

# facing a Crisis

WOMEN WORKERS AND THAILAND'S ECONOMIC DECLINE

by Pawadee Tonguthai

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1997 should have been a time of rejoicing for Thai women. The much anticipated constitution that promises sweeping political reform was finally passed in early October. This new constitution—the sixteenth in 65 years—contains a number of articles that explicitly guarantee women's rights and can be the basis for preventing and eliminating sexual discrimination.

Unfortunately, this joyous event occurred while the Thai people were in shock. After decades of gross domestic product (GDP) growing at 8 percent annually, the high-flown economy suddenly crashlanded. Exports, normally expanding at 20 percent or more per year, stood still. Unemployment which rarely rose above 2 percent became threatening as

firm after firm drastically scaled down production and employment—or went bankrupt. Worse, the bad news had only just begun. Even optimists do not expect to see any sign of recovery until 1999.

Being integrated into—and therefore dependent on—the world trade and investment situations was the foundation for Thailand's success in the 1980s. To remain competitive in the export market, producers must constantly make adjustments and be flexible: accept orders of any size, offer lower prices and numerous choices. Firms have been reducing the number of permanent workers, especially the low-skilled group, and subcontracting to smaller firms or to home-based workers. Under such arrangements, wages are low, few benefits are provided, there is no security and workers have no bargaining power. Majority of them are women, particularly mothers with young children or older ones whose choice of jobs is limited.

Upgrading product quality and production facilities is another strategy used by firms to outrun or simply keep up with the competition. When new technology is introduced, women workers feel its negative impact more than men. With lower education and less technical background, they are less likely to be chosen to receive additional training and their tasks are those easier replaced by machines.

Women have been trying to cope with the impact on their lives of the intense competition and new technologies mentioned above—and are still a long way from success. Now they are confronted with the crisis resulting from the judgment of policymakers and mismanagement that began in the financial sector and reverberates throughout the economy. A large current-account deficit and dangerously low reserves forced the flotation of the baht, which quickly brought down its value by almost 40 percent.

The Thai government negotiated a bail out with the International Monetary Fund (IMF) which is hoped to shore up the economy. But along with the more than \$20 billion initial credit line came a reform package guaranteeing that fiscal and monetary policies recommended by the IMF are strictly followed, allowing the economy to be back in good health and the loan to be paid back as quickly as possible. Plans were drawn up for extensive spending cuts and for ways to raise government revenue. The latter includes raising the value-added tax from 7 to 10 percent.

Although these reforms are necessary for the revival of the economy, they have already resulted in rising unemployment, declining incomes and living standards. Real GDP growth for 1997 is expected to drop, from al-

most 9 percent in 1995 and 6.4 percent in 1996, to just 2.5 percent—at best. Inflation in 1997 is expected to be twice that in the previous year. Cost of living has sharply risen, especially for low-income earners in the city. Staple items such as rice, vegetables, electricity, cooking gas, tap water and bus fare have all increased.

In addition to laying off workers, factories are using all forms of cost-cutting, from reducing overtime and cancelling benefits such as free bus services to turning off air conditioning and delaying pay checks. There is a significant increase in the practice of subcontracting to small firms in the provinces where workers are willing to accept lower wages and no labor unions exist.

In consultation with the IMF, short- and long-term measures have been mapped out by the government to restructure all three major economic sectors. To bring the current-account deficit down from the high level of 8 percent of GDP to 3 percent, products which are less competitive in the world market will be phased out and the focus will be on developing the service sector—the country's strong point.

The process of adjustment entails costs that may fall unevenly on workers. The impact on women workers will be considerable, some of which will widen the gap in gender disparities. Women are known to suffer more from inflation. However, it is possible that new opportunities will be created in areas where they have an advantage.

Unemployed workers are encouraged to take whatever new jobs they can find—including those that are part-time or in the informal sector. The former may suit women, helping them combine paid work with home duty even better than before. But pre-existing inequalities may keep

women from effectively entering entrepreneurial activities. For example, the higher interest rate affects women more than men as formal lending agencies are likely to discriminate against them due to their lack of collateral. The large drop in the baht value should help boost export competitiveness in the short to medium term. That will occur in the production sector that uses low-skilled workers, most of whom are women.

Given the resourcefulness of the Thai people as has been shown in the past, after recovering from the initial shocks, the economy should be up and running again soon. In the meantime, no matter how miserable is the state of the economy, it must not be used as an excuse to reverse the progress women have made so far. Policymakers must instead recognize the benefits of enhancing women's participation for the sustainability of the economy's long-term competitiveness.

For the moment, there is a price to be paid and a huge burden to be shared. But every crisis brings an opportunity. Let's hope that it is an opportunity for women to exercise their potential to the fullest. People have started looking to the service sector, small firms and self-employment as a salvation and these are areas where women can demonstrate their natural advantage. What an irony that it takes an economy in decline for women to be appreciated once again for their valuable contribution. ☺

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