

Thailand's Unemployment Rate is a Ridiculously Low 0.6%. Here's Why

The country's aging population isn't the only reason

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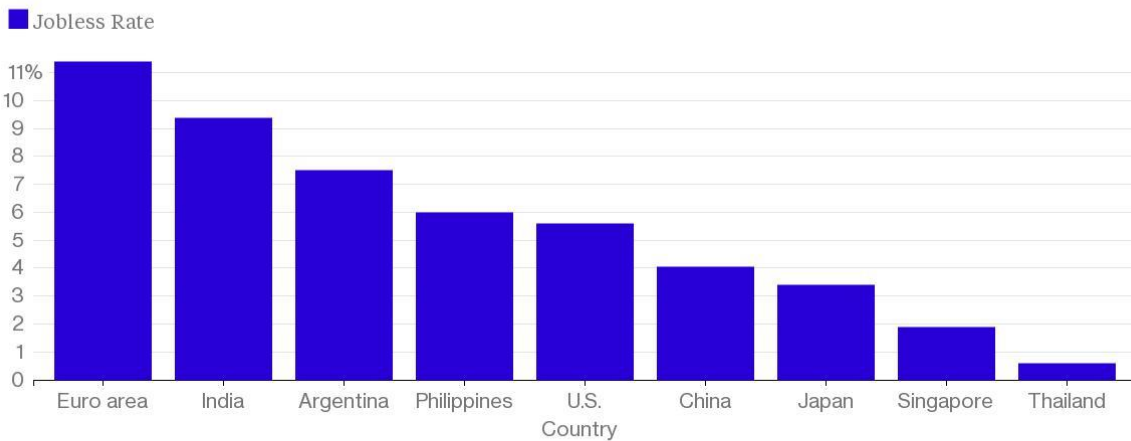
0.56 percent. That's Thailand's official unemployment rate as of end-2014. It's among the lowest in the world, and compares with 9.4 percent in India and 6 percent in the Philippines in the region.

This is not a recent phenomenon: Thailand's jobless rate has held below 1 percent for the most part since 2011. The record high was 5.73 percent in Jan. 2001, when the National Statistical Office first began releasing the data every month. How did it get so low?

"Our unemployment rate has been low not because of a different definition from other countries, but because of structural problems," said Bank of Thailand spokesman Chirathep Senivongs Na Ayudhya. "The agricultural sector absorbs laborers and those who can't find work can always look for jobs in the informal sector or do something on their own."

How Low Can It Go?

Thailand has among the lowest jobless rates in the world



Source: Govt data

Data as of Dec. 2014, except China (09/14), India (12/10), Philippines (10/14)

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No free lunch

Because there isn't much by way of unemployment insurance in Thailand, there isn't any impetus to stay jobless for long. Those who lose their jobs invariably enter the so-called informal sector or seek out a part-time job, and are counted as employed.

Farm hands

More than 40 percent of Thailand's population is engaged in agriculture, where there is a high degree of underemployment and off-season unemployment. The underemployed are counted among the employed and make up about 0.5 percent of that total. If, for instance, you lose your job as a bank teller and return home and lend a hand at your dad's farm for at least one hour a week, you are considered as employed.

Too few babies

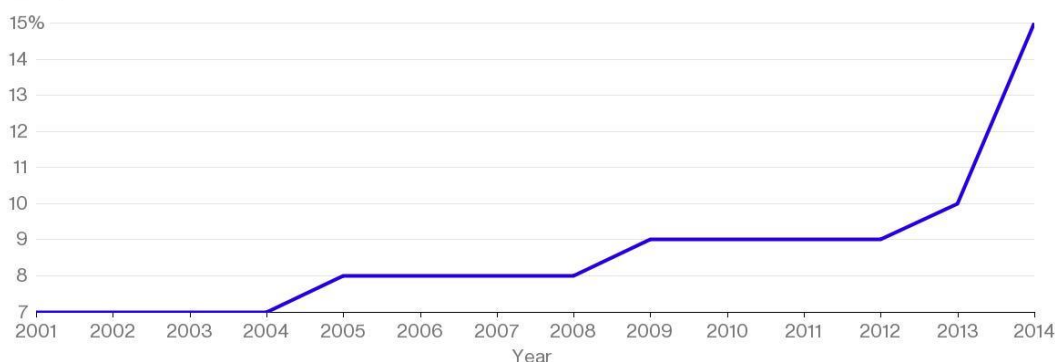
Thailand's fertility rate from 2010-2015 is estimated at 1.4 by the United Nations Population Fund compared with 3.4 in the Philippines. Plus, its population aged 60 years and above rose to about 15 percent last year from under 7 percent in 1994, so there are more people retiring and fewer joining

the workforce. In comparison, Japan, where more than a quarter of the population is over 65, has a jobless rate of above 3 percent.

Growing Old Quickly

Thailand has among the most rapidly aging populations in Asia

■ Population Over 65 Years



Source: UNPF

Bloomberg

Foreign workers

While there may be up to 3 million migrant workers in Thailand from Cambodia, Laos and Myanmar, according to Human Rights Watch, they are mostly undocumented. The government is taking steps to register foreign workers, but the language barrier is a challenge to increasing their numbers in more skilled sectors, unlike Singapore which has addressed its labor force crunch partly with more open borders.

Shades of gray

The informal sector of the Thai economy, comprising anyone who's not covered by formal work arrangements, accounted for more than 64 percent of the total workforce in 2013. It includes street vendors and taxi-motorbike drivers, the self-employed and those operating in gray areas of the economy. They are largely counted as employed.

With no major labor-market policy changes planned and with the inflation rate falling in January for the first time since 2009 -- and forecast to breach the lower end of the central bank's target range of 1 percent to 4 percent this year -- there are no signs yet that the government or the monetary authority is unduly worried about the jobless rate. So that rate is going to stay very low.