicized instrument staged of a number of powerful economical and political interests and at the same time this ideology is adopted by the Western dominating multilateral institutions and organizations operating all over the world, including the United States in particular, and whose principal purpose is to disseminate a specific neoliberal world order (Gill 1995: 399 & 406; Schmidt 1997; 1996).

It is very important to make clear that the states of the Third World are more vulnerable than stronger entities like the EU and the United States and this means without comparison 'a life-and-death struggle' in which politicians and bureaucrats try to pose an independent political agenda proportional to the dominating finance capital, tourism, transnational companies decisions, NGOs, pollution, climatic changes and the fact that about 95 percent of the states in the world are incorporated in the world trade system that has been doubled in less than forty years (McGrew 1997: 6-7). The debate concerning whether globalization is real or not is thus but an academic discussion to the Third World.

This politicization and the ideological use of the concept globalization has unforeseen and inexpedient consequences, including what chaos theorists call 'a butterfly flapping its wings somewhere on earth could have serious consequences and lead to a veritable tidal wave affecting us all'. Hence the concept 'the butterfly effect' - nobody knows which consequences the present unregulated finance and productive capital movements have globally.

This type of argument provides an important contribution in the debate regarding what caused the crisis in East Asia, because as James K. Galbraith has pointed out, the butterfly on 24 March 1997 was Alan Greenspan. On this very day he flapped his wings once and the interest rate of the US dollar fell with a quarter of a percentage point. This day the crises started and subsequently spread from Thailand to Indonesia and from

Korea to the rest of the world. The most affected countries were those which depended on foreign investments; which were not able to control their own exchange rate; which had the lowest amount of capital reserves to keep their economies ongoing; and had overinvested in construction and other unproductive trades (Galbraith 1998).

As mentioned above, before the onset of the crisis Thai policymakers had hoped Bangkok could become the regions top offshore financial center, although it remains unclear where the major impetus for the policy of deregulation of the financial sector came from. Under the BIBF, banks could get funding in US dollars at lower US rates and then lend to Thai customers. For domestic borrowers with revenues in baht, there was little currency risk because the baht was pegged to a currency basket, in which the dollar accounted for around 80 percent. In 1995, BIBF liabilities soared to more than 25 percent of Thai GDP and this wave of money was not spent on increasing productive capacity. The aversion to confronting debtors reflects the close-knit powerful domestic vested economic interests which have been actively involved in a politico-bureaucratic alliance for a long time.⁴

The economic boom years gave way to all kinds of speculation and an amazing 'no problem' cum repressive attitude by the Thai economic and political elite. As long as the major social contradictions in Thai society could be held at bay by high economic growth rates and foreign capital, democratization and demands for greater distribution of resources and social entitlements could not enter the policy agenda. After the crisis hit Thai society growing unemployment and its accompanying potential social instability might lead to a break with the dominance of Bangkok's big business politician cum bureaucrat alliance and provide space for a genuine political representation for the working population - the peasantry and the working class.

The absence of social protection and the historically low priority to social policy expenditures in Thailand is a reflection of choices on social and economic policy. Thus, as long as sustained economic growth continued there was a tendency to rely on the belief that poverty would disappear as a consequence of market allocations. This, together with a reliance on traditional support systems through the family, and a few Royal House Sponsored Charitable Foundations has resulted in limited priority to a government sponsored universal social safety net based on redistribution and solidarity.

Democracy and paternalism

Most definitions of democracy reflect an ideal situation which states and nations strive for. Democratization is a never-ending process emanating from below, which is defined as a concept involving power relations and constellations in society and the state. Democratization is concerned with social, political and human rights, the right to free speech, organizational freedom (i.e. labor rights) and other popular demands directed to the state. In general - democratization - the devolution of state power from military dictators and one-party bureaucracies to civilian democrats - can be seen as a political response to a generic economic crisis. It can be seen as part and parcel of the hegemony of neoliberalism. By the concerted effort of state bureaucrats to demilitarize, privatize, and demercantilize the state and the economy in an effort to respond to globalization and resolve outstanding economic problems and to lay the basis for economic growth (Scaeffler 1993: 170).

Instead of presenting democracy as an ideal political system that humans only imperfectly realize, it is the aim here to conceptualize democracy and democratization as a political process which is repeatedly reinvented. Instead of treating the political institutions and practices as a product of exclusively separate national histories and cultures, one aim of this contribution is to add the importance of economic flows across national frontiers and the ways in which those in power, in different countries, influence one another. Instead of reducing democracy to well-defined routine practices and institutions such as elections and parliaments, it is perceived that social movements per se repeatedly challenge and transform existing institutions.

Democracy carries within it not only the conflicts of the present moment but is also the legacy of past waves of democratization, which have shaped what is meant by democracy. It is mirrored in any comparison of regime-forms and levels of (semi/soft/hard etc.) authoritarianism, transitions, creations of temporary political pacts, democracy etc. Taking a quick look at Thailand she exhibits quite different patterns of 'democracy' in its mainstream definition.

Thailand has been a political regime in transition during the past 67 years. Until the mid-1970s, the regime comprised a narrow elite drawn from the army officer corps in alliance with senior bureaucrats.⁵ Virtually all other sectors were excluded from policy-making, and the regime type was based on paternalism and authoritarianism. Thailand went through three major political events - 1973, 1976 and 1992. Each of them was treated differently by the state. Unfortunately, space does not allow me to go into detail here, but one important reason why Thailand has experienced a

switching pattern between democracy and authoritarian regime forms is not only a political but also a social problem (Schmidt 1993; 1999).

In contrast to Thailand, American democracy was shaped by an English heritage, empty spaces and free land, the absence of an aristocracy, massive immigration, vertical and horizontal social mobility, minimum government, and a pervasive middle-class liberal ethos. No similar combination of factors exists anywhere in Asia (Huntington 1994: 37-38). In fact, permanent democracy is rare, and instead a series of switches in and out of democracy has been the norm, and this underscores the different historical and contemporary dilemma of Thai democracy, based on the interaction of socio-economic and political influences.

The dilemma for Thailand having to face the external pressures of economic competition at the same time as internal demands for democracy and welfare are growing, is related to its type of economy. Various statistical studies show that much of Thailand's growth has been driven by a massive increase in domestic labor force participation as well as capital, critical parts of which have come from abroad. But these inputs have been difficult to sustain (Asher 1997: 9). This not only implies leveling off of high rates of growth, but also made a transition to higher levels of social security more difficult, as such a transition could acutely impinge on the international competitiveness of the economy (Asher 1995: 16). Furthermore, economic growth has been characterized as a process of impoverishment, marginalization, and increasing inequality in income distribution. Over the past three decades this transition has led to several important trends: It has primarily meant expansion of industrial output and services. But social welfare and the needs of the rural areas have been largely neglected. In rural areas this occurred through an increase in economic inequality and an uneven distribution of land and other productive assets, an increase in the relative size of the class of agricultural laborers and stagnation or decline in rural wages. Considerable inflationary pressures and, more generally, the relative price of food have tended to rise as growth proceeded.⁶ This situation has been even more complicated after the financial cum social crisis started in July 1997.

The reasons behind the policy shift to export orientation and deregulation in Thailand have differed in a number of ways from the Korean and Taiwanese NIC experience.⁷ In the Thai case, 'the external factors for policy reform were the inflow of international capital and the relocation of light industries into the country. The internal factors were pressure from the local business sector, liberal technocrats and foreign advisors advocating a more liberal development strategy' (Piriyarangsarn and Poonpanick 1994: 249-250).

For instance already in 1980 a representative from big business Paul Sithi-Amnuai, tested public response to some elements of future economic policies. He suggested that the traditional bureaucracy-business antagonisms arose from the fact that business activities were historically controlled by the Chinese and Europeans and this distrust has been so traditionally ingrained in Thailand's bureaucratic structure that the image of the officials vis-a-vis the private sector is that the private sector is a bunch of exploitative middlemen, and therefore, much must be done to control it. He then argued that if the bureaucracy and businessmen were to co-operate business should be decided upon by businessmen or technocrats. His preference was an economic czar from the private sector to run the economy, who should rule supreme, in that he can cut all red tape and committees to solve key bottleneck problems. Another idea was to offer tax incentives for private firms to adopt individual villages, so that 'we would have 1,000 rural villages being helped by private sector entrepreneurs who would not only use their management skills in helping the villages get developed', but also provide the adopted villagers with jobs in the factories of homes of the adopting companies as 'maids, drivers, guards, factory cleaners [and] messengers' (FEER 21 March 1980).

These arguments were echoed after the crisis in 1997 when MP Supachai, who was also director of Thai Finance & Securities said that: 'We have to nurture the private sector because they are in tattered shape'. He compared the 91 finance companies to a convalescing patient and called for a one-time capital injection (FEER 12 June 1997: 70). The often intimate links between the Bangkok polity and big business were one reason why central bank exchange controls were lifted so easily, and why banking deregulation and investment became much easier (FEER 6 December 1990). However, in order to comprehend the background for this policy shift it is necessary to understand the labor market and social policy of Thailand - at least as it is seen from the policy - and business elite's point of departure and how it has impacted the handling of the crisis.

Labor market reforms and social welfare

Labor discipline and peaceful industrial labor is always a prerequisite for EOI development based on cheap labor. The disciplined labor pool in Thailand, since the mid-1970s, was the result of political exclusion of labor through the indirect intervention of the state. First, the state created a legal framework for industrial relations which encouraged weak and fragmented unionism. Secondly, indirect control of labor was established through institutional conditions for wage negotiation in the labor market. Those are some of the reasons explaining why labor union activity in Thailand in a historical perspective has been weak and organized labor has been able to significantly influence the public agenda of social and labor welfare until

recently. Although unionization was relatively low, levels of strike activity increased sharply in the period 1995-1997 involving between 8,000 and 14,000 workers each year. This overall picture has also had serious implications for the bargaining capacities and wage levels of the working class.

Although repression against workers has been severe, Thailand has several tripartite committees covering a variety of social policy spheres, and having differing degrees of statutory authority, from the purely advisory to actual decision-making responsibility and authority. Tripartism in Thailand must be described as very weak, based as it is on fragile and internally fragmented organizations of workers and employers.

Tripartite instruments and procedures have nevertheless played some role in policy guidance on the economic and social consequences of the crisis.⁸ Three initiatives are of particular relevance. First, the National Labor Development Advisory Council (NLDAC), an advisory body to the government, established a Subcommittee on the Social Effects of the Economic Crisis in October 1997. Second, the labor court system has had an important role to play in safeguarding labor protection amidst worsening economic conditions. By September 1997, the system's nine-month caseload numbered 12,073, already exceeding all annual totals in its 17-year history. Over 80 percent of cases in 1997, moreover, concerned severance pay entitlements (in 1985, this issue accounted for 52 percent of disputes heard). Third was the creation in December 1997 of the National Committee on the Alleviation of Unemployment, apparently in response to one of the recommendations of the National Tripartite Forum.

At the root of what may be described as a weak basis for tripartism are the continued constraints on freedom of association. In fact, the credibility of the officially sanctioned and legally recognized national trade union center is very much eroded now and workers with grievances, including members of the official unions, are increasingly looking elsewhere for representation. Since recent initiatives to develop independent and democratic trade unions have been contained by government repression, workers' organizations are forced to operate beyond the ambit of the law and often clandestinely are generally unable effectively to openly criticize government policies and programs (ILO 1998: *passim*).

This situation is reflected in the fact that minimum wages represent a relatively small proportion of average wages, and have shown no upward trend in real terms, and have lacked serious implementation (Khan 1995: 88). The stress on an export industrialization driven strategy has led to a policy of wage restraint (in contrast to South Korea, where wages have

risen as a result of labor shortages, but where the process of industrialization is much more advanced) and no real attempts to promote institutional frameworks which could limit conflicts in industrial relations (Deyo 1989). In short, the policy has been marked by restraint and a laissez-faire environment with below minimum wages, in a number of instances child labor and an authoritarian work environment.

The key problem, no matter how one defines democracy, has been political representation. Labor and other marginalized groups have never had an institutionalized voice in the political arena, except for a brief period between 1973 and 1976. Historical evidence shows clearly that this is not a matter of 'new politics', but related to repression and outlawing of alternatives to the dominant discourse of neoliberal growth, exports and elite paternalism.

Fewer than 5 percent of industrial workers were in unions in 1993, although the public sector was somehow better organized; labor regulation reveals a high degree of coercive state intervention against the interests of labor (Lambert 1993: 34 fn.9.), and this strategy is also closely related to the interests of foreign capital.⁹ The aim of labor legislation has essentially been to attract foreign capital and to develop the export sectors. As such in 1990 Japanese companies employed 10 percent of the Thai manufacturing workforce with a predicted rise to 15 percent in 1992 (NYT, 10 May 1990 cf Lazonick 1995: 85), and Japanese investors' maltreatment of Thai workers is well documented (Schmidt 1997: 96).

Thus TNC investment tend to be less sensitive to social concerns as well as to political pressures of national and regional authorities. TNC workers in Thailand have in most cases been inhibited from having autonomous workers' organizations defending their standards of living through collective action, and are then almost wholly dependent upon the goodwill of management.

Evidence shows that due to the very low state schemes for improving the income and welfare of employees to catch up with inflation, workers' demands initially concentrated on wage increases. But this pattern has been changing. This is clear from the fact that 'major issues of labor disputes from 1987 to 1989 concerned welfare (33 percent) wages (20 percent) conditions of employment (18 percent) and other issues (29 percent)' (Piriyarangsarn Poonpanich 1994: 241).

The struggle to obtain social security protection in Thailand dates back to the 1950s, but in the late 1980s renewed pressure through public demonstrations and campaigns from the Labour Congress and Trade Union

Congress resulted in the promulgation of the Social Security Act of 1990 (Brown and Frenkel 1993: 104). The first phase was implemented in 1992 and covered health insurance, maternity benefit, disability benefit and death benefit. The scheme was financed by employers, employees and the government each paying 1.5 percent of wages as contributions, but since then a serious debate about the second phase has arisen (Asher 1995: 16). Although labor comparatively speaking is weak in terms of bargaining capacity and not very well organized it was a major force behind the enactment of the Social Security Act. In the process leading up to the enactment: '1) The Labor movement showed more unity and a better long-term strategy in its quest for social security than in the past. 2) The relatively united stand of the labor movement facilitated the cooperation with *the professionals*. NGOs and academics took part in campaigns for social security, and the press was supportive of the law. 3) The power struggle between the *bureaucratic elite* and the *economic elite* forced the latter to accept demands of the labor movement and the professionals in its search for 'coalition partners...' (Reinecke 1993: 90).

After the crisis, in January 1998 a government survey of workers returning to rural (non-municipal) areas placed the figure at 188,000 persons. Compared to each region's rural population, the highest proportion returned to the northeast. This pattern of return movement puts pressure precisely on the weakest parts of the Thai agricultural sector. At the end of 1997, the North and Northeast were hit particularly hard by drought. These regions furthermore had evolved an economy in which remittances from urban areas played a major role in sustaining living standards (ILO 1998). Although circular migration has always been a specific characteristic of the Thai economy the situation has changed.

On the domestic level, at least one million migrate in and out of the rice belt once or twice a year but with the crisis and unemployment workers return to the villages. Before they came to Bangkok to look for low-wage earning jobs. They are unskilled and grow up with a feeling of the debt they owe to their parents. Men can earn merit for them by becoming monks, or by achieving high-wage jobs. There are no similar institutionalized religiously based choice for Thai women; therefore prostitution in many cases is one of the channels to pay back the debts to their parents (Seabrook 1996: 26). As such it is estimated that as many as 250,000 women are forced into prostitution, and approximately 15 to 18 percent of the country's GDP came from the commercial sex sector. As such it also serves as a mechanism for redistributing incomes, as a survival method for coping with poverty and as a way to compensate for the lack of social welfare and income maintenance programs.

Migration occurs because no other choices are available, and because the places migrants grew up have been ruined by drought, deforestation and mechanized agriculture – and by a political elite obsessed with productivity. More than 5 percent of the total land of Thailand has now been turned over to large rubber plantations; the large-scale expansion of industrial shrimp farming for export destroyed nearly half the country's coastal mangrove forests between 1985 and 1990. By 1988, 15 million hectares of Thailand – nearly half the entire land area – had been allotted to private logging concessions, and 3.2 million hectares of forests and farmland had been converted to export crop production. Thailand's forests cover has declined from 53 percent of its area in 1961 to 28 percent in the late eighties; erosion, floods and drought are the results. A ban was placed on all logging in 1989, although it still occurs illegally, and Myanmar and Cambodia are now being rapidly deforested by the same loggers who ravaged Thailand (Seabrook: 28). Official surveys in the late 1990s claim that Thailand has lost 75 percent of its forest cover and this exacerbates Thailand's perennial drought and flooding woes leading to soil erosion and more pressures on the living conditions of the rural population. The issue of migration consequently impacts the attempts toward dialogue regarding employment and social security between the rural and urban populace, and the government-employee intimate alliance.

In conclusion, the institutional apparatus through which dialogue on the consequences of the crisis of enterprise-level adjustment could occur is absent. Of course, the absence of the sort of formal mechanisms for dialogue provided for by labor law does not necessarily mean the absence of dialogue — or, further still, the absence of good, cooperative labor-management relations. Although well-developed, cooperative labor-management relations in a few non-union enterprises do exist, the evidence also suggests that such examples are (i) likely to be in the minority, and (ii) slower to diffuse in the absence of a well-developed trade union movement (ILO 1998). This situation begs the question whether Thailand has followed a specific 'East Asian' social policy and what type of reforms can be expected as a consequence of the crisis.

Is there an East Asian welfare state model?

All over the world social policy and the role of public entitlements are becoming more urgent and have entered the global agenda. In continental Europe the classical social welfare state has been under heavy attack by the ideological and policy impact of neo-liberal globalization and other pressures to downsize expenditures. The principles of universal and targeted provision are no longer taken for granted.

State provided social welfare expenditures have also seemingly become an important element in global economic competition and in hegemonizing the ideological sphere of 'globalization' which defines the norms and values in relation to the international political economy. This is also one explanation why it is ideology and not politics which has been the main vehicle behind the debate about 'Asian values'. Although the Thai elite has not openly tried to defend and justify authoritarianism and repression of labors collective social rights, Thailand is not different in this regard than her neighbors.

A number of authors have posed the question whether at all there is a case for an 'East Asian welfare model' or whether a specific kind of 'liberal social policy provisioning reform' as international aid agencies call for is entering the regions policy environment (IHT January 28, 1998; IHT March 16, 1998; IHT April 16, 1998). Other commentators claim that weak adjustment and policy responses to the financial crisis were the major cause and thus globalization magnified the costs of bad policies and weak domestic institutions. Accordingly the crisis presents a challenge and an opportunity for Southeast Asian governments to make social policy reforms and promote genuine democratization.

The study of welfare as an aspect of social policy rather than economic policy has been neglected. The concept of social policy should emphasize 'all forms of collective interventions such as fiscal, occupational and social programs that contribute to general welfare, and focus on the rationale, objectives and social consequences of public policies dealing with welfare - in the how, why and what of social policy (Jayasuriya 1996: 1). What is of importance is to study the impact of policy instruments of which this chapter concentrates on the link between democratization, labor market reform and social welfare trying to locate the nexus between the redistributive potential of welfare policies and the level of equality of recipients of welfare. The question is how to define the Thai developmental state in this regard or in other words where does it fit in?

Until the formation of an industrial working class and urbanization, pressures for social protection on Thai governments were limited.¹⁰ Thus policy-makers and elites have been able to interpret the past in order to justify their lack of enthusiasm for western-type welfare states. In 1983 the Prime Minister expressed Thai conservative elite thinking when he stressed that 'culturally the Thai behavior and way of life are inactive... Lack of ambition is the big enemy of the Thai way of life ... The democratic government must take some action by the establishment of the Department of Public Welfare as the tool for action' (Wongchai 1985: 357 and 363). 'King Bhumibol has adopted this perspective. Taking the US as his

example, he has argued that millions are spent on welfare, stating that access to welfare is a "constitutional right" in that country, but that this has several negative aspects: "[T]hese jobless individuals will not be willing to work; they can apply for public welfare and they get it. These people refuse to work.... The ... individual on welfare will be a useless person for the community and even for himself. Furthermore, he will be a ponderous burden on society." (KB 1992b: 26). Then, turning to Thailand, he argues that to allow the development of a welfare system would cause suffering: "We would be squandering our national budget by giving charity from the money earned by hard-working people from whom taxes are levied, to those who make it a point not to work. Thailand is not like that. Everybody works, some more, some less, but everybody works" (ibid. 29)' (cf Hewison 1997: 66-67). The implication of this paternalistic ideology of the elite has been a conscious state welfare ideology more inclined to charity than responding to social pressures for public services.

At the beginning of the 1980s, the Thai Department of Welfare (DPW) spent less than 0.5 percent on social benefits of the total government budget (Wongchai 1985: 363). In the 1990s, official social security schemes (covered by the Social Security Act) were available only to formal sector workers in the civil service and those working in enterprises employing ten or more workers. Those working in the informal sector did not receive protection under the labor law, nor were they covered by social security provisions (Pongpaichit et al. 1995: 151). However, as mentioned above, the Thai Parliament did vote in favor of a Social Security Act in July 1990, and it was introduced in March 1991. In its first stage, the scheme covered private enterprises in the non-agricultural sector with twenty or more employers, employees and the government paying each 1.5 percent of wages as contribution. Four benefits are in force: - health insurance (medical treatment and 50 percent of wages) - maternity benefits (child delivery expenses and 50 percent of wages) - disability benefit (medical treatment and 50 percent of wages) and death benefit (lump sum to cover funeral costs) (Reinecke 1993: 78-79). The consequence of this low coverage and a very ineffective implementation of the new scheme has been that Thailand has extreme problems of social exclusion due to uneven development and unfair institutional arrangements, such as inadequate provision of basic social goods (Pongpaichit 1995: 159). These comparatively low expenditures on social welfare are not a coincidence, but closely related to the predominant development model which is based on export. Although the number of insured workers almost doubled in two years the attitude of the political elite didn't change. This is reflected in Deputy Interior Minister Charoenchit na Songkhla's remark that he wanted, 'to organize social benefits as well as possible to further reduce the role of the trade unions' (Matichon, August 16, 1991 cf Reinecke 1993: 92).

Turning to the post crisis context, DPW had responsibility for looking after underprivileged target groups, including people with disabilities, women, the elderly, children and beggars. DPW reported that it saw a sharp increase in the numbers of socially excluded. DPW managed the baht 2,000-grant scheme, as well as the baht 10,000-loan scheme, under which one day of enterprise training was provided for borrowers.¹¹

The existing severance pay legislation in Thailand provides for only modest benefits amounting to six months' wages for workers who have been in a job for three years or more. Under a special provision, higher payments are due to workers with six years' employment or more who are made redundant as a result of the introduction of new machinery or technology (ILO 1998).

Thailand's Labor Protection Act, adopted in 1998, provides for higher severance pay for workers with longer periods of employment. Those who have been in the job six to ten years will be entitled to eight months' pay and those with ten years or more will get ten months' pay. Although the intention of the legislation no doubt is to provide better protection to workers, it seems likely that in the short term it will have the perverse effect of encouraging employers to terminate workers' employment before these more costly provisions come into force. Trade unions have therefore asked the Ministry of Labor to issue an interim law (ILO *passim*).

Thailand's secondary-school enrolment is the lowest in Asean, after Vietnam. In 1990, almost half the children who completed primary school did not go on to receive a secondary education. This generation is now entering the workforce and will be another obstacle to tackling the economic slowdown. Thus the low spending on education coupled with increasing unemployment points to new problems in the rural areas and especially the endless debate about land reform and decentralization.

Social Policy, the obsession with growth and the impact of the crisis

A papier-mâché dinosaur symbolized the government at a pre-crisis rally in 1997 in Bangkok where 10,000 poor farmers demanded the state should solve a string of land disputes mostly arising from the seizure of land by the central government. 'It's not just compensation for our land we're after', said Bamrung Koyotha, a spokesman from Forum of the Poor. 'We are also challenging the political and economic system and demanding more participation for the people'. Progressives in Thailand point to the new constitution which will be Thailand's 16th since 1932. The sceptics say real reform is unlikely. Many believe the constitutional changes will be diluted through compromise with vested interests. For the farmers who camped outside the Prime Minister's office for two months in 1997, a new

constitution means very little unless it tackles the growing gap between rich and poor. Decentralization is also low on the agenda and elected governors are not on the agenda. According to Sompong Wianjan, a middle-aged farmer from northeastern Thailand, whose land was swallowed up by the Pak Moon Dam in Ubon Ratchathani Province: 'We were told that we are a minority that must sacrifice our land for the benefit of the country', she complains. Sompong received just 300 baht (\$11.50) compensation for her land. If citizens' rights are enhanced, it would be bad news for the politicians and civil servants who've made fortunes milking a top-down system of patronage (FEER 3 April 1997: 16).¹²

The problem is related to the government's resistance against rural people and this in turn creates more paternalistic bureaucracy. Local officials are only responsible towards the bureaucracy in Bangkok. So to get the kind of local-government services they want, villagers turn to MPs who are not seen as national lawmakers, but as responsive local government. Responsiveness certainly counts for a lot. But so does coercion and intimidation. There's plenty of cash circulating in the black economy to fuel the system. In 1996 the Thai Farmers Bank Research Center estimated that as much as 2.6 trillion baht was earned annually in the underground economy. That's about 57 percent of Thailand's official GDP (FEER 28 November 1996).

With no quick end to the economic squeeze in sight, some are beginning to wonder if the new hardships will lead to social unrest. Such volatility cannot be ruled out for a country where income disparities are already alarmingly wide. 'Thailand has 12 of the world's richest billionaires and the third-highest sales of Mercedes Benz cars in the world', says social activist turned Senator Mechai Viravaidya. 'Yet 8 million people in this country have incomes of less than 6,000 baht (\$233) a year'. In 1997 an estimated 85% of the country's 6.8 million industrial workers, most of them rural migrants, lived in and around Bangkok. Yet according to a city official, Bangkok has fewer than 700,000 registered voters. To vote, most workers must return to their home provinces - and risk losing wages, and even jobs (FEER 12 June 1997). Especially the prospect of unemployment is a squeeze on political participation.

In Thailand 54,000 workers were recorded as retrenched over the period January 1997 to February 1998. Slightly more women than men were made redundant. The actual number of crisis-induced lay-offs is widely assumed to be substantially higher than the official number. Industry associations, for example, reported job losses of some 422,000 at the end of 1997.

With the onset of the crisis, the Ministry of Labour and Social Welfare (MOLSW) created 15 teams of Ministry officials which attempted to assist about 1,000 enterprises in about one year in finding alternatives to lay-offs. MOLSW has prepared a booklet outlining ways in which labor and production costs could be adjusted to avoid lay-offs. Finally, MOLSW has hosted three tripartite seminars in an effort to diffuse knowledge on ways in which employment can be preserved. The Ministry initiative will continue as part of the government's seven-measure program to address the crisis. While the Ministry's initiatives are clearly positive, there is no information available on their impact.

According to the ILO (1998), due to the impact of the economic crisis and even though this has been manifested in a range of initiatives to contain the social costs, the overall impression is that the policy response has been inadequate. In particular, efforts to cater for the large numbers of displaced workers cover only a small fraction of those in need of such relief. In addition, there has been virtually nothing in the way of temporary income support in the form of either unemployment benefits or social assistance to make up for the shortfall in the coverage of direct employment creation measures.

Concluding remarks

There are two fundamental reasons why Thailand is in its current state of social distress. The first is the sheer magnitude of the social fallout. This would have put serious stress even on countries with better-developed systems of social protection. The second was the unpreparedness and underdevelopment of the social protection system itself. Accordingly, legislation on social security has almost been permanently 'in preparation' between 1952 and 1988 without any decisive step towards its implementation (Reinecke 1993: 83). Furthermore, discourses on both left and right in the Thai political context have relied on the idea that, 'civil society' can replace the role of the state. The basic argument in this analysis has been that 'civil society' at least in its mainstream understanding cannot replace the state, but should put a great effort into pressurizing the state to take up basic responsibilities and enhance developmental and regulatory state capacities and responsibilities in accordance with the country's level of development. There is great danger that the current overemphasis on 'civil society' detracts or hijacks the focus away from what is of immediate importance in any country with high levels of poverty, inequality and social crisis. If civil society includes social groupings and strata like organized labor and the peasantry it makes sense as recent examples have shown that the labor movement has been relatively successful in pushing for the Social Security Act despite resistance from the entrenched business politico-business alliance.

Against this background it is important to note that social safety nets cannot, realistically, be constructed in a short time perspective. Similarly, measures such as attempts to save viable enterprises and active labor market policies can achieve only limited results when they go against the grain of macroeconomic conditions.

Globally, flexibility has become the buzzword meaning dismantling of the welfare state, even the sort of hybrid welfare state in Thailand, but this issue is seemingly being contested from below by demands for democratization and social reforms. The problematique regarding social welfare in Thailand has followed the neoliberal ideology of globalization which is essentially a matter of identifying needs, solve problems and create opportunities at the individual level. The causes behind the needs for support are believed to rest overwhelmingly in individuals and subcultural defects and dispositions. Responsibility is deflected from states and national economic, administrative and legal organizations to individuals and groups. Little or no attention is paid to the interacting consequences of economic and social change for families, employment, taxation, housing, social security and public services. Laissez-faire individualism and the legitimization of discrimination are in fact the intellectual sources of this tradition. This is why the macro-economic dogma characterized by neo-classical and neo-institutionalist explanations claims that high economic growth leads to significant general improvements in the living conditions and incomes of the poor. However, the Thai experience contests the validity of this assertion. Thus, despite high growth rates the reduction in poverty, though significant, has been comparatively modest. The rate of decline has not been enough to bring about any significant fall in the absolute number of the poor.

This particular Thai version of social welfare is in practice closely based on welfare theories about social philanthropy which, implicitly and sometimes explicitly, contradicts democratization from below. It is difficult to discern anything specific 'Asian', except for the fact that this version rests on a particular ideology which is used as a repressive tool to discipline labor's demands for social security and, in general, demands which could humanize and socialize work and living conditions and economic relations. Just as the Great Depression forged a new social contract in many industrialized countries in the 1930s, the current Asian crisis might serve as an impetus to creating a more socially oriented model of development.

Endnotes

¹Paper presented at the Panel on Reforming Thai Politics: The Politics of Thailand's Reforms at the 7th International conference on Thai Studies, Amsterdam University, 4-8

July 1999.

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³ See the discussion about the relevance of the Japanese model in Thailand in (Schmidt 1996; Hersh and Schmidt 1996).

⁴ This statement is a matter of great dispute whereas a new body of literature in a neo-institutionalist perspective point to concepts as 'liberal corporatism' and 'inclusionary institutionalism' to illuminate a growing influence of business coalitions and associations challenging the autonomy of the state. For the most prominent, see (Doner 1991; Dhiravegin 1992; Laothamas 1992a and 1992b; Pongchaipit 1992). And for a discussion in the Korean context, see (Wade 1990; 1996), and an example of an integrated synthesis, see (Cotton 1991). And for a critique of the neo-institutionalist perspective in the Thai context, see (Schmidt 1996).

⁵ Bureaucrats in the Thai language, *kha ratchakan*, are literally 'servants of royal affairs'. They are not held accountable to anyone but their superiors within their department or ministry. It is for the same reason that bureaucrats are often unwilling to accept policies and directives from political leaders, particularly those who do not have a civil-service background. In the 90 years since the great reformation, the only significant change in the Thai bureaucracy has been the way it has expanded. The period between 1933 and 1980 saw the creation of six new ministries, 86 new departments and 1,121 new divisions-the majority designed to take over existing functions rather than being given new tasks. At the same time, the number of government officials has grown to nearly a million, in a population of 53 million. One of the serious weaknesses of the bureaucracy at the workingman's level is perhaps best illustrated by the number of provincial dwellers who find it necessary to travel to Bangkok to air their grievances, in many cases minor disputes that provincial officials have been unable or unwilling to resolve. (FEER 19 June 1986).

⁶ Before there can be income distribution in favour of the rural poor, there has to be a prior redistribution of the income-generating assets, notably land, water rights, productive equipment and livestock. The need for land reform in this broad sense arises both because the present structure of asset holdings may obstruct technological change and because it is the most effective, perhaps the only, instrument of combining growth with the right sort of distributive biases. See also the interview with Ajit K. Ghose and Keith Griffin (FEER 13 July 1979: 50).

⁷ Korea and Taiwan kept foreign capital at bay and only allowed a very small amount of non-national capital acquisition to take place. For a discussion about the role of foreign capital in the North- and Southeast Asian NICs and Would-be NICs (Schmidt 1997a; 1997b).

⁸ This and the following four in stances of tripartism are cited in ILO (1998).

⁹ According to ILO, the level of trade union organisation is extremely low. Nationwide, there are about 245,000 union members in approximately 1,000 unions, representing perhaps 3.5 percent of the 7 million or so workers in the industrial workforce (which itself

is only about one-fifth of the country's workforce of 34 million). It follows, therefore, that (i) the role that collective bargaining could play in negotiating the downturn is rather minimal, and (ii) an assessment of 'tripartism' must acknowledge the rather limited foundation on which it rests (ILO 1998).

¹⁰For an interesting discussion in a historical perspective of the attempts of introducing social policy reforms in Thailand starting with the pridi government in 1932 leading up to the enactment of the Social Security Act in 1990, see Reinecke (1993: 78-115).

¹¹This and the following are adapted from (ILO 1998).

¹²Critics of the government programmes say the Agriculture Ministry does not give farmers enough information to assess the risks of the projects they are undertaking. 'They don't offer options. They push ideas', says Ammar Siamwalla, president of the Thailand Development Research Institute. 'The first thing wrong with the government is that they feel they know better than the farmers. All the problems follow from that'. This paternalistic approach leads to arm-twisting by agricultural extension officers, whose performance is rated according to how many people they convince to join the government's programmes (FEER 16 Feb 1995).

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