

“HUMAN RESOURCE DEVELOPMENT
IN THAI BIG COMPANIES”

By

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1. INTRODUCTION

Economic development is accompanied by structural changes in industries, which in turn bring about quantitative and qualitative changes in the human resources needed for these industries. If the speed of economic development is very rapid, then it often happens that human resources, which are supplied from outside of the industries such as traditional schools and vocational training centers, are insufficient to meet with the changing needs of these industries.

In this case, it is very important for industries to develop their own human resources at the enterprise level and to utilize their trained human resources as well as recruiting new comers. Besides in the face of rapid changes, the information about needed manpower usually lies within each enterprise. It is therefore extremely important for industries to develop an effective system of human resource development and utilization at the enterprise level.

In this paper, we first examine the realities and characteristics of human resource development systems at the enterprise level in Thailand and then search for the Key to an effective system of human resource utilization.

As our samples are selected from big companies, so we are in fact looking at the characteristics of human resource development and personnel management practices in the leading companies in each industry. At the same time, we will examine the differences in human resource development and personnel management practices by the nationalities of ownership of capital, because foreign-owned firms may have different characteristics and practices from those of local firms. Generally speaking, when we talk about large enterprise activities in the developing countries, we cannot avoid referring to foreign-owned firms anyway.

In the next section, we shall briefly describe our research methods and

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the characteristics of the samples. In the third section we examine the personnel composition of the sample by age, length of service, and academic background. In the fourth and fifth sections, we examine the recruitment system, utilization system, and reward system. In the sixth section, we discuss the index of effective utilization of human resources. Then we conclude by pointing out the implications of this study.

2. RESEARCH METHODS

Questionnaires were sent to 243 representative firms in 9 industries, which were given priority in the Sixth National Economic Development Plan of Thailand. These firms were chosen by the criteria of ranking of asset from the list of "MILLION BAHTS BUSINESS INFORMATION THAILAND, 1986". The industries included : food processing, furniture, rubber products, textiles, apparel and other textile products, metals, automobiles, electrical and electronic products, tourism and hotels, and bus and truck transportation.

The survey was conducted during the month of November, 1986. Of the 243 companies, 139 companies responded to the survey, resulting a response rate of 57.2%.

Outline of the responded companies is shown in appendix.

3. PERSONNEL COMPOSITION

(1) Age of full-time employees

80% of full-time employees are in their twenties and thirties. These clusters of young employees are largest in other foreign-owned companies and smallest in local companies.

(2) Length of service of full-time employees

The proportion of employees with more than 10 years of service is quite large, especially when we consider the fact that the companies have been in establishment for 18 years on the average. Proportion of employees with more than 10 years of service is as follows ; that of managers is 53%, that of administrative staff, engineers, and sales staff is 31%, and that of production workers is 33%.

In spite of the fact that these companies grew quite rapidly in the past years, they seem to have a relatively stable work force, and longer year of service seems to be quite common in these companies.

(3) Education qualifications of full-time employees

In total, elementary school (and lower) graduates consist of 33%, secondary school graduates 33%, vocational school graduates 24%, and college (and higher) graduates 10%. It is a common characteristics that two thirds of employees have only elementary school or secondary school education.

The proportion of college (and higher) graduates is the largest in the local companies and smallest in Japanese-owned companies.

4. RECRUITMENT SYSTEM

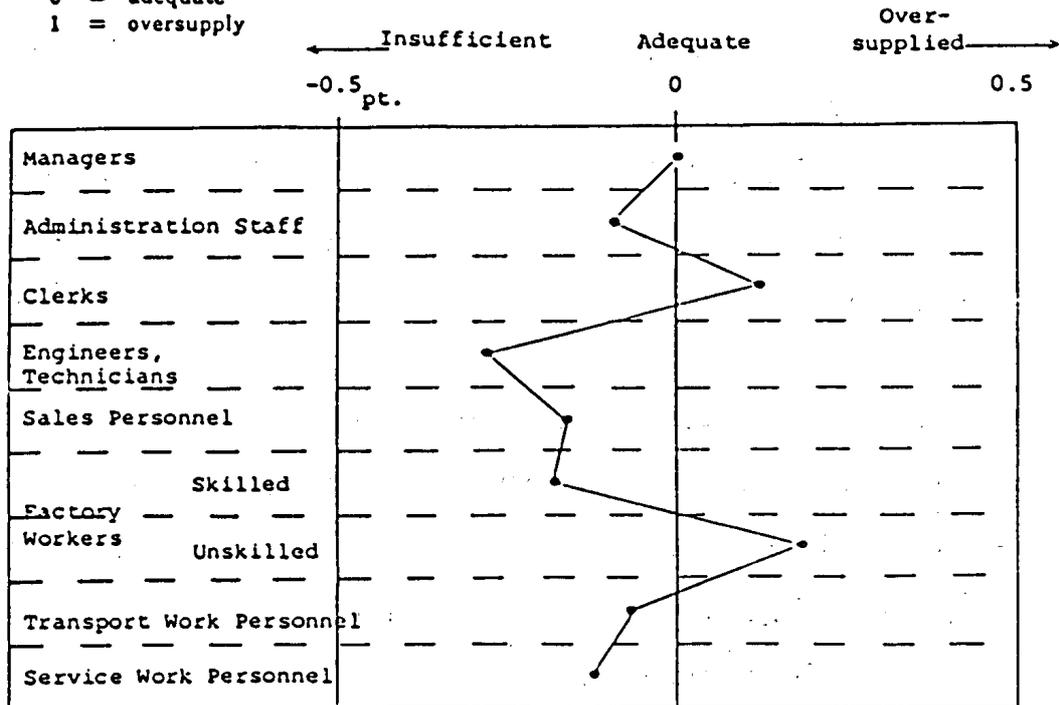
(1) Excess/shortage of full-time employees by job category

Engineers, technicians, skilled factory workers and sales personnel tend to be in short supply, whereas unskilled factory workers and clerks are over-supplied.

(SEE FIGURE - 1)

Fig. 1 Excess/shortage of Full-time Employees in Each Job Category

Note: -1 = insufficient
0 = adequate
1 = oversupply



Local companies face severe shortage of engineers, technicians, skilled factory workers, and service work personnel.

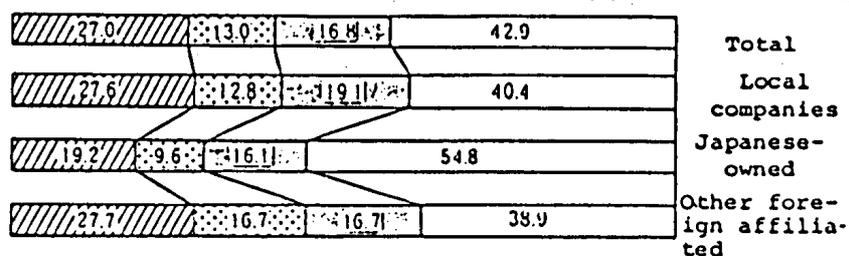
(2) Employment policy for administration staff and clerks

Periodic employment (i. e. employment practices to recruit new comers during a certain period) is being carried out by 40% and 36% for administration staff and clerks respectively. Besides this policy will probably be reinforced, because the ratio of "periodic employment is planned to be curtailed" is less than that of "periodic employment is planned in the future" both for administration staff and clerks respectively.

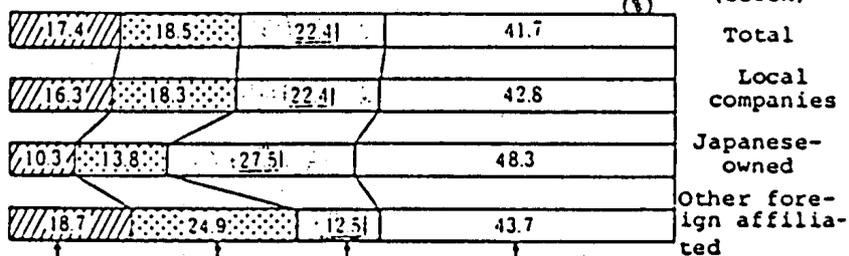
Fig. 2 Hiring Policy

Periodic employment policy

(%) (Administration Staff)



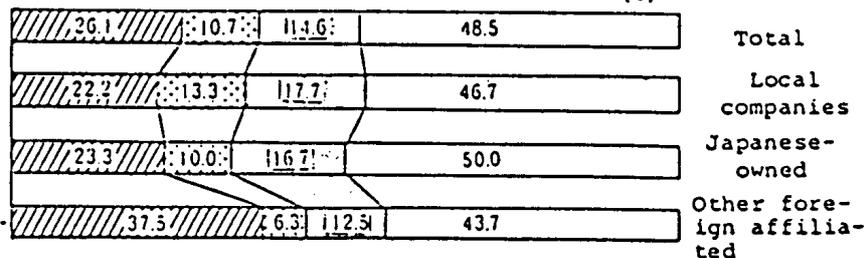
(Clerk)



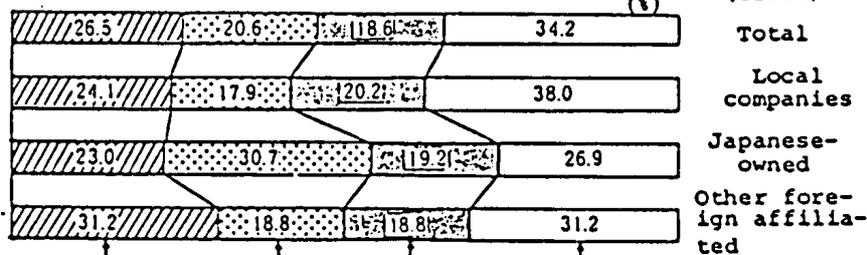
Carried out at full force Carried out but will be curtailed Not carried out presently but planned for in the future Not carried out nor planned for in the future

Hiring of new graduates

(%)



(Clerk)



Carried out at full force Carried out but will be curtailed Not carried out presently but planned for in the future Not carried out nor planned for in the future

(6)

Concerning with this periodic employment policy, Japanese-owned companies cannot be said to be the forerunner.

The policy to employ new graduates is being carried out by 37% and 47% for administration staff and clerks respectively. This policy will be also reinforced in the future. For this employment policy again, Japanese-owned companies cannot be said to be the forerunner.

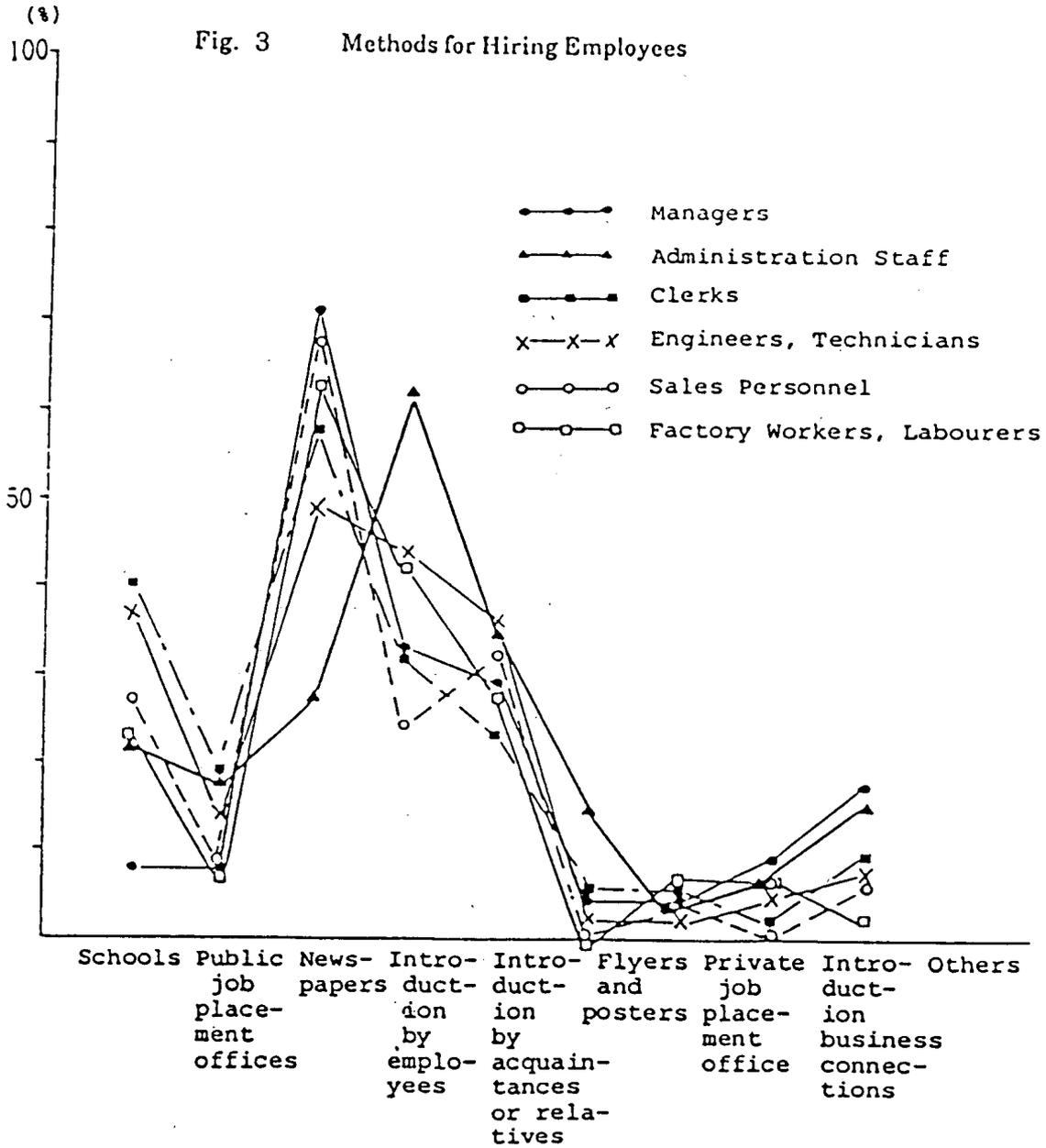
(SEE FIGURE - 2)

(3) Means of recruitment

Generally speaking, major means of recruitment are newspaper advertisement, introduction by employees, and introduction by acquaintances or relatives. But the means differ according to the types of job.

While major means for managers, administrative staff, and engineers are newspaper advertisement, and those for factory workers and labourers are introduction by employees. For engineers, technicians, and clerks, schools are also utilized as recruitment channels.

(SEE FIGURE - 3)



5. UTILIZATION SYSTEM AND REWARD SYSTEM

(1) Internal transfer of full-time employees within a section

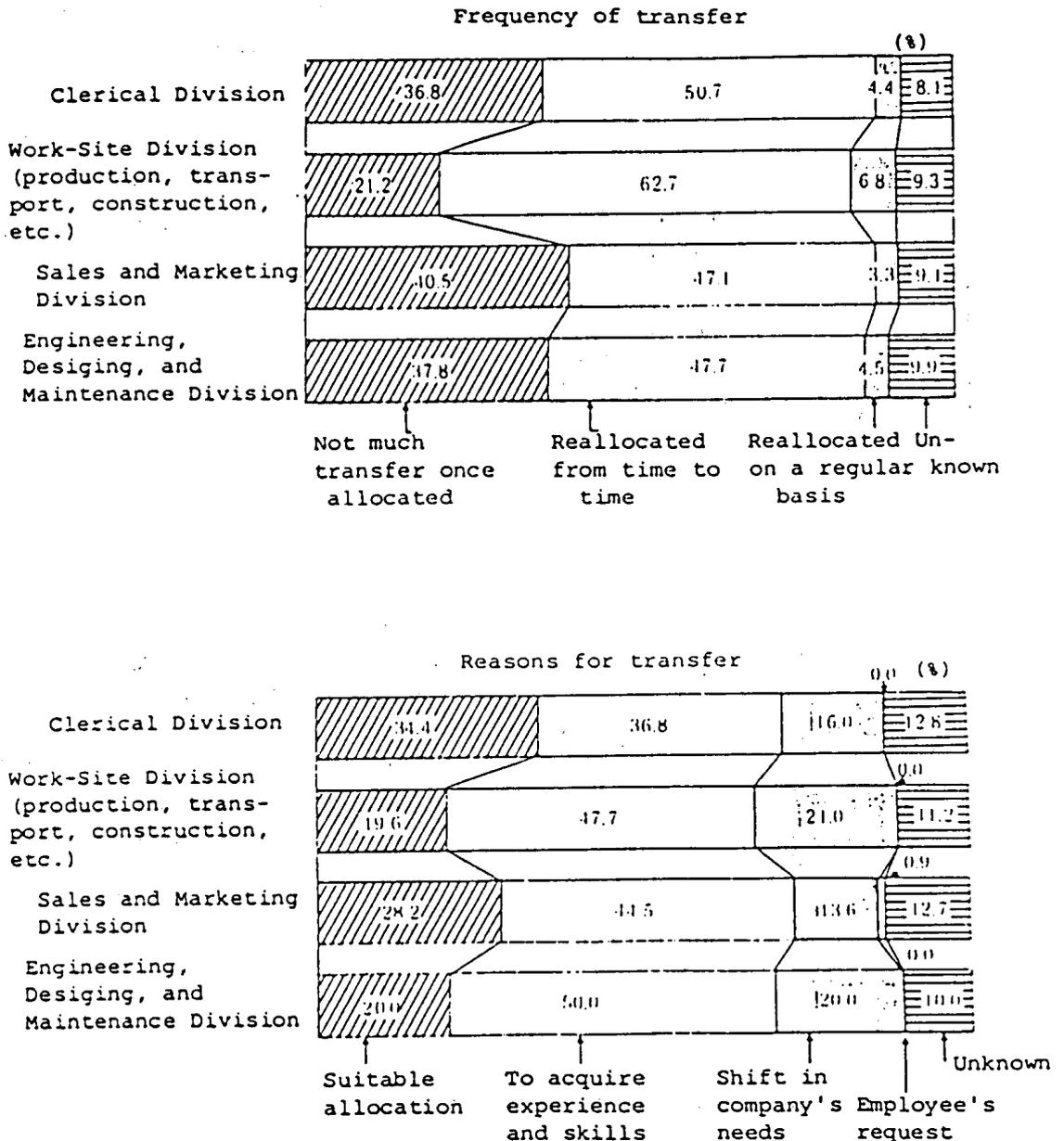
It is very rare to transfer on a regular basis, but it should be noted that about 50% to 60% of the companies transfer their employees from

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time to time. Especially in the production-site division the ratio of transfer from time to time is as large as 63%.

(SEE FIGURE - 4)

Fig. 4 Internal Transfer of Full-time Employees



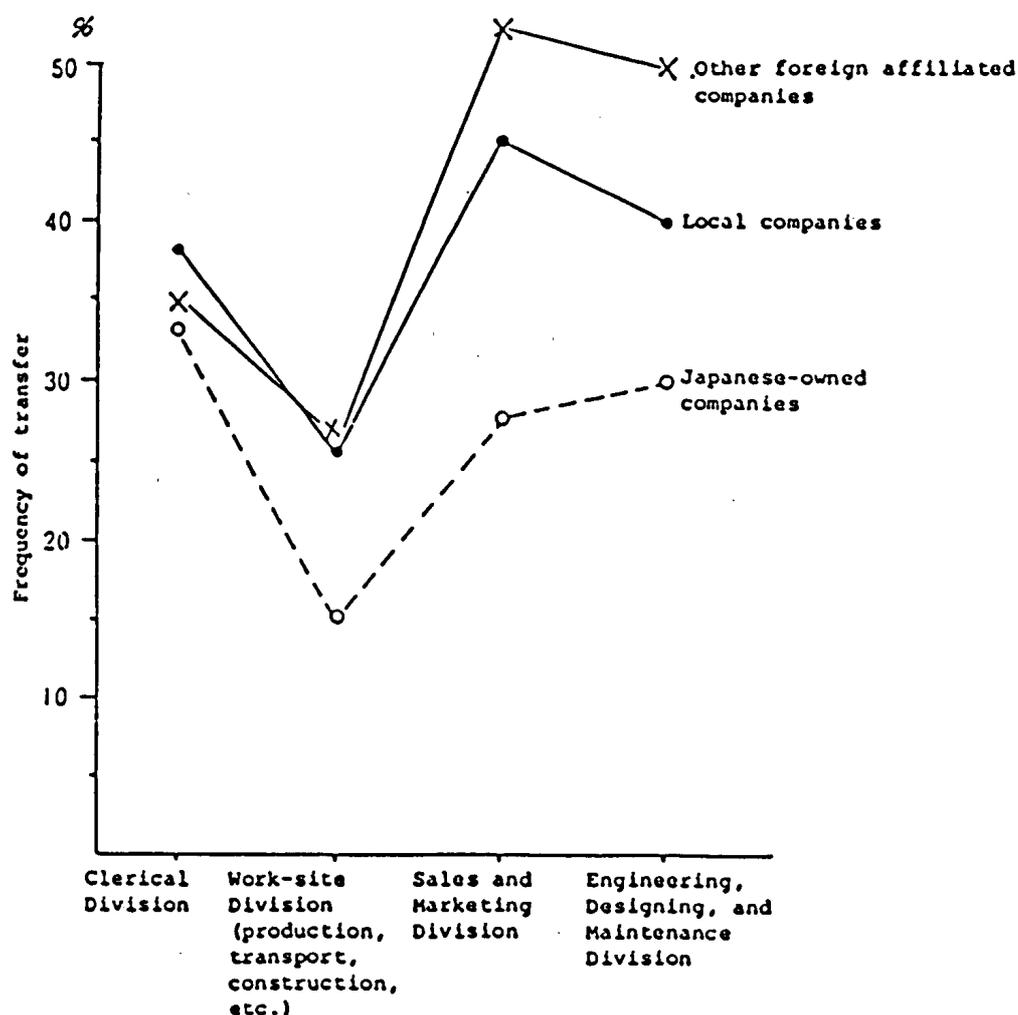
The major reasons for these internal transfers are firstly to acquire experiences and skills, that is to get on-the-job training. This reason

is especially prominent for production-site division and engineering, designing, and maintenance division. The second reason is for suitable allocation of manpower. This reason is especially prominent for clerical division and sales and marketing division.

The ratio is however different according to the nationality of capital. As figure-5 shows, the ratio of "no transfer" of Japanese-owned companies is lowest for all division. In other words Japanese-owned companies tend to transfer their employees most often.

(SEE FIGURE - 5)

Fig. 5 Internal Transfer of Full-time Employees



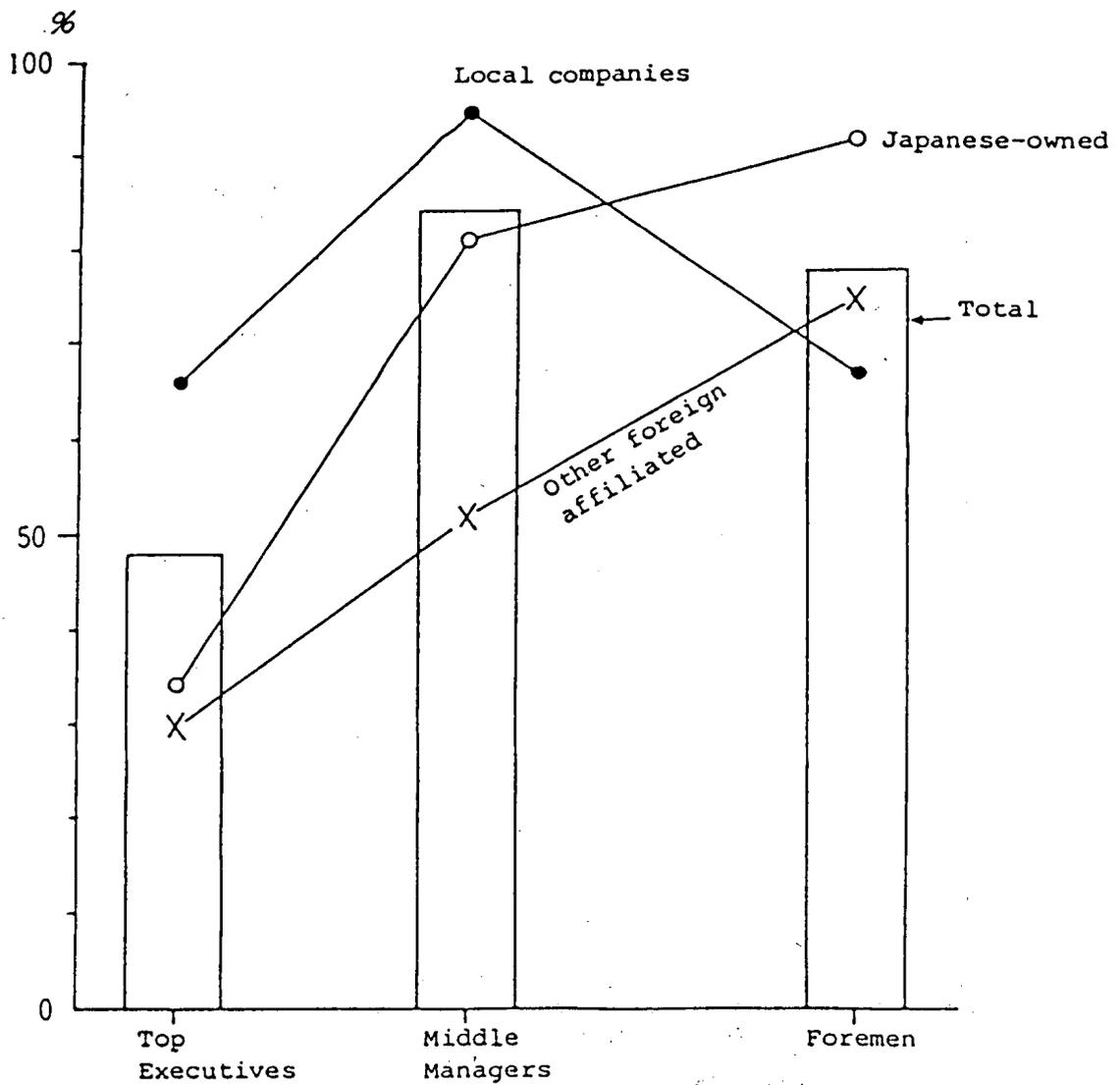
(10)

(2) Internal promotion and academic requirements

The ratio of companies which rely on internal promotion as a whole is 47%, 84%, 78% for top executives, middle managers, and foremen respectively. Besides not only in Japanese-owned companies but also in other companies it is quite usual to promote within especially for middle managers and foremen.

(SEE FIGURE - 6)

Fig. 6 Internal Promotion

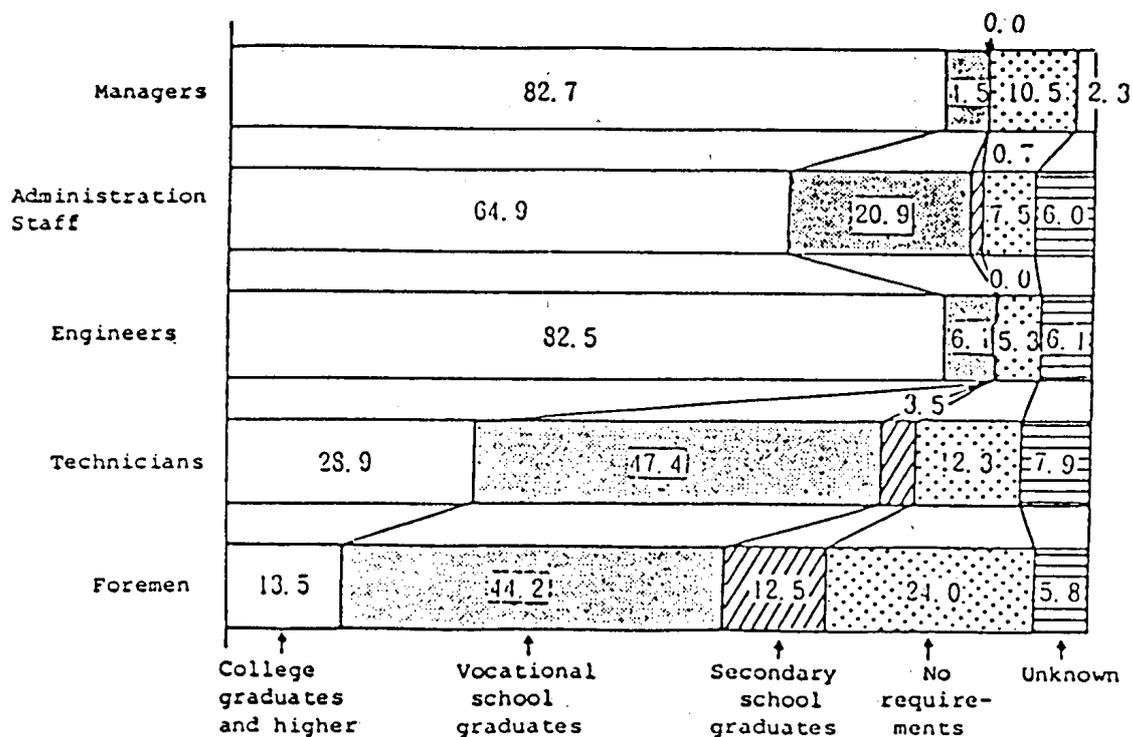


However if we see the minimum academic requirements for promotion, we understand that there clearly exist hierarchies based on academic background in the internal labour markets. In other words, educational backgrounds and positions are closely related. For instance, managerial and administrative staffs consist of college graduates ; technicians, of vocational school graduates ; foremen, of vocational and secondary school graduates. As we see later this hierarchical system seems to cause extreme differentiation in salaries.

(SEE FIGURE - 7)

Fig. 7 Minimum Academic Requirements for Promotion

(unit: %)



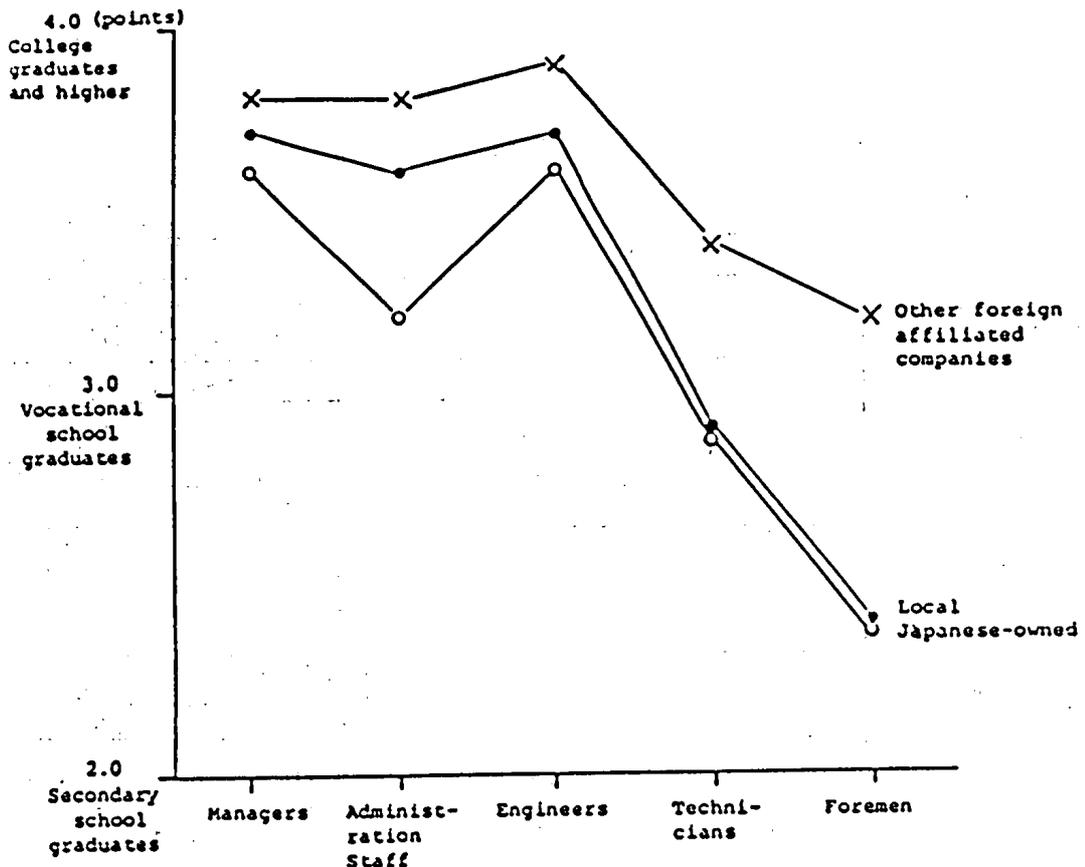
The nature of these hierarchies differs according to national ownership of capital. In Japanese-owned companies and also local companies, there is smaller difference in academic background between technicians/foremen

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and skilled/unskilled workers, although managerial and engineering positions do differ from other job categories in terms of educational background just as other foreign-affiliated companies. This is due to the fact that Japanese-owned companies tend to regard the job categories of skilled/unskilled workers and technicians/foremen as a successive career. This is to say that through internal promotions and training programs the positions of foreman and technician are filled by promoting skilled workers.

(SEE FIGURE - 8)

Fig. 8 Minimum Academic Requirements for Promotion



Method of calculation:
(Percentage of college graduates and higher x4 +
Percentage of vocational school graduates x3 +
Percentage of secondary school graduate x2 +
Percentage of no requirements x1) divided by (percentage of
college graduate and higher + percentage of vocational school
graduates + percentage of secondary school graduates +
percentage of non requirement)

(3) training

Target groups which require ability development are in general middle managers, factory workers, and labourers. Japanese-owned companies strongly emphasize the need of developing abilities of middle managers, engineers and technicians. Local companies put emphasis on training sales personnels, whereas other foreign-affiliated companies stress the importance of training their administration staff.

(SEE TABLE - 1)

Table 1 Areas most requiring ability development for improved competitiveness and productivity (three major groups of personnel)

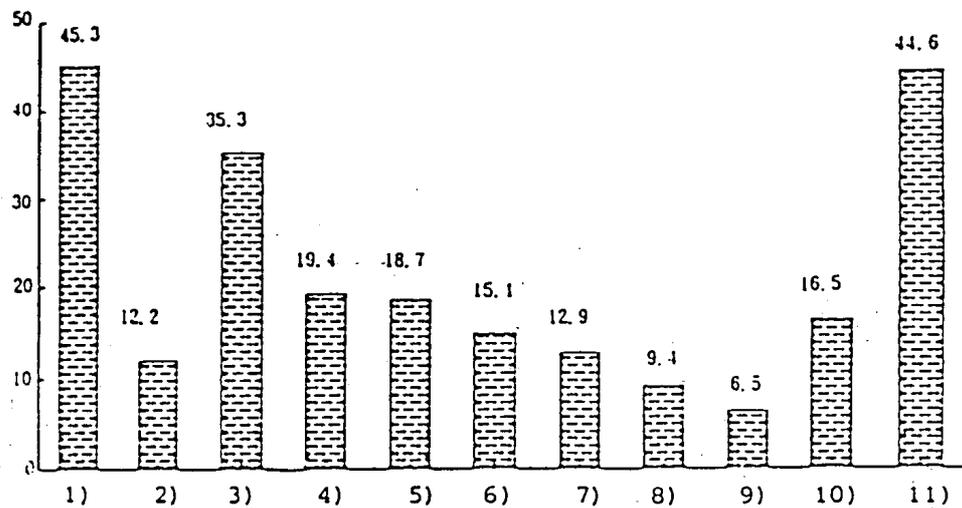
(unit: %)

	Local	Japanese-owned	Other foreign-affiliated	Unknown	Total
1. Top Executives	10.4	5.6	18.2	7.1	10.1
2. Middle Managers	59.7	72.2	50.0	57.1	61.2
3. Administration Staff	28.4	41.7	59.1	35.7	37.4
4. Clerks	17.9	16.7	18.2	7.1	16.5
5. Engineer, Technicians	22.4	47.2	27.3	414.3	28.8
6. Sales Personnel	52.2	22.2	36.4	50.0	41.7
7. Factory Workers, Labourers	61.2	63.9	63.6	57.1	61.9

What are the main obstacles and problems in conducting training? Figure-9 shows that the major problems involved in implementing education and training programs seem to be quite similar to those experienced in Japan. These include "not being able to attend the training program because of over-working", and "difficulty in determining the contents of education programs". However, the third problem, that is, "lack of enthusiasm on the part of managers and foremen in guiding and training the subordinates" should be given serious consideration, because it impedes effective human resource development regardless of how complete the formal education system is.

(SEE FIGURE - 9)

Fig. 9 Major Obstructs in Developing and Promoting Training Programs
(selection of major 3 items)



- | | |
|---|---|
| 1) No time to participate | 6) Inadequate support from top managements |
| 2) Not adequately motivated | 7) Lack of budget |
| 3) Lack of support from supervisors | 8) Shortage of trainers |
| 4) Necessity of training is unclear | 9) Weak linkage between training and personnel management |
| 5) Effectiveness of training is hard to measure | 10) Shortage of training staff |
| | 11) Difficult to design effective training programs |

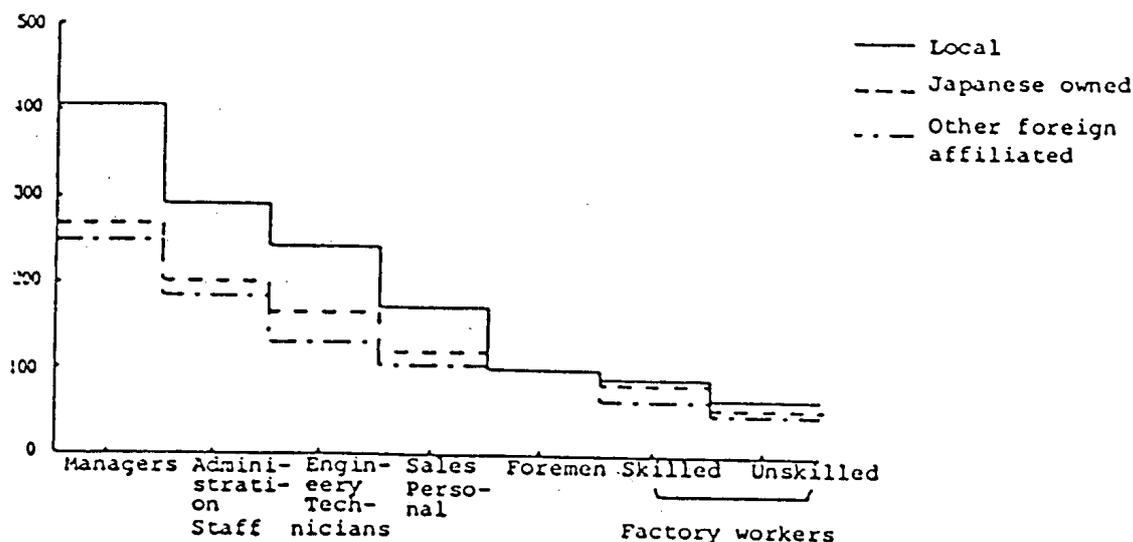
(4) Annual income differentiation

As an example of the reward system, suppose the annual incomes (including bonuses) of a thirty-five-year old male formen is 100. Figure-10 shows the differentiations.

gets 336, administration staff 254, whereas unskilled workers 61. The biggest differentiation exists in local compaines.

(SEE FIGURE - 10)

Fig. 10 Differences of Annual Income by Job Category



Note: annual income of foreman = 100

6. INDEX OF EFFECTIVE UTILIZATION OF HUMAN RESOURCES

It is very difficult to determine the best index to count the level of effectiveness in the utilization of human resources. Here we take two indices, that is turn-over rate and absenteeism rate for 1985. These figures do not seem to be robust enough to discuss precisely. In this sense, it is rather tentative to discuss here about the level of effective utilization of human resources.

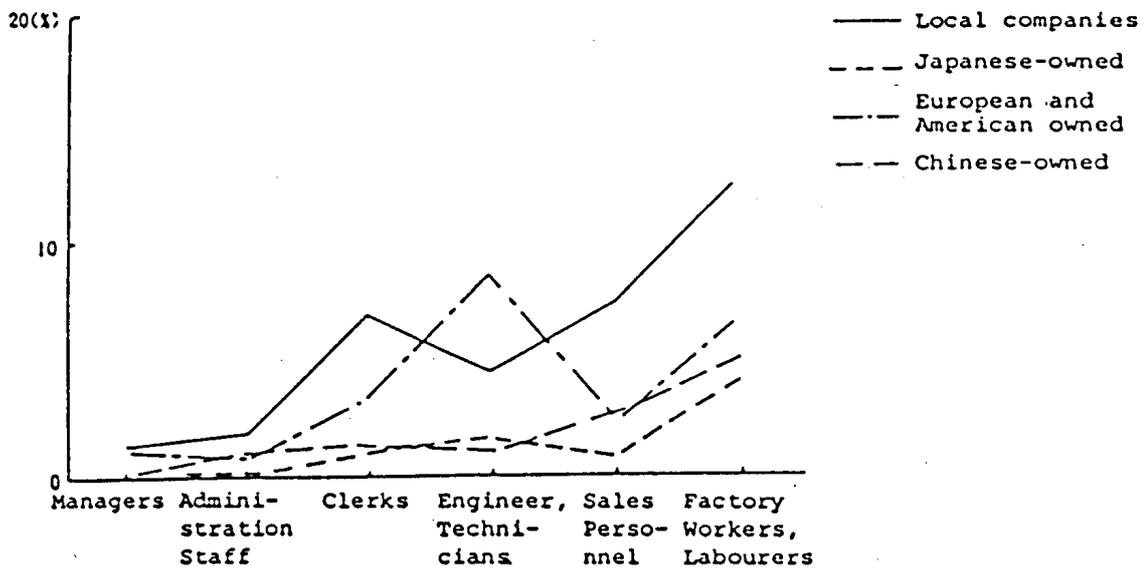
As shown in figure-11, the turn-over rates of managers and administration staff are the lowest, whereas those of factory workers and

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labourers are the highest. But more interestingly, roughly speaking the turn-over rate of local compaines is the highest. On the other hand that of Japanese-owned compaines is the lowest.

(SEE FIGURE - 11)

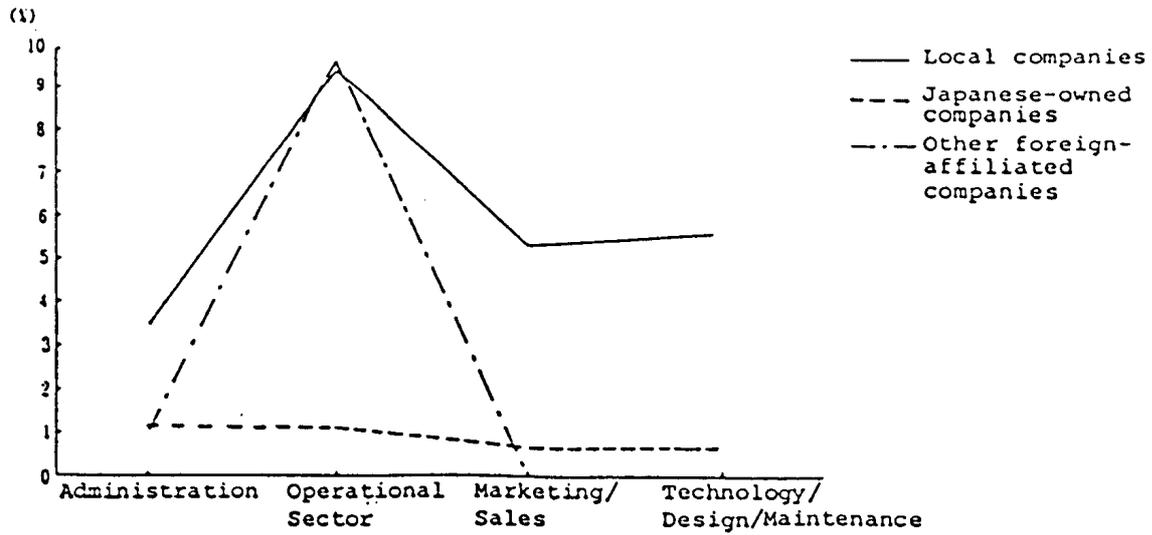
Fig. 11 Turn-over Rate



The absenteeism rate of the operational sectors is the highest. And here again the absenteeism rate of local compaines is the highest. On the other hand, that of Japanese-owned compaines is the lowest.

(SEE FIGURE - 12)

Fig. 12 Absentecism Rate

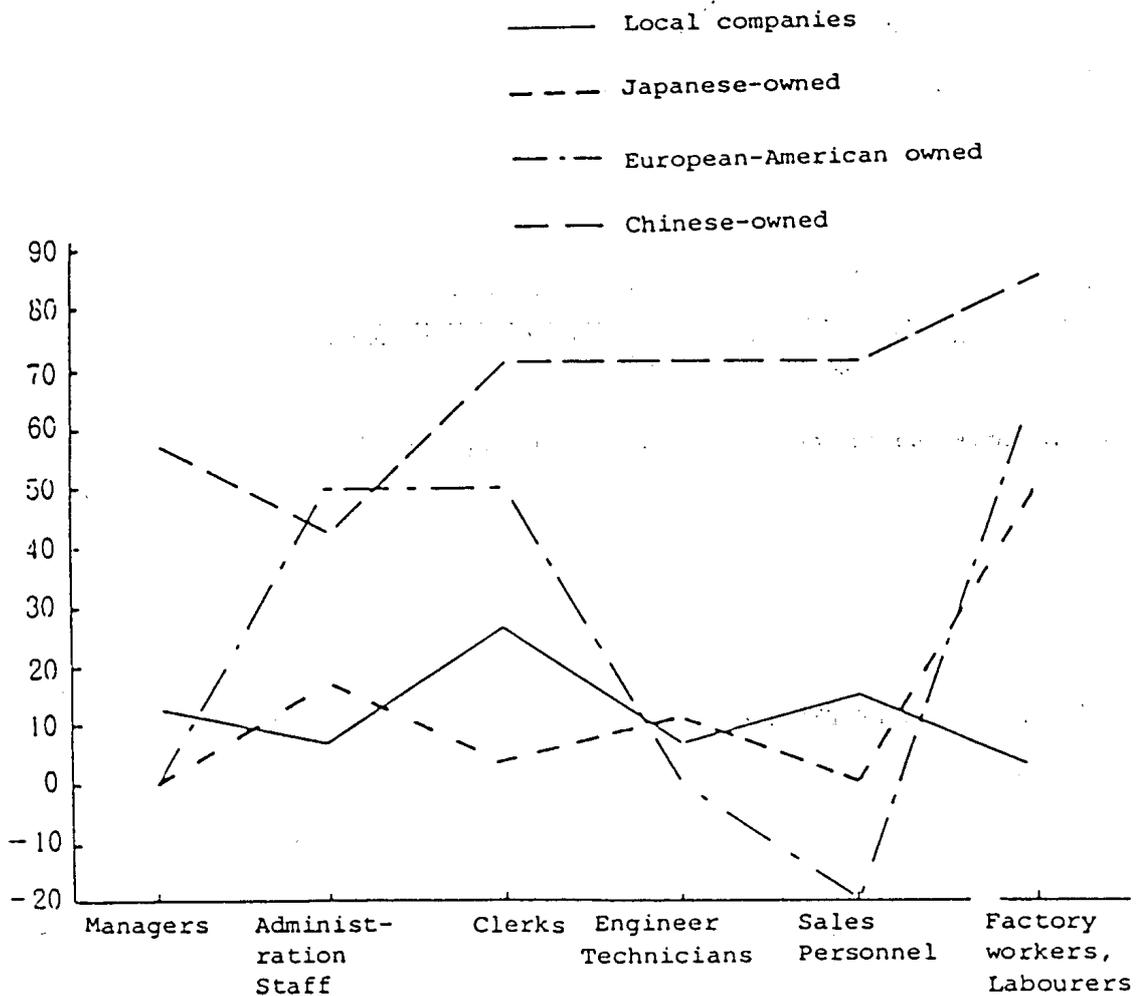


Note: Absenteeism rate of Chinese-owned companies is unknown.

These turn-over rates and absenteeism rates tend to be decreasing over the past few years as shown in figure-13, 14 .

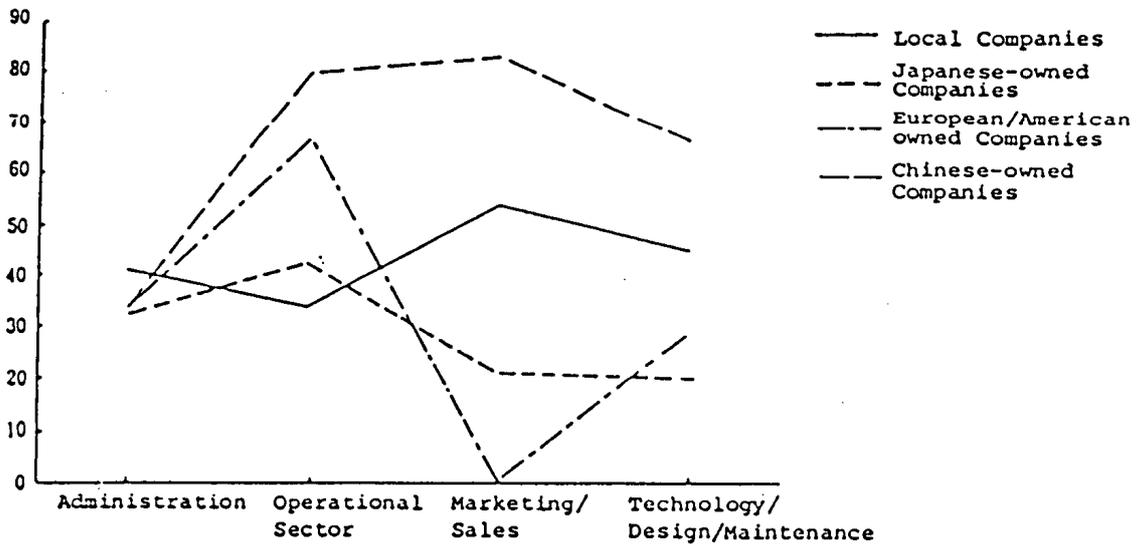
(SEE FIGURE - 13, 14)

Fig. 13 Turn-over Index



Note: No. of index = (drastically increased) x (-2) + (increased) x (-1) + (no change) x (0) + (decreased) x (+1) + (drastically decreased) x (+2)
Since this index is based on 100% excluding no response, this index level is between -200 to +200. As the number of index increases, the turn-over rate decrease will be larger, and the reverse is true.

Fig. 14 Absenteeism Rate Index



Note: No. of index = (drastically increased) x (-2) + (increased) x (-1) + (no change) x (0) + (decreased) x (+1) (drastically decreased) x (+2)
Since this index is based on 100% excluding no response, this index level is between -200 to +200. As the number of index increases, the turn-over rate decrease will be larger, and the reverse is true.

7. CONCLUDING REMARKS

(1) The employees of Thai big compaines are generally becoming stable and long service is becoming common. Managerial and administrative personnels are especially stable. At the same time, periodic employment especially of new graduates are generally observed in these big compaines.

On the other hand, the turn over rates of engineers, technicians, and factory workers are rather high. They form of the most unstable stratum of the employees. Consequently, there is always a shortage of staff in these job categories, and they are the main targets of recruitment activities. Unskilled factory workers and clerks are felt to be rather over-supplied.

(2) The need of training to upgrade the key personnel, such as middle managers, skilled workers, sales personnel, administration staff, engineers, and technicians is felt in these compaines as a whole. Local compaines emphasis on the training and development of sales personnels, Japanes - owned companies on middle managers, engineers and technicians, and other foreign-owned companies on administration. This reflects the industry composition and national charateristics of the samples. In other words, local companies include many samples from service industries, Japanese-owned companies are mainly procution-oriented.

(3) The basic measure for improving the skills required for daily work is OJT at the site. In order to be fully functional, it is essential that managers and formen have the ability and enthusiasm to instruct and train their subordinates. This is pointed out by corporations as one of the most crucial issues.

To improve their ability and enthusiasm, it would be an effective measure to introduce a promotion system whereby if a manager succeeds in bringing up subordinates more quickly and properly, he can get good

appraisal and will be better rewarded.

(4) Another crucial issue is "the difficulty of framing education program." A social structure should be developed which enables proper instruction and expert advice at public vocational training institution.

(5) The main obstacle in conducting training is "not being able to attend the training programs because of over-work". Top managers should understand that training is just the favorable preceding investment to improve productivity and not just the disturbance of daily operation.

(6) Modification in wage management will be required. Specifically, de-emphasizing of wage differentials between job categories is called for. Local firms in particular are strongly advised to take this measure.

In order to improve the production and engineering related work force, it will be also necessary to de-emphasize the academic hierarchy and to replace it with a hierarchy in which skills and technical ability are the basis of promotion.

In other words, the ceiling of promotion for each job category should be raised in order to introduce incentives into the work organization.

(7) Our research here is limited only to the big companies in Thailand. But we know that these big companies have less problems when we compare them with those of small enterprises. Small enterprises should accumulate at the first step their human-resources by using out-sourcing methods step by step :

(a)Scouting key persons who think that they cannot develop their own abilities in bigger organization, so want to spin-out, if there is another good opportunity. They are expected to diffuse his knowlege or experiences through OJT in the new and smaller organization.

(b)Sending engineers or key staff for training at the parent companies or related big advanced companies.

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(APPENDIX)

Outline of the responded companies is as follows :

(1) The national ownership of capital...local companies 48.2%, Japanese-owned companies 25.9%, USA-owned companies 2.9%, European-owned companies 4.3%, Singapore • Taiwan • Hong Kong-owned companies 5.0%, and others 3.6%. Hereafter we sometimes call USA-owned companies, European-owned companies, Singapore • Taiwan • Hong Kong-owned companies, and others as "other foreign-affiliated companies".

(2) Type of business...food processing 15.1%, textiles, apparel and other textile products 15.8%, electrical and electronic products 15.8%, tourism and hotels 13.7%. Local companies concentrate in food processing, furniture, rubber products, and tourism and hotels, whereas Japanese-owned companies concentrate in textiles, apparel and other textile products, metals, automobiles, and electrical and electronic products.

(3) The year of company establishment...The average year is 1968, so the average period of operation is 18 years as of 1986.

(4) The average amount of capital is 128 million bahts. That of local companies is smallest, 97 million bahts, whereas that of other foreign-affiliated companies is largest, 193 million bahts.

(5) The average annual amount of sales is 742 million bahts. That of local companies is smallest, 504 million bahts, whereas that of other foreign-affiliated companies is largest, 1,019 million bahts. Index of sales in 1985, if they were 100 in 1980, was 131 in average. That of local companies was largest, 161, whereas that of other foreign-affiliated companies was smallest, 104.

(6) The average number of employees is 471. That of local companies is smallest, 348, whereas that of Japanese-owned companies is largest, 623. Index of the average number of employees in 1985, if they were 100

in 1980, is 119 in average. That of local companies is largest is largest, 169, whereas that of other foreign-affiliated companies is smallest, 82.

(7) Trade unions...The ratio of the companies which have trade unions is 33% on the average. In this case, that of Japanese-owned companies is highest, 58%, whereas that of local companoes is lowest, only 15%.

(This paper is written basing on the research results which were conducted by the Study Group For Human Resources Development organized by Japan International Cooperation Agency. But any opinions revealed here are solely the author's.)