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Covid-19 and its impact on informal sector workers: a case study of Thailand

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ABSTRACT

Informal sector (IS) workers comprise a significant proportion of the Thai work force and contribute significantly to the Thai economy. Nevertheless, IS workers have little social protection and are economically marginalised, making them especially vulnerable to the effects of the government's shutdown of the Thai economy to address the COVID-19 pandemic. Using a sample of 384 IS workers, researchers found that IS workers experienced dramatic decreases in their monthly income, although the reduction varied across occupation and geographic region. To compensate for reduced income, IS workers tapped their savings and increased their debt. A Thai government programme to provide income support for workers during the shutdown reached less than half of IS workers. Social workers can help provide better social protection to IS workers from pandemic-amplified social exclusion.

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Introduction

Like other Asian countries, Thailand has a large informal sector (IS) that is important to the Thai economy. Estimates on IS worker numbers range from 43 percent (International Labor Organization, 2011) to 54 percent (Thailand National Statistics Office, 2019) of Thailand's nonagricultural work force. The International Labor Organization (2002) defines *informal sector* as 'units engaged in the production of goods and services ... with little or no division between labor & capital as factors of production & on a small scale ... with [no] formal guarantees.'

Informal sector work is dirty, dangerous, and difficult – the 3 Ds – and often poorly paid. On the margin even during prosperous times, IS workers are especially vulnerable to economic downturns (Doane et al., 2003; Finnegan & Singh, 2004; Mehrotra, 2009). Because social insurance schemes are tied to formal employment, IS workers often are not covered by programmes such as unemployment, disability, and retirement (International Labor Organization, 2016).

In the 1990s and 2000s Thailand expanded both the scope of and eligibility for formal social insurance programs, but these policy reforms still left IS workers largely

uncovered. Any social welfare protection IS workers receive comes largely from public assistance programs or private charity (Sungkawan & Engstrom, 2019). IS workers were excluded from the social protection afforded government and formal sector workers. IS workers also face low levels of educational attainment, income, and economic opportunity (Senanuch & Suntonanantachai, 2018; YimYam et al., 2000), and have little access to low-interest private capital via traditional lending institutions such as banks (Fernquest, 2012). In effect, IS workers encounter multiple forms of social exclusion that prevent them from exercising ordinary social processes and rights (Popay et al., 2008).

Though reliant on family and community, IS workers can weather normal economic recessions. However, with the onset of the COVID-19 pandemic, the Thai government ordered a 75-day national lockdown, which created an immediate and deep recession. The only question was how hard the negative effects would hit IS workers.

Methods

A team of researchers from two universities in Bangkok, in collaboration with an IS nongovernmental organisation (NGO), developed a survey to understand how COVID-19 impacted Thai IS workers. The survey, comprised of 35 open-and-closed ended questions, was administered in person or phone by project staff to 400 IS workers in the five regions of Thailand. A convenience sample was drawn from workers associated with the IS NGO and recruited by word of mouth. Members of the research team and community development workers with the NGO assisted those respondents who could not complete the questionnaire on their own. A total of 380 fully completed surveys were received (a completion rate of 95%). This paper reports on the characteristics of the sample and examines data from two close-ended questions ('How has COVID-19 affected you financially?' and 'How did you adjust to COVID-19?'). A t-test was used to determine the before-and-after COVID impact on income. Researchers also explored whether incomes varied before and after COVID among different IS sectors (e.g., domestic workers, street vendors) and the pandemic's impact on IS workers living in various regions of the country. To analyse differences among IS sectors and regions, ANOVA was used.

Results

Characteristics of the sample

The majority of the sample are female (65.8%) and the average age is 50 years. Approximately 60% of respondents are married and have an average of 4 family members in their households, with an average of 2 family members being employed. Almost half the sample (46.3%) had completed compulsory education such as secondary school or had obtained a vocational certificate/diploma; a slightly lower percentage (43%) had completed no more than primary school (Table 1).

Table 1. Demographic characteristics of IS workers.

Sex, Education, and Marital Status	Percentages	N	
Sex	34.2	130	
Male	65.8	250	
Female			
Educational Level	4.8	18	
Less than primary school/No school	38.1	144	
Primary	46.3	175	
Secondary school/vocational certificate or diploma	10.8	41	
Higher education/bachelor's degree or higher	100.0	378	
Total			
Marital status	15.6	59	
Single	59.9	227	
Married	24.3	91	
Divorced	0.3	1	
Widowed	100.0	378	
Total			
	Mean	S.D.	Range
Age (years old)	49.94	11.841	17–75
Number of children (persons)	1.52	1.107	0–5
Number of family members (persons)	3.77	1823	1–15
Number of family members who are employed (persons)	2.15	2.15	1–6
Number of family members under 18 years old (persons)	0.59	0.831	0–4
Number of family members 60 years old and over (persons)	0.75	0.883	0–5

Economic security before pandemic

The study classified the informal sector as comprising nine types of work (see Table 2). Street vendors make up the largest group (21%) and garbage collectors (2%) the smallest. Except for motorbike taxi drivers, women comprised the overwhelming majority in all work categories. Prior to the COVID outbreak, 23% of the sample worked another job to supplement their income.

The income IS workers earned ill-prepared them to weather the economic consequences of a recession. Before the pandemic, the average monthly income was 13,507 THB (\$434 US), whereas monthly expenditures were 10,031 THB (\$322 US), leaving IS workers about 3,200 THB (\$103 US) per month – an average daily income of less than 4 USD US. Thus, IS workers were slightly above the Thai poverty rate (100 THB per day) for urban areas and had income double the 1.9 USD per day used to measure extreme poverty internationally. This income level supported an average family size of 4 persons.

Table 2. Average income and percentage of change by occupation*.

Main Occupation	N	Pre- COVID THB (USD)	Post-COVID THB (USD)	Change (%)
1. Street vendor	80	18,196 (\$583)	4,831 (\$155)	73
2. Home-based worker	74	9,321 (\$298)	2,166 (\$69)	77
3. Motorbike taxi rider	60	13,693 (\$428)	5,208 (\$167)	62
4. Barber/haircut/beauty salon	41	16,463 (\$527)	1,126 (\$360)	93
5. Domestic worker	37	10,121 (\$324)	5,168 (\$165)	49
6. Taxi driver	28	16,500 (\$528)	6,446 (\$206)	61
7. Masseuse/Thai masseuse	27	11,481 (\$367)	496 (\$159)	96
8. General employment	26	9,423 (\$302)	1,711 (\$548)	82
9. Garbage collector	7	14,142 (\$453)	3,928 (\$126)	72
Total	380	13,506 (\$432)	3,585 (\$115)	73

*Conversion U.S. dollar (USD) at \$0.32 per Thai baht (THB)

Indebtedness further reduced income. Approximately one-half of the sample had a financially burdensome existing loan, and many of those loans were from loan sharks who charged very high interest rates.

Economic and social impact

The COVID-19 pandemic devastated IS workers. Approximately 95% of the sample indicated that they faced economic insecurity because of diminished income. Indeed, IS workers reported making only 3,586 THB (\$115 US) or only 27% of their average monthly income before the pandemic, excluding expenses. This was a statistically significant drop in income ($t(379) = 20.563, p = 0.000$).

This reduction put respondents near the extreme poverty level of 1.9 USD per day. With the Thai economy shuttered, IS workers could not rely on their usual sources of income. Workers reported having fewer customers (57%), being laid off or working fewer hours (12%), or working fewer hours or days (7%). Many IS workers did not have enough money to buy food and necessities (39%), and had insufficient income to care for family members (33%) or to pay for motorcycle or car loan payments (19%) or mortgages or rent (13%).

IS workers responded to the dramatic drop in income by relying on strategies often employed by economically marginalised populations (*Bangkok Post*, 2020; Khidhir, 2019). To survive, 84% of respondents sold valuable assets to pawn shops; another 33% withdrew savings. More than 25% received a personal loan (e.g., from family and friends) and another 11% obtained money from loan sharks. Established financial institutions like banks were irrelevant to IS workers: only 5% acquired loans from formal sources of capital. Sixteen percent of the sample requested modification of existing loans to make repayment less onerous. Approximately 27% of IS workers relied on charitable organisations for food and necessities.

The Thai government responded to the pandemic by establishing an emergency cash grant program that provided a total of 15,000 THB (\$482 US) for each eligible worker. This program seemed ideally suited to assist IS workers in navigating financially troubled waters, and almost 90% of IS workers registered for cash grants – yet only 44% received an award, while about 20% were awaiting the processing of their applications at the time the survey was done (approximately 45 days after the government program started). Tellingly, nearly 25% of the sample had their applications denied (some were appealing the decisions).

The reasons for the low award rate varied. Most importantly, many IS workers were missing from government databases or were listed as farmers (making them ineligible for assistance). In other cases, IS workers could not successfully complete the online registration, while others struggled with understanding the application because of low levels of education. Government and NGO social workers and community development workers attempted to bridge the technological divide by assisting IS workers with their online applications. Without this assistance, even fewer would have qualified. What should have been a financial lifeline ended up dashing the hopes of many workers who stated that they were more afraid of being hungry and homeless than of dying from COVID-19.

Differences among IS workers

In Thailand, workers' economic well-being varies by IS sector. The research study examined nine categories of IS work. Prior to the pandemic, street vendors, taxi drivers, and beauticians/barbers had the highest monthly income; home-based and general employment workers had the lowest (see Table 2). After the shutdown, domestic workers experienced the least dramatic drop in monthly income (49%), largely because domestic work is done within single household and thus has only one consistent customer. Not surprisingly, masseuses/masseurs (96%) and beauticians/barbers (94%), whose work puts them in close contact with customers, had the greatest income loss because their shops were shuttered. Other IS workers deemed essential, such as taxi drivers and street vendors, had less income because they had fewer customers. The decrease in income by occupation was statistically significant ($F(8, 371) = 5.990, p = 0.000$). On average, IS workers had 73% less income after COVID-19 than before.

Regional differences

The economic impact of COVID-19 varied by IS sector and also by region. The IS is often analysed at the national level (Buddhari & Rugpenthum, 2019; International Labor Organization, 2002; Warunsiri, 2011), missing the very real differences among regions. This is certainly true for Thailand, which is divided into five regions, each with least one major metropolitan area: Bangkok MSA, North (Phayao and Chiang Rai), East (Khon Kaen and MahaSarakham), Central (Nakhorn Pathom, Samut Songkhram, and Ratchaburi), and South (SongKhla). Bangkok is the most populous region, with a diversified economy and the lowest poverty rate (1.1%). The North and East are primarily agricultural areas with comparatively high rates of poverty (9.2% and 11.4%, respectively). The Central region is home to both manufacturing and agriculture and has a poverty rate (4.5%) slightly higher than Bangkok. Finally, the South (home to a large share of Thailand's Muslim population) relies on agriculture and fishing, and has a slightly higher poverty rate (11.8%) than the North or East (Office of the National Economic and Social Development Council [NESDC], 2018).

Prior to COVID-19, IS workers in Bangkok had the highest monthly income (16,604 THB [\$533 US]), while those in Central region had the lowest (9,744 THB [\$313 US]). The regional variations increased after the pandemic started. These differences become most apparent in the percentage change in income before and after the shutdown (see Table 3). On average, IS workers in Bangkok saw their monthly income drop by 53%, a notably smaller decrease than in the other regions, which ranged from -69% (South) to

Table 3. Average income and percentage of change by area*.

Area	N	Pre-COVID THB (USD)	Post-COVID THB (USD)	Change (%)
Bangkok	77	16,604 (\$531)	7,801 (\$250)	53
North	82	12,604 (\$403)	2,518 (\$81)	80
Northeast	61	16,446 (\$526)	3,078 (\$99)	81
Central	80	10,751 (\$344)	926 (\$30)	91
Southern	80	11,966 (\$383)	3,668 (\$117)	69
Total	380	13,507 (\$432)	3,585 (\$115)	73

*Conversion U.S. dollar (USD) at \$.32 per Thai baht (THB)

-%91 (Central). The decrease in income by region was statistically significant ($F(4, 375) = 19.625, p = 0.000$).

IS workers outside Bangkok could more easily return to their home villages/communities because the government shutdown permitted travel within a province. Social workers at the provincial level assisted migrant IS workers to access government assistance. Movement from urban to rural areas allowed returning IS workers to reduce expenses and to tap into local resources and social capital for assistance, a phenomenon observed previously with natural disasters and economic change (Ampai, 2013; Jutaviriya & Lapanun, 2014; Puttawong et al., 2016). This mitigated some but not all of the economic disaster.

Implications and conclusion

The COVID-19 pandemic and resulting economic downturn aggravated the marginalisation and social exclusion already experienced by Thailand's IS workers. With income reductions and little savings, IS workers found themselves struggling to pay for food, housing, and other daily living expenses; often incurring more debt to do so.

Disasters such as the pandemic expose society's fault lines, especially when normal means of production are disrupted. Social protection programs intended to handle widespread job loss, such as unemployment insurance, provided no help to IS workers because they were largely ineligible. The emergency financial relief program set up by the Thai government assisted fewer than half of workers in the study, and even those helped often had to wait for long periods for aid. If the government had had a more current database on IS workers, more of them would have been helped and helped faster.

The IS is not monolithic. Very real income differences exist within the occupations that make up the sector and among the regions. Though all IS workers were financially harmed by the pandemic, the burden was not shared equally: some fared better than others depending on their occupation and location. Efforts to remedy the social exclusion so dramatically revealed by COVID-19 must take into account.

Social workers have an important role in changing the process from exclusion to inclusion. First, social workers can develop an outreach program to formally get IS workers into government databases (as noted, many IS workers failed to receive COVID income support because they were unknown to the government). Such registration could also be used to match IS workers to other income support programs.

Social change usually comes from the bottom up. Clearly the community organising and development traditions of social work are well suited to foster social change. Like all efforts for social reform, IS workers must be better organised and empowered to pressure the government for greater social protection. Social workers can build coalitions with IS workers, allied NGOs, and the media to advocate for policy change. Social protection could include expanding unemployment and old-age pension systems to cover IS workers – in essence, treating IS workers like formal sector workers.

COVID-19 revealed that IS workers had little access to normal sources of capital (e.g., banks) and instead relied on pawn shops and loan sharks for emergency loans. Collaborating with IS workers, banks, and the government, social workers can facilitate the development of mechanisms to secure low-interest loans to provide capital. Perhaps a government-backed credit fund for IS workers could be established, and replenished as payments are made. Loan applications could be expedited by having borrowers'

information linked to existing government databases. Social workers can also strengthen IS workers' economic capabilities by developing online marketing and internet technologies to link IS workers to new customers and opportunities.

Disclosure statement

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