Rethinking Institutional Responses to the 1997 Economic Crisis: A Survival Crisis for Marginalized Workers in Thailand

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ABSTRACT

This study examines the responses of the Thai government towards social sector instability during the 1997 economic crisis, evaluates the extent to which they mitigated the hardship of the unemployed and their households and highlights the shortcomings of the government's strategy. The argument is that the safety net schemes and social security provision implemented during the boom were insufficient, and that the attempts to supplement them with new provisions in the crisis era were inadequate. The 1997 economic crash, which turned the Thai miracle economy to a side of misery, resulted in a widespread contraction of the urban labour market, largely in the construction and manufacturing sectors which employed fewer educated women and men. These workers tended to obtain either zero or fewer benefits from the social security provision, implemented in the pre-recession era, since such schemes did not apply to the majority of employees, even those working in the formal sector. Given that, it seems strange that only a few recent studies and surveys are available on the Thai government's responses to the 1997 economic crisis and their impact on the marginalised. It is crucial to readdress these because, although Thailand's economic situation is presently claimed to be more stable, not much attention has been paid to strengthening efficacy and adequacy of the social safety net and social security provisions to absorb a future survival crisis of the disadvantaged people whose rights, needs and opportunities have long been left out from institutional analysis and policy formulation in Thailand. The paper is based on a historical study (started in 1997) by the author of globalization, gender and households' responses to the 1997 Thailand's economic crisis and the IMF structural adjustment programme, and an intensive ethnographic fieldwork of two northern peri-urban villages, Rim Ping and Pa Sang, the former is located in a suburb of ChiangMai city centre and the latter is situated in a peri-urban area of the town of Lamphun.

Key words: Economic crisis, Structural adjustment programme, Social safety net, Social protection, Marginalization

INTRODUCTION

The 1997 economic turmoil should be regarded as a crisis affecting the ability to survive of those who had already been excluded from social and economic development during the long economic boom preceding the crisis. Although the turmoil in the financial sector was the trigger, the crisis was not simply a financial one as international institutions like the IMF and the World Bank emphasise (Shivakumar, 1998). Indeed, Bello and Malhotra (1998) argue: 'The crisis that struck Thailand and Indonesia is far more than an Asian financial crisis...It is above all a human crisis. Already millions of people have been thrown out of work, and poverty and hunger are on the increase.' Furthermore, the delays in the assistance provided by the social loan fund, its insufficiency and the way it operated, are indications of how the disadvantaged workers and their vulnerability have been excluded from the analysis of international institutions like the IMF and the World Bank (Nawarat, 2004). Indeed, although the government announced that the crisis was over by the end of 2000, the crisis was not yet finished if we take into account the vulnerabilities of ordinary people. The poverty incidence in Thailand, which rose from 11.4 per cent (of the total population) in 1996 to 15.9 per cent in 1999, continued at the same level in 2000 (World Bank, 2001). The recorded unemployment in 2000 was still pervasive (World Bank, 2000). This macro analysis presents a clear picture of how the 1997 crisis provoked the deterioration of the main sources of livelihood for millions of Thai people.

Widely known, the policies and the Structural Adjustment Programme (SAP) introduced by the government and international institutions such as the IMF, were heavily criticized by various organisations as strategies that would deprive the unemployed and poor households of their well-being. The reluctance of the Thai government to initiate and deploy constructive strategies to prevent both short- and long-term impacts of the crisis on vulnerable groups, including the unemployed and women, was subjected to much criticism. This paper will: examine the measures taken by the Thai government to address social sector instability during the 1997 recession; evaluate the extent to which they mitigated the hardship of the unemployed and their households; and highlight the shortcomings of the government's strategy. In doing this, I argue that the safety net schemes and social security provision implemented in the boom were insufficient, and that the attempts to supplement them with new provisions in the crisis era were inadequate. Before doing this, however, it is necessary to provide a background of the government's responses to the current economic downturn, illustrating the nature of the structural adjustment programme (SAP) implemented in Thailand and looking at the government's social rescue package.

BACKGROUND

Following the disaster and turmoil in the domestic currency market, which started in early 1997, the Chavalit government approached the IMF for assistance (Bello, 1999).[1] In the IMF rescue package, Thailand was offered stand-by loans totalling US$ 17.2 billion. These

[1]Between mid-1997 and the end of 2000, the country had two governments with several cabinet reshuffles. The second government was led by Prime Minister Chuan Leekpai of the Democrat Party or *Pak Prachatipat*. This party came into office on November 8, 1997, when the previous government led by Prime Minister Chavalit Yongchaiyuth of the New Aspiration Party or *'Pak Kaum Wung Mai'* had been forced to step down in October 1997 after one year in office, by mounting public pressure and its coalition partners' threat to pull out. The Chuan Government was replaced in 2001 by a new government led by Thaksin Shinawatra of the Thai Rak Thai Party (Warr, 1999).

could be used over a 34-month period until the year 2000 (Bank of Thailand, 1997 ; IMF, 2000). Both the Thai authorities and the IMF were highly confident that the SAP, implemented under the IMF's guidance, would allow the country to meet its short-term debt payment, to restore its credit rating and to stabilise both the currency and the economy within a short period. Moreover, there was also a high expectation that, after 34 months, this rescue package would turn around the recession and lead the country back to its pre-crisis economic growth level, set at around 7 per cent (Bank of Thailand, 1997).

The real story, however, does not accord with these expectations. The IMF loans were conditional on the government agreeing to implement stabilisation and the SAP measures that included the introduction of fiscal constraints, together with the raising of Value-Added Tax (VAT). By mid-1998, for instance, VAT had been increased to ten per cent and in 1999 fiscal expenditure was cut by 18 per cent.[2] Consequently, the budget allocations to education, public health and social welfare and services were reduced by 9, 15.2 and 23 per cent, respectively (World Bank, 1999; Amoroso, 2002).

In response to a sharp decline in living standards and possible social instability, in 1998, the government secured US$ 2.8 billion of funds known as the 'social loan package'.[3] The use of this loan, so claimed the government, would protect the unemployed and other disadvantaged groups from negative impacts of the crisis (World Bank, 1999).

The main funding agencies of the social loan sector were the Asian Development Bank (ADB), the World Bank and the Miyazawa Initiative Plan of Japan. The use of these funds was contingent on maintaining the broad economic restructuring programme of the IMF. Most of these funds (93.5 per cent) were used for increasing the public expenditure budget, and these loan funds were appropriated by state mechanisms such as ministries and departments. These agencies had been affected by public budget cuts (Suksiriserekul, 2000). To reduce the threat of political instability, a significant portion of the funds - about 6.5 per cent or 6,000 million Baht - was allocated to a Social Investment Fund (SIF)[4] and was to be disbursed to non-state or civil society organisations for implementation. This move has been seen as a start by the government at mainstreaming the local reform agenda known as 'strengthening society' and 'self-sufficient economy' which was put forward by civil society organisations (Pongsapich, 1999 ; Hewison, 2002)

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[2]The fiscal budglet of 1999 was implemented from 1 October 1998 to 30 September 1999.

[3]The social loan funds totalled US$ 2.8 billion. Their sources were as follow. The first package of the loan was known as the 'ADB loan' and amounted to US$ 500 million with a 15-year repayment period. The second package was known as the 'Social Investment Programme' or SIP loan and amounted to US$ 482 million. This fund was mainly lent by the World Bank (US$300 million) and the Overseas Economic Cooperation Fund (OECF) of Japan (US$93 million), with the balance of US$ 89 million coming from the United Nations Development Programme and Australian Aid. The third package was a loan from the Japanese government known as the 'Miyazawa Plan', and amounted to US$ 1.85 billion. This package was approved in March 1999, while the first two packages were approved in mid-1998. (ADB, 1998; World Bank, 1999; Suksiriserekul, 2000).

[4]The SIF programme was allocated a budget of US$150 million (6,000 million Baht) of which 4,800 million Baht were to be spent for rural communities and the rest for urban communities. In this study, the term SIF will be used to refer to the part of the SIF programme (valued at US$120 million) that was implemented in rural areas. (World Bank, 1999)

The social loan funds were distributed broadly into three main areas: 'employment generation', 'income generation' and 'improvement of quality of life'.5 In the first area, the 'Employment Generation Scheme' (EGS) was claimed as a new scheme initiated to absorb the unemployment caused by the collapse in some sectors of the labour market in this period. By the end of 2000, this scheme accounted for around 30 per cent of the total social loan funds (see details in Table 1). The creation of temporary public work employment was the central aim of EGS. The 'Income Generation Scheme' (IGS) which shared around 5 percent of the total social loan fund belonged to the second area of the government initiative, aimed at assisting the unemployed to acquire new technology and marketable skills that would assist them to become employed later.

In the third area, the 'Improvement of Quality of Life Scheme (IQLS)' was largely related to the existing government development schemes providing social safety nets and social protection already in operation in the pre-crisis period. These ranged from the provision of: school lunches (for two million pupils and another 2.1 million pre-school children); living allowances to the elderly; school grants and scholarships; and health care. Under this scheme, the scope of the categories of beneficiary did not increase although the new budget's size was tripled in the period of hardship. Nevertheless, laid-off workers and their families – either those who had been registered under the Social Security Acts of 1990 and 1994 or those who had not –received almost no benefit from this scheme (Nawarat, 2004).

Table 1. Social Loan Funding Sources and Funded Schemes (million *Baht*).

Funding Source	Total Budget	Funded Schemes: Funds Used by End-2000		
		EGS	IGS	IQLS
ADB (US$500 million*)	20,000	852	35.8	2,227.5
SIP (US$482 millon)	19,280	588	1668	1,372
Miyazawa (US$1,850 million)	53,000	24,800	7000	9.5
The total budget (US$ 2,832 million)	92,280	26,240 (29 %)	8,704 (9.5%)	3,609 (3.9 %)

Source: Nawarat, 2004

*Only US$ 300 out of 500 million was utilised to implement projects in the social rescue policies.

Within these schemes, women were not explicitly identified as a category of beneficiary. The analysis of this paper will examine the capability of the EGS in mitigating the vulnerability and hardship of the unemployed who were affected by a sharp contraction of the domestic labour market and a less-comprehensive formal social protection system than that which operated in the era before the economic crisis.

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[5]A certain amount of the social loan funds was used for conducting activities supplementary to the three main areas. However, these supplementary projects have not been brought into our discussion. For instance, a portion of the ADB loan package (6 million *Baht*) was given to the National Statistical Office to conduct a study on unemployment and employment data during the crisis, and another 5.3 million *Baht* was channeled to the Ministry of the Interior to develop a data system regarding the unemployed. It should be noted that, in the course of utilising these 'Social Loan Funds', problems such as corruption, lack of transparency and unclear targets have occurred widely (*Krungthep Thurakit*, 7 February 2000).

ANALYSIS

The Formal Social Safety Net and Social Protection Before and During the Period of Hardship

In the pre-crisis period, Thailand had a poorly-developed system of welfare provision (Krongkaew, 1999; World Bank, 1999; Sheehan, 2002). The amount of public expenditure related to such schemes is not easy to ascertain, partly because the schemes' activities were implemented through various ministries and departments, and their objectives were either non-explicit or multiple. In the pre-crisis period, an average poor Thai person possibly enjoyed a welfare provision of about 2,000 *Baht*.[6] This estimation is based on the public budget spending through the poverty-alleviation policy.[7] The social loan funds of US$ 2.8 billion, in fact, caused the budget for the formal social safety net and social provision to rise drastically. According to Suksiriserekul (2000), 7.7 million poor people in 1998 were able to enjoy the welfare provision of 6,000 *Baht* each.

Before the 1997 crisis, the budget under the poverty-alleviation policy was used in four main programmes. Firstly, administered by the Ministry of Education, were tuition fee waivers and student loans. Secondly, the Ministry of Health made provisions for subsidised health care for low-income households. Thirdly, the Ministry of the Interior administered a programme of welfare payments. These three programmes were grouped in the IQLS when the Social Loan Package (SLP) was set up. The fourth previously-existing programme, also run by the Interior Ministry, was of small grants to set up businesses in rural areas. Under the SLP, this was broadened to give more emphasis to skill training, and funded as the IGS. Public expenditure on these four programmes was considerably cut at the onset period of the economic down turn, but revived with the SLP.

The other main social welfare scheme under the SLP – the EGS – was newly initiated. It operated during the recession to absorb a rising number of laid-off workers and new-entry labour. EGS was implemented by many ministries and departments, in particular, the Ministry of the Interior (Suksiriserekul 2000; Nawarat, 2004).

The Social Security and Social Safety Net Provisions for the Unemployed

During the boom period in Thailand, social security provisions to ensure income security for unemployed persons was almost non-existent. A basic pension scheme for retired persons was established, but its coverage was limited to permanent civil servants. In the private sector, the retirement pension was likely to be implemented by large firms, often trans-national ones, but no such scheme was available for the majority of employees (Jurado, 2002; Sheehan, 2002), even for those working in the formal sector. In fact, under the Social Security Act (1990, 1994), the unemployment insurance section was supposed to have been initiated in 1996 but it was not enforced during the crisis period despite the fact that millions

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[6]For instance, in 1996, the government budget was around 900 billion *Baht*, and the amount for the welfare of the poor was estimated to be around 14 billion. In 1996, the head count of the poor was 6.8 million, therefore, about 2,000 *Baht* were spent for each of them.

[7]This policy was initially launched in the Fifth Economic and Social Development Plan (1982-1986) (Suksiriserekul, 2000).

of people became unemployed. Demands were made to the government several times at the onset of the crisis, especially by a number of grassroots, NGOs, people's organisations, trade unions and women workers' groups, but they received no response (Nawarat, 2004). In fact, the increase in the minimum wage rate, which was supposed to be approved twice a year, was also suspended from early 1999 until mid-2000.

Given the lack of social safety net provisions and unemployment insurance, the basic livelihood of the unemployed and their family members substantially relied on a small severance payment, known as nguen ka chod cheuy, and a benefit provision under the Social Security Act.

The New Initiative Social Security Provisions for the Unemployed

By the end of 1998, the Chuan government moved to launch three main activities to sustain an income level, sufficient for the survival of the unemployed. The first two activities (described below) aimed at retaining the benefits and compensation to which they were entitled under the Severance Payment Scheme and the Social Security Act (1990, 1994). The third activity involved the provision of micro credit assistance to help the unemployed start up a new career or a 'small enterprise' in order to sustain their basic survival. This initiative spent one billion *Baht* of the loans from the ADB and the World Bank. It began after the unemployment rate rose to almost three million during that period, and following pressure by the trade unions and by NGOs working on labour issues. Thus, in the Letter of Intent No. 5 (September 1998), the government had to assure the IMF that the social security framework, designed to assist the unemployed, would not hamper the flexibility of the labour market (Pongpaichit and Baker, 1999). So the three activities indicated would be likely to be affected by a compromise.

Firstly, the government began by increasing the severance payment for laid-off workers with ten years or more of service, from six months' to ten months' salary, although the unions had asked for twelve months (*Prachachard Thurakit,* 1-3 May 2000). In Thailand, severance payments were based on the length of working service. For instance, employees with ten years or more of service were qualified to receive a payment equivalent to six times of the last month's salary. Employees with three to six years of service qualified for a payment equal to three months' salary (the *Nation,* 26 August 1998). Based on the new grant, unskilled laid-off workers in Bangkok with ten years or more of service would receive approximately 42,120 Baht.[8] At best, these unemployed people would be able to feed their family for six months. According to Bandith's Survey 1998, the laid-off families with one child or two children required around 5,000-7,000 *Baht* a month (1998 :). But if a new job was not obtained during this period, no one knew how these workers and their families would survive. Indeed, there was evidence that some young retrenched female workers sought a living from precarious jobs, like working in *arb ob nuad* (massage and sauna parlours) after failing to find a new job (Kokit, 1998).

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[8]This was calculated as follow : the daily minimum wage rate in 1998 and 1999 of 162 *Baht* x 26 working days x 10 months.

The second move of the government related to paying severance payments to laid-off workers whose employers had failed to do so. This assistance fund was established when there was widespread evidence that at the beginning of the crisis, a number of employers either could not pay or avoided paying the severance payment (Kokit, 1998; Suksiriserekul, 2000; Parnwell, 2002). Laid-off female workers (from the manufacturing sector in Bangkok) protested in front of Government House (*Sumnak Nayok*) for almost a year because their employers had refused to grant them the severance payment (Kokit, 1998).

Thirdly, the government allocated a certain amount of the budget to expand benefits to workers registered under the Social Security Act (1990, 1994). Under this scheme, the validity period for claiming compensation, in cases of accident, illness and maternity leave of the unemployed, used to be limited to six months after the last contribution to the Fund Office; in other words, after six months of being unemployed. In the recession, there was evidence that after losing employment, a large number of those laid off were unable to maintain their contribution to the Fund Office.[9] According to the Social Security Fund Office, at the end of 1998, around 1 million workers had failed to maintain their payment (Matichon, 2 September 1998; Sheehan, 2002). To extend the unemployment benefits, the government expanded the validity period from six to twelve months after being made unemployed or after the last contribution to the Fund Office (Suksiriserekul, 2000).

The implementation of these two schemes was initially intended to begin on 1 October 1998, but they actually became effective around mid-1999. Moreover, because of the poor dissemination of information, laid-off workers who had already returned to their home villages often did not get much in the way of benefits (Suksiriserekul, 2000 ; Parnwell, 2002). The extension of severance payment benefits appeared not to be significant for displaced workers who decided to return to their home village (Nawarat, 2004).[10]

Apart from the three moves discussed above, there were several other small budgets from which the government could allocate funds to improve the ability of the unemployed to start up self-employed businesses. These assistance funds consisted of around 10,000 grants, worth 10,000 *Baht* each. In addition, there was a loan programme for workers who wanted to work abroad (NGO Networks on Labour Issues, 2000). However, judging by the experiences of the unemployed in Pa Sang and Rim Ping, few laid-off workers knew of or had access to these funds, possibly due to the lack of adequate dissemination of information.

In short, the facts discussed above suggest that the government's attempts to improve the income security of the unemployed were not very different from the previously-existing schemes, especially in terms of head count.[11] The limited capacity of the social safety net and social provisions illustrates the argument that the social provisions established both before and during the crisis were insufficient to provide basic services and to meet the basic needs

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[9]In Thailand, the contribution to the Social Security Fund Office was shared among three parties: government, employers and workers.

[10] In theory, the main drawback was the condition that the benefit and health care had to be sought from the place of work only.

[11]The employees who benefited from the Social Security Act (1990, 1994) were mostly employed in large-and middle-sized firms, and therefore the majority of the labour force such as the millions of workers in the construction industry, were excluded. In 1996, the labour force comprised around 32 million, but only 6.2 million benefited from the Act (Thanachaisethawuth, 2000).

of the unemployed, the poor and other disadvantaged groups. Despite the fact that during the last long boom, the workers had contributed substantially to economic growth but they were hit hardest when the growth came to an end.

The New Initiative Social Safety Net Provision for the Unemployed

As noted in the preceding section, only a small proportion of retrenched and unemployed persons were able to benefit from the available social safety net and social security schemes discussed. In fact, the government tacitly admitted the limitations of such schemes in claiming that the new EGS was the prime policy response to the growing number of the unemployed, especially those who were not eligible to benefit from the Social Security Acts of 1990 and 1994. The capability of this new scheme is explored below, and we shall see that the argument raised earlier, that the Thai state social sector rescue policies were not sufficient in assisting the unemployed to overcome their livelihood vulnerabilities, still stands.

The Employment Generation Scheme (EGS)

The importance of the Employment Generation Scheme (EGS) may be appreciated from the large size of the budget pool which, as indicated previously, accounted for almost 30 per cent of the total Social Sector Loan Funds. Three sources of loan funds were involved in the EGS, the largest proportion being from the Miyazawa Plan. The objectives were twofold; firstly, to remedy the collapse of the labour markets for new jobseekers, and secondly, to stimulate economic growth through state expenditure. Beneficiaries included entrant labour and the existing unemployed. Anticipating that the city unemployed had already returned to their villages, large portions of the funds were therefore allocated to rural areas to create a variety of jobs. However, none of the schemes became operational before mid-1999.

Employment Scheme for Entrant Labour

In 1996, entrant labour (in other words, new workers aged over 13) accounted for around 200,000 persons a year. This rate had slightly increased by early 1999. Presumably, this was a result of a growing number of students in high school or vocational education being compelled to discontinue their education (World Bank, 2000). However, none of the government policy responses reflected this growing trend until early 1999.

The first initiative was drawn from the ADB loan. With a budget of 852 *million Baht*, approved by the cabinet in January 2000, the Ministry of Labour and Social Welfare planned to hire 10,543 graduates for 12 months. At the end of January 2000 (the same month in which the budget was approved), the government sent a working report to the ADB stating that the budget had been wholly disbursed and that 12,975 graduates were employed (Thanachaisethawuth, 2000).

Apart from the issue of transparency and the delayed implementation, the project offered few employment opportunities to the new entrant labour in each year noted above. Those who got such jobs viewed themselves as lucky. The salary offered to graduates without experience (5,000 *Baht*) was quite high when compared to other emolument available in this period, such as the minimum wage offered by the NRIE (Nawarat, 2004).

The second effort came from the Miyazawa Plan. This scheme involved a huge amount of money (1,157 million *Baht*). The then Ministry of University Affairs was in charge of creating jobs for 8,800 new workers with a diploma or degree. The target was expanded to include existing unemployed university graduates, partly because there was strong criticism that the first scheme under the ADB loan had not included this group, since it was thought that only wealthy families could afford to support their children in obtaining a degree.

Under the Miyazawa Plan, almost half of the fund was later allocated to the Election Commission of Thailand (ECT). This office utilised the budget to offer short-term employment, mostly to new graduates, in the form of a temporary job, dubbed a 'voluntary job' by the ECT. The assignment was to encourage political participation and to disseminate information related to the new election system at village/community level.[12] In early 2000, the then Ministry of University Affairs reported that the project had achieved its objective, as more than 100,000 persons, mostly newly-graduated, had been hired (*Krungthep Thurakit*, 7 February 2000:21).

Public Employment Scheme for the Unemployed

The first initiative, which targeted the unemployed, contained a very small-scale budget (52 million *Baht*) drawn from the SIP package. The estimated target of the one-year scheme covered approximately 250,000 persons (World Bank, 1999).[13] The number of the unemployed in mid-1999 was almost three million (not including the seasonal unemployed). It can be argued that the 'first aid programme' not only came late, but also with very few resources. In fact, by this time a new trend of reverse migration had begun from rural to urban areas or in fact to any other places where employment seemed more available (Jacques Chai, 1998; Parnwell 2002). According to some observers, the reverse migration of retrenched workers, who had initially made a journey to their home villages at the onset of the crisis, reflects the constraints of the labour market in the agricultural sector (World Bank, 2000), as well as the limited ability of home village resources to absorb the urban unemployed (Parnwell, 2002; Rigg, 2002; Nawarat, 2004).

Indeed, the limitation of the EGS undertaken with the SIP loan package noted above put great pressure on the Chuan government, which came under strong criticism, in particular from NGOs and trade unions. From early 1998, a number of NGOs formed new alliances and started pressuring the government. For instance, the People's Liberation Alliance urged the government to impose a moratorium on foreign debt, and not to comply with the IMF conditions in relation to adopting a tight fiscal budget (Pongpaichit and Baker, 1999; Pongsapich, 1999). This compelled the government to seek an alternative source of funding. The result was the adoption of the Miyazawa Plan.

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[12]The job requirement was to study village politics and promote democracy, especially the political rights of people under the new constitution of 1997. The contract duration was twelve months and the salary was around 5,800 *Baht* (*Krungthep Thurakit,* 23 December 1999: Section *chudprakai parithat*). It was thought that this initiative might reduce the pressure created by the increase in the number of the unemployed, which had been partly caused by the reduction of public expenditure on permanent employment.

[13]In the SIP package proposal, the indicated activities included a variety of public works in two main areas: firstly, construction of small-scale weirs and foreground dredging in 66 provinces; and secondly, construction of small village roads in 75 provinces. The programme objectives were to create rapid employment opportunities in rural areas where city unemployed were expected to search for a living after losing their job in urban areas, and to improve the deficient infrastructure in rural areas (World Bank, 2000).

The Miyazawa Plan was a rescue package provided by the Japanese government. It was an alternative to the responses of the IMF and the World Bank. In taking this initiative, Japan grasped the opportunity of the regional economic crisis to expand its role politically and economically in Southeast Asia. . The Plan represented a compromise with the American and IMF economic rescue policies, as its conditions were not destructive of IMF structural adjustment programmes already implemented in Asian countries. It nevertheless reflected a distinctively-Japanese approach to economic rescue strategies in Asian countries. Compared with IMF packages, there was more emphasis on macroeconomic stimulation, increasing public sector employment to boost domestic demand. Importantly, it also aimed to assist small and medium enterprises to play a key role in absorbing unemployed persons and restoring economic growth. Furthermore, the Miyazawa fund rules stipulated that the borrowing countries could not use these funds for the debt-service payment. The IMF prefers that governments receiving its assistance achieve a fiscal surplus in their budgets rather than allowing deficits. For the IMF, the export-led industry sector, which is generally large-scale, is the focus of economic development strategy and a large proportion of loans is directed to restoring the financial sector's ability to service foreign debt.

The creation of the Miyazawa Plan, with the budget of US$ 30 billion in 1998, followed the failure of the Japanese government's first initiative in proposing the creation of a new finance institution, namely the Asian Monetary Fund (AMF), at the height of the Asian financial crisis in mid-1997, to perform the IMF's role in this region. But the proposal was withdrawn later that year in the face of American opposition. The government of the United States may have feared that the AMF would weaken US influence over the regional economies (Bullard, 1998; Gill, 1999).

However, as detailed below, although the Miyazawa package implemented in Thailand involved a huge amount of money (disbursed on job creation schemes, local infrastructure and other schemes that clearly channelled the fund as directly as possible into local economies), its effectiveness is doubtful, as the funds were disbursed late and without transparency.

The Miyazawa loan was the second and the largest that provided funds for the EGS, offering public work for the unemployed. This scheme was expected to hasten economic recovery and generate temporary employment. By October 1999, reports from the relevant ministries indicated that 95 per cent of the total funds (around 24.8 billion *Baht*) had been disbursed to create 473 projects in which 3.5 million persons were employed nationwide. However, the official report is challenged by the data from the Thai Rating and Information Service (TRIS), a private firm hired to undertake the assessment of the EGS's use of the Miyazawa Plan funds. TRIS indicated that by June 2000, only 21 per cent of the funds had been disbursed. Apart from this postponement, substantive evidence indicated that many Miyazawa projects had been prone to shortcomings, including a lack of transparency and a lack of justification (*Krungthep Thurakit*, 3 February 1999; Suksiriserekul, 2000).

To deflect such criticism and to improve the efficiency of the Miyazawa Plan, the government undertook a new move, i.e., to decentralise some of the funds to local administrative organizations. The Ministry of the Interior distributed around 35 per cent of the total budget (100,000 *Baht* to every village nationwide) to the Tambon Administrative Organisation (*Or Bor Tor*). However, often only a small proportion of this money ended up being paid to newly-hired workers, and corruption was sometimes suspected. This framework also applied to funds from other sources used within the EGS. In the evaluation report of the Miyazawa-funded public works, the activities undertaken by the Ministry of the Interior and the *Or Bor Tor* were compared. It was found that the latter tended to have a greater ability to stimulate the employment markets, even though allegations of the misuse of funds were also reported (Nawarat, 2004).

Rethinking the Impact of EGS on the Well-being of the Unemployed

The EGS spent almost 27 billion *Baht*, of which the ADB and SIP loan packages represented only a small portion. The contribution came mainly from the Miyazawa Plan. The project implementation was slower than initially planned. Later, such claims were made as that 3.5 million additional workers had been hired from Miyazawa Plan funds and the decline of the unemployment rate in the third quarter of 1999 mainly resulted from the large public spending of the EGS (World Bank, 2000). However, it seems to me that the analyses of the real impact of the Miyazawa projects on the well-being of the poor and the unemployed may require closer examination.

The World Bank and the Thai National Statistical Office, in claiming that 3.5 million additional workers had been hired from Miyazawa Plan funds, acknowledged that the average period of such employment was only 18 days (World Bank, 2000). These were far from being long-term jobs. Moreover, studies suggest: that wage rates were rarely higher than the minimum wage; that the majority of funds were disbursed by authorities on things other than labour hire; and that the pattern of hiring often did not favour the neediest groups.

In one sub-district of Khon Kaen province, Northeastern Thailand, where 90 people describing themselves as unemployed were interviewed in April 1999, only 1 in 6 of them was hired and these received less than 1,000 *Baht* each. This means that less than 20 per cent of the 100,000-*Baht* fund was spent on labour costs (Mekong update, retrieved 15 February 2002:2-3; Cameron, retrieved 28 October 2005). Furthermore, according to the same source, only one among the 14 villages in that sub-district had an employment budget in excess of 30 per cent of the 100,000 *Baht*.

Nawarat's study, in Rim Ping and Pa Sang villages, Northern Thailand, found that no one received a payment exceeding 1,000 *Baht*, because of the combined effect of the misallocation of the fund and the large number of unemployed being hired. In Pa Sang village, the project offered two days of work for a payment of 860 *Baht.* However, 90 per cent of the budget was utilised for hiring labour (Nawarat, 2004). The smaller payment was due to the fact that the village had a large population. In Rim Ping, only 30 per cent of the project budget was spent on labour costs, and villagers from around 50 households received a payment of only 400 *Baht* each (Nawarat, 2004). The field data, thus contradicted, indicate that politicians and political parties, rather than the villagers, were the real beneficiaries of the scheme as a large proportion of the fund for hiring labour was used for other purposes.

There is evidence that the EGS tended to marginalise unemployed women and elders. The exclusion partly developed from the nature of public work, which consisted mainly of digging, repairing small irrigation drains and so on and from the duration of the work. In 1999, in the village of Pa Sang, the clearing of the village irrigation drain was selected, using the 100,000 *Baht* fund operated by the *Or Bor Tor*. The workforce consisted of 110 unemployed persons, and each worker had to be responsible for clearing eight metres of the irrigation drain to make it two metres deep and four metres wide. It was estimated that this work, according to the (male) supervisors' experience, could be completed in two days without the use of machinery. Some elders, aged between 60-65, and the female urban unemployed, who had little experience of digging, decided not to join the scheme since they were afraid of being unable to complete the work on time (Nawarat, 2004).

CONCLUSION

Both the government and the IMF tried to convince the public that the SAP would not have any serious effects on the livelihood of the poor and the unemployed, because sufficient funds were provided to protect them and to maintain, and even increase, their social welfare. However, the evidence presented throughout this paper suggests otherwise. The contribution of the 'social sector loan' programmes, aiming at improving the quality of life of the poor and the unemployed, only enabled the government to maintain the level of welfare and social security that had already existed in the pre-crisis period. Moreover, as for the newly-launched programmes, such as the EGS which had very large budgets, their effectiveness was reduced as they became operational at a late stage and also because of a lack of transparency and the misuse of funds. The ways in which government assistance programmes were actually implemented in some villages studied illustrate how political and other links of patronage and kinship affected the allocation of the funds and determined which groups actually benefited. This view from below contributes to a more realistic understanding of the efficacy and impacts of the government funding in response to the 1977 economic crisis in Thailand.

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