

## Thailand



### Skills Development Fund

#### Background

Thailand has a 'train or pay' (levy-exemption) approach. The 2002 Skill Development Promotion Act (amended in 2014) (Ministry of Labour – Thailand, 2014; 2002) aims at encouraging employers to train their employees by obliging companies with 100 employees and more to provide yearly skill training to at least 50% of their employees. Those that do not do this are subject to a levy which resources a Skills Development Fund.

To be allowed under the tax exemption scheme, training organized by companies has to meet certain requirements: i) the curriculum must be approved by the Ministry of Labour's Department of Skill Development; ii) it has to be work-relevant; iii) it should last at least 6 hours for upgrading training and at least 18 hours for training for a different position in the firm; iv) the number of trainees should not exceed 50 persons/group for group training, and 25 persons for practical training; v) trainees should attend at least 80% of the whole training session (Uher Gonçalves, 2019: 171).

#### Levy and Fund Purpose

<i>What is/are the main purpose(s) of the training levy?</i>	<ul style="list-style-type: none"> <li>To increase the incidence of employee training in levy-contributing firms.</li> </ul>
<i>What is the levy type?</i>	<ul style="list-style-type: none"> <li>Levy-exemption</li> </ul>

#### Fund Mobilization

##### Levy rate, base, exemptions and income

<i>What is the levy base?</i>	Fixed-rate per employee or percentage of legal minimum wage of the past calendar year
<i>What is the levy rate?</i>	1% of the current legal minimum wage of the past calendar year according to the following: 325 Thai Baht per day (approx. USD 10.7 in 2020) x 30 x 12 months x number of employees who have not been trained. In 2020, the levy is therefore about USD 40 per year per person.
<i>Is it a national, regional or sector levy?</i>	National
<i>Who should pay the levy?</i>	Private enterprises which don't meet the Skill Standard Promotion Act 2002 of training at least 50% of their employees (enterprises with 100 employees and over). Employers in the following sectors are exempt: cultivation and planting, fishing, forestry, animal husbandry or salt farming
<i>What was the total number of levy paying firms?</i>	No information.
<i>Does the training fund receive funding from any other source apart from the levy?</i>	Yes – government funding and interest on investments.
<i>What was the total amount of levy funds collected in the most recent year data available?</i>	59m Thai Baht (USD 1.9m) per annum (average 2014-16)

The Skills Development Fund serves as a revolving fund for skill development of incumbent workers as well as new or potential workers. As the resources of the fund are provided in form of loans, not grants, there is an accumulation of resources year on year. In 2016, the Skills Development Fund had accumulated resources of almost 900m Thai Baht (almost USD 30m).

### Method used to collect the levy

<i>Who collects the levy?</i>	The Ministry of Labour; companies can submit their contribution at any skills development centre in cash or cheque.
<i>What are the main challenges with regard to levy collection and how could these be addressed?</i>	Many enterprises don't pay the contribution to the Fund.
<i>Do levy payers pay, and what is the penalty if they do not?</i>	If the company does not comply, it is liable to pay 1.5% of the outstanding contribution per month.

The levy is credited to a ring-fenced 'Skills Development Fund Account' in the Ministry of Finance – separated from the government budget.

### Fund Expenditure

#### Allowable areas of expenditure for the training fund

The fund's resources are reinvested in the form of loans to employers, employees or training providers. Trainees/companies have to repay the loan within 12 months after completion of training, at an interest rate of 1 per cent. The fund can be used in the following activities as stipulated in Section 28 of the Skill Development Promotion Law:

- loans to trainees for training expenses: the training should last at least 30 days;
- loans to trainers, skill standard assessors, training providers and industry;
- supporting or subsidizing other skill development activities according to the policy of the Committee;
- providing expenses for administration at a maximum of 5 per cent of annual skill development funding.

The Skill Development Promotion Law also stipulates that no more than 5% of the levy received annually can be used for administrative management of the training fund.

Training of employees in levy-paying firms	Yes
Training of workers in the informal economy, including small and micro-enterprises	Yes
Training of workers in formal small and micro-enterprises that don't pay the levy	No
Initial training of young people in secondary-level technical and vocational institutes	No
Initial training of young people in tertiary-level technical and vocational institutes	No
Training as part of special government initiatives related to training youth or disadvantaged and marginalized groups	No
Business development and consulting services to enterprises	No
Equipment and infrastructure of public training providers	No
Training activities for training fund staff	Yes
Monitoring and evaluation activities	No
Administrative management of the training fund	Yes
Levy collection	Yes

#### Actual fund expenditure

No data are available on expenditure amounts. While the fund makes loans, it would still have been useful to understand where such loans are being made.

### Fund Allocation Mechanisms

**How are funds allocated to levy-paying firms to train their employees?** Levy-exemption mechanism - Indirect payment to the firm by exemption from the levy for training companies. With the levies collected from those firms that do not train (or train a sufficient proportion of their employees),

the Skills Development Fund does not make grants back to companies; rather, it makes loans to employers, employees and training centres.

### Fund Effectiveness

<i>How effective is the training fund's monitoring and evaluation system at assessing the training and labour market outputs and outcomes of the training fund expenditure?</i>	No information.
<i>What evidence exists on the effectiveness of levy-financed training funds, in terms of:</i> <ul style="list-style-type: none"> <li>• <i>Improving access to training for disadvantaged groups?</i></li> <li>• <i>Improving enterprise performance?</i></li> <li>• <i>Improving individual employability?</i></li> <li>• <i>Contributing to national public education and training system?</i></li> <li>• <i>Incentivizing enterprises to train their employees?</i></li> </ul>	<p>The Skills Development Fund has no mechanism for supporting initial TVET or skills training of disadvantaged groups, so does not benefit these groups at all.</p> <p>The introduction of the levy exemption scheme has led to a sharp increase in the training provided by companies, reaching around 4 million workers who receive training every year (Uhder Gonçalves, 2019).</p>

### Fund Governance and Management

#### Fund governance

The Skills Development Fund at the Skill Development Promotion Division of the Ministry of Labour has a degree of autonomy but operates under, and is monitored by, the Skill Development Promotion Committee; this committee comprises 21 members and is chaired by the Permanent Secretary of the Ministry of Labour.

<i>Total number of Board members</i>	21
<i>representatives of government</i>	9
<i>representatives of formal sector employers' organisations / formal sector employers</i>	5
<i>representatives of workers' organisations</i>	1
<i>representatives of workers in the informal economy</i>	0
<i>Other representatives</i>	6

**Level of autonomy of governing Board from government:** The Skill Development Promotion Committee includes over 40% of members from government, and an additional 29% (6 members) appointed by government, in addition to being chaired by the Ministry of Labour. It is therefore unlikely to be very autonomous of government, despite having some representation from employers' and workers' organisations.

#### Fund management

The Skill Development Promotion Division of the Ministry of Labour manages the Skills Development Fund. An annual report on the Skills Development Fund administration must be approved by the Office of the Auditor General of Thailand and submitted to the Cabinet within six months after the end of fiscal year. However, it is unclear how many individuals are trained with the loans provided by the Skills Development Fund, or how many industries and employers obtained a loan from the fund. As such, it could be concluded that there is insufficient transparency in the use of funds.

### Impact of COVID-19 on the Training Fund

**Impact on levy collection:** As a response to COVID-19, and to reduce due levy payments from employers, the ratio of employees that were required to be trained in an enterprise (consisting of 100 employees and over) was reduced from 50% to 10% in 2020.

**Impact on levy expenditure / allocation:** There were no changes to allocation plans or eligibility rules in 2020.

### References and Further Reading

In addition to the below sources, this country brief is informed by information and data provided by the Department of Skill Development, Ministry of Labour (Thailand), received by UNESCO on 03.09.20.

Ministry of Labour – Thailand. 2014. *Skill Development Promotion (No. 2) Act 2014, B.E. 2557*. Bangkok, Division of Legal Affairs, Department of Skill Development, Ministry of Labour.

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Uhder Gonçalves, C. 2019. *Financing TVET: A Comparative Analysis in Six Asian Countries*. AFD

Thailand flag icon made by Freepik from [www.flaticon.com](http://www.flaticon.com)

Official Website (last accessed)	<a href="http://www.dsd.go.th/sdpaa">www.dsd.go.th/sdpaa</a> (02.04.21) Skill Development Promotion Division, Department of Skill Development, Ministry of Labour
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