This brief aims to advise Thai suppliers and global brands and retailers, and inform a broader audience, regarding the impact of workforce reductions on foreign migrant workers in Thailand, especially MoU workers hired through the formal recruitment process governed by bilateral agreements between Thailand and other countries. It provides an analysis of the legal scope of the obligations of employers to separating MoU employees, the conditions under which MoU workers are permitted to remain in Thailand to find new employers, a review of recent worker-reported situations and concerns, and recommendations for more responsible management of separations, including layoffs, when workforce reductions cannot be avoided.

Poor workforce projections in labour recruitment have been an underlying issue in Thailand in recent years, with overstaffing leading to cut hours and underpay on the one hand, and understaffing leading to overwork on the other. However, this analysis is especially pertinent in the current COVID-19 environment, where downsizing has been exacerbated for certain sectors such as services and tourism, apparel and footwear, and construction: hundreds of thousands of foreign migrant workers in Thailand currently face unemployment or severe underemployment due to the struggles faced by their employers, which for some sectors is related in part to how global buyers have been reducing orders.

There is a clear link between irresponsible procurement and sourcing practices on the part of global brands and retailers—for example, curtailed orders with little communication or forecasting, weak due diligence on health and safety measures during the pandemic, price structures that do not bear the costs of worker recruitment, and no monitoring of rights obligations to workers—and negative impacts on workers as well as suppliers. Fortunately, these harms to workers and challenges to suppliers can be mitigated significantly by global brands and retailers fulfilling placed orders and paying for orders started or completed in full, maintaining clear and constant communication with suppliers about orders, staying engaged in the welfare of workers during COVID, and adopting price structures in the current period that consider the cost of worker recruitment and retention, and employer obligations for separated workers.

When workforce reductions cannot be avoided, urgent risks to workers can be somewhat reduced by suppliers and recruiters through more responsible handling of separations, including connecting workers to government benefits, paying severance as per the law, and allowing foreign workers the opportunity to remain in Thailand to find more stable work in less COVID-impacted industries. Notably, what employers declare on their ‘foreign workers job cancellation forms’ to the Thai Department of Employment regarding the reason for separation dictates whether the foreign worker is permitted to remain in Thailand and work under a new employer, or is forced to repatriate home, re-migrate, and take on additional costs, risks, and debts from re-migration—since the Thai, Myanmar, and Cambodian governments have not adopted laws prohibiting the charging of recruitment fees to jobseekers and workers.
What is the situation for foreign workers in Thailand’s current COVID environment?

Government-to-government Memoranda of Understanding (MoU) for legal labour recruitment from Cambodia, Laos, and Myanmar to Thailand allow foreign migrant workers to work legally in Thailand for a period of two years, renewable for an additional two years.¹ In Thailand, as of August 2020, some manufacturers and processors are functioning relatively normally (within current movement restrictions), while others are scaling back production based on lower purchasing demand, leading to curtailment of employment of MoU workers despite their two-year contract commitments.²

Reports by MoU workers to the Issara hotlines of employers terminating MoU workers are not uncommon, often without paying severance (in violation of the Thai Labour Protection Act)³, as are reports of employers pressuring MoU workers to sign resignation letters such that workforce is reduced without the need to pay severance. Some workers report having been furloughed without receiving legally mandated pay⁴, being offered substantially reduced overtime, or being forced to work reduced working days, contrary to the terms and conditions of their contracts. This underemployment is especially challenging for MoU workers in Thailand given how much workers typically have to pay or go into debt to cover the costs of migration to begin with.

For workers nearing the completion of their first two-year contract, some employers are not renewing MoU contracts. While this is legal, the problems arising in the COVID environment are two-fold: first, some employers are not taking responsibility for workers who are essentially stranded and jobless due to closed borders; and, second, some employers are giving workers little to no advance notice regarding their intentions to continue a second contract or not, leaving workers anxious and scrambling.

Large groups of migrant workers in Thailand returned home when borders were still open (45,168 returned to Myanmar between 22 March and 28 May 2020), are crossing some borders (such as the Thailand-Cambodia border) informally, or are stranded and seeking ways to find other employment.⁵ Since the border closure, from 22 May to 30 June 2020, Myanmar workers were able to return home under a special arrangement and transport facilitated by the Myanmar Labour Attaché based in the Myanmar Embassy in Bangkok, but MoU workers were expected to pay this repatriation cost which the employer is legally responsible to cover.

Border closures and immigration control. The borders between Thailand and its neighbors Cambodia, Lao PDR, Malaysia, and Myanmar were closed on 26 March 2020 until further notice.⁶ In April 2020, the government announced a visa amnesty for foreign workers until 26 September 2020, and in July and August other policy guidelines allowed certain groups of workers with expired documents to remain and work until March 2022. Foreigners, including migrant workers, have been granted permission to stay in the Kingdom, even if their visa has expired; the process requiring foreigners to report to immigration authorities every 90 days has been relaxed as well.⁷

In summary, the Royal Thai Government has adopted strict public health measures to control the spread of the disease, but has also updated its policies and guidelines on how to manage documentation for foreigners on a regular basis, as the time period of border closures keeps getting extended for public health reasons. (Please visit Issara’s Facebook for all policy updates, in Burmese, Khmer, and Thai.)
Typically for MoU workers, the management service agreement between their employer and their source-side recruitment agency would detail the arrangements to cover the MoU workers’ travel arrangements and costs to return home, in the case of a contract ending or due to termination. However, employer-recruitment agency arrangements are often relatively informal, so in the absence of these agreements, workers have had to pay high fees for transportation to return home despite the fact that Thai law requires the last employer who placed the guarantee bond to be responsible for repatriation expenses.

Health and safety measures in the workplace and dormitories. Surveys of migrant workers through the Issara worker voice channels in August 2020 found that living, working, and transportation conditions across a range of industries were generally safe and well-prepared. This is consistent with recent reporting on the success of Thailand’s response to COVID-19. The great majority of workers reported that the business they worked at had anti-COVID measures in the workplaces such as temperature checks at the factory entrance, required face masks, hand sanitizer, and enforced social distancing. Some businesses reportedly also showed awareness raising videos about COVID-19 to workers. With regard to foreign migrant worker dormitories, workers who lived in the employer-controlled housing (such as on-site or nearby dormitories established for MoU workers), reported stringent anti-COVID measures in place in dormitories as well. However, while this is all positive, workers in one seafood factory reported that their employer prohibited them from leaving their dormitories and visiting public spaces on their one day off per week, a worrying infringement on workers’ basic rights to freedom of movement and leisure.

Workers living in privately-managed accommodation were subject to the measures and standards adopted by their landlord, which often was substandard as compared with dormitories directly tied to workplaces. Transportation to work was an additional challenge reported by workers not living on-site: for those without bicycles or who lived farther distances from work, the lack of social distancing on the crowded buses taking foreign migrant workers from their migrant worker communities to their factories was reportedly a daily challenge.

Social Security benefits for workers. The Social Security Office (SSO) announced special measures during COVID-19 pandemic, to compensate eligible workers who are affected by the pandemic either due to temporary furlough or unemployment. These measures include furloughed workers being entitled to receive 62% of salary compensation for a maximum of 90 days, terminated workers to receive 70% of salary compensation for 90 days, and resigned workers to receive 45% of salary compensation for 90 days. Importantly, filing for these benefits requires an ability to complete forms in Thai language, and foreign workers are reliant on their employer to submit a form to the government confirming the need for unemployment compensation.

Two groups of workers have been excluded from these vital benefits: informal workers (those lacking legal stay and the right to work), and recently recruited MoU workers who began employment right before the pandemic, and so who were thus not yet covered by social security due to requirements of having to pay in for 3 months before social security coverage starts.

There are restrictions to go out imposed by my employer to prevent COVID, so I have to buy food with high prices from a vendor that comes and sells inside our compound.

- Myanmar worker in the Thai seafood industry

Left: Issara Institute provides unconditional cash transfers to retrenched and underemployed foreign workers stranded in Thailand. These cash transfers are an empowering way to help vulnerable workers manage their critical expenses and have a buffer as they plan their next steps after the economic shock that COVID has had on manufacturing in Thailand, and on millions of migrant workers’ families and lives.
What is a foreign workers job cancellation letter and why is it important?

The recruitment of foreign MoU workers is a lengthy process, with Thai employers submitting a request to the Royal Thai Government for foreign workers, which is then communicated to the governments of the origin countries of Cambodia, Laos, and Myanmar. Workers are then recruited by registered recruitment agencies in the origin country and sent to Thailand. Under this arrangement, foreign workers are provided with a two-year visa in their passport, and a work permit tied to the name of their employer.

It is important to note that migrant workers still often take on large debt during the recruitment process, and come to Thailand with the expectation that they will be able to work for a number of years, as per their contract. Though some businesses are making headway on ethical recruitment and committed to zero recruitment fees charged to the workers, this is still quite rare in Thailand, in large part because the laws of Thailand and the origin countries allow for recruitment fees and costs to be charged to workers. Thus, many workers pay significantly high fees for recruitment, which can leave workers heavily in debt even before starting work, desperate to earn money to repay those debts and make a living.

There are specific regulations that Thai employers must follow when a worker’s job ends, whether through the non-renewal of an MoU contract period of two years, or otherwise. Within 15 days of the worker’s last day of employment, the employer is required to submit a foreign workers job cancellation form (in Thai, เบบิ้มแจ้งคนต่างด้าวออกจากงาน), illustrated below, to the Thai Ministry of Labour, Department of Employment (DOE) to notify the government of the foreign employee’s impending departure from the job. In this form, in the far right column, the employer is asked to state the reason that the employee is leaving. The DOE reviews this information and returns the form to the employer, signed and stamped, once approved, and also provides a receipt confirming the notification of job cancellation (see photo below right). If the employer fails to comply, he/she will be fined for 20,000 Thai Baht maximum (approximately USD $650). The employer should also provide copies to the worker.

The foreign workers job cancellation letter is important because whether or not the foreign worker is permitted to remain in Thailand to find work with another employer is determined by what the original employer declares as the reason for ending employment. Thus, a lot of responsibility and power rests in the hands of the former employer: they can either help the worker to transition smoothly to a new job in Thailand, or, force the worker to leave the country and return home.

The only conditions under which the foreign MoU worker can remain in Thailand to seek a new job in-country without having to return home first is (1) if the worker has this letter in-hand, and (2) if the reason for separation indicated by the original employer is one of the six reasons listed in Table 1.

Any other reason listed - such as the commonly used “worker resigned” entry by employers, does not allow a worker to remain in Thailand and change employers.

Contributing further to the power asymmetries created by the Royal Thai Government’s processes, all of these documents are in Thai language only, leaving the entire process, including the employer’s declarations about the nature and reason for the worker’s departure, extremely difficult for migrant workers from Myanmar, Cambodia and Laos to understand. The Issara worker voice channels receive messages from migrant workers on a regular basis with photos of their cancellation letters, requesting assistance with translation and help understanding whether they must return home immediately or can find another job.

Finally, it is noteworthy to add that it is the employers themselves that complete this form to the Royal Thai Government, and it is highly unlikely that many (if any) employers would ever declare reasons 2, 3, or 5 and implicate themselves in worker abuse. Thus it is unsurprising that the vast majority of employers simply list “worker resigned” (ลาออก) in this column as the reason for separation.

Left: Foreign workers job cancellation form, submitted by the employer to the DOE. The column at right is where the employer states the reason for separation.

Right: Receipt provided by DOE to employer.

Note that all documents are in Thai language only.
Which MoU workers are most at risk, and what should their employers do?

There are two groups of MoU workers at highest risk:

1. Workers whose contracts were ended prior to contract expiry due to insufficient work being offered by the employer, which may have led to forced resignations or voluntary resignations. What happens to these workers in practice appears to depend in part on their location. The local DOE offices in some more industrialized provinces, whose businesses are highly dependent on foreign workers, have been observed to take a more pragmatic approach to the post-COVID-19 environment by allowing workers with non-expired visas to find new jobs without having to return home, no matter what reason for separation is declared by the original employer.

2. Working conditions or environments are harmful to the physical or mental health or life of the employee.

3. New employer has agreed to compensate the former employer.

Given the current COVID-19 situation and border closure, the Department of Employment (DOE) has advised that "Stopped employment as part of a reduction of work/workforce due to Covid-19" could be declared by Thai employers as a reason for job cancellation/separation that would allow the worker to remain in Thailand and change employers. This situation is considered to fall under reason #4.  

Clearly, this demonstrates how important it is for workers to clearly understand their rights and immigration law. As the Issara team has observed, prior to this new Cabinet Resolution, it was often unclear to MoU workers when and how they might fall into an illegal status if they did not secure a new employer quickly enough, because even though they may be holding a valid passport in-hand with a valid, non-expired work visa, they would not have a valid work permit.
(2) Workers whose two-year contracts are nearing expiry, where the employer has not yet communicated whether a second contract will be issued. This situation often arises when the company employing the workers are struggling themselves, amidst reduced and cancelled orders from international customers, to forecast production demands and thus human resource requirements. In this case:

- If the worker and/or the employer do not want to continue work for a second two-year period and the worker wants to return home, the worker must be returned to their home country within seven days, at the expense of the employer; or,
- If the worker would like to continue to work in Thailand for the second two-year period but with a different employer, they are permitted to find a new employer within 30 days after their cancellation letter is issued, if (a) the original employer noted the reason for job cancellation / separation as “expiry of contract” in the job cancellation letter, and (b) the worker has a valid visa in Thailand while looking for the new employer.

As aggregated and illustrated in Figure 1, the challenging timeframes caused by reduced and cancelled international orders and obligations can create huge stressors for both employers and workers. The ethical reasons for declaring COVID-related challenges in the foreign workers job cancellation letter rather than the simpler and more common “worker resigned” are explored here as well.

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**FIGURE 1. PERSPECTIVES & CONCERNS OF EMPLOYERS AND WORKERS DURING PANDEMIC-DRIVEN WORKFORCE REDUCTIONS**

- **EMPLOYER**
  - If workers resign, for whatever reason, I am not incorrect in declaring that the reason for separation is the worker resigning. I do not want to write, on a government form, anything that is not 100% correct.
  - We have MoU workers whose contracts are about to expire. They want to know if we are going to extend them or not...understandably! But we ourselves do not always have advance notice if our customers cancel their orders at the last minute. How can we responsibly manage our workforce when some of our customers are not even willing to pay for work we already did for them?

- **FOREIGN WORKER**
  - I have to resign because I am not making as much as I was promised. The employer no longer has enough work for everyone and our days are being cut...but I cannot afford to make so little money given the debts I’ve taken on to be able to come to this country.
  - The process of getting this job was so expensive and time-consuming. It is unfair to be forced to return home to find another job and re-migrate again, just because my current employer’s business is not doing well and they cannot afford to pay me what they promised. If I am already here in Thailand with a work visa, why can I not try to find another employer rather than have to go into more debt?
  - The borders are closed! My 2-year contract is about to expire and I have no idea if my employer will extend me the next 2-year contract or not. Why are they waiting so long to tell me? We are not allowed to go home...so if I do not have enough time to try to find a new job, I may become stranded and jobless here in this foreign country. How will I survive?
What should employers and global buyers do to more responsibly manage workforce reductions in the current COVID environment?

**RECOMMENDATIONS FOR GLOBAL BRANDS & RETAILERS TO ELIMINATE SOURCING PRACTICES THAT CONTRIBUTE TO HARMS TO WORKERS (AND SUPPLIERS)**

The Clean Clothes Campaign and Fair Labor Association (FLA) each recently released excellent recommendations to global buyers for responsible sourcing in the COVID environment in April 2020, which were drawn upon below:

1. **To protect the livelihoods of workers, cancel orders only as a last resort.** At a minimum, pay in full for orders started or completed, without renegotiation, and accommodate suppliers’ needs for extended production timelines.

2. **Encourage suppliers to avoid reducing costs through workforce reductions as a last resort.** Where retrenchment cannot be avoided, work with suppliers to ensure that recommendations above for ethical management of foreign worker separation are followed.

3. **Maintain clear and constant communication with suppliers about orders and protections for workers.**

4. **Ensure that suppliers encourage workers’ access to grievance mechanisms so that they can communicate freely and without retaliation before, during, and after retrenchment.**

5. **Monitor and stay engaged in the welfare of workers in your supply chain, especially in industries and countries well-known to be affected by the pandemic.**

6. **Ensure that price structures negotiated with suppliers consider the cost of worker recruitment and employer obligations for separated workers.**

7. **Provide support to workers in your supply chain being retrenched but who are not able to go home, through supporting suppliers that are housing workers, or contributing to emergency relief funds and cash transfers going directly to workers (for example, as a part of Issara’s Unconditional Cash Transfer program).**

**RECOMMENDATIONS FOR MORE ETHICAL MANAGEMENT OF MOU WORKER SEPARATION BY THAI EMPLOYERS**

1. **Provide workers with sufficient advance notice about impending separation, whether non-renewal of MoU contracts or termination.**

2. **Inform the origin-side recruitment agency/ies of impending separations at least one month in advance or as early as possible, and coordinate with source-side recruitment agencies on repatriation once borders open.**

3. **When completing the DOE job cancellation forms, declare the reason for separation as “Stopped employment as part of a reduction of work/workforce due to COVID-19” so that workers are permitted to find new employers and continue to work in Thailand.**

4. **Arrange safe accommodation and cover the living and accommodation costs of laid off workers stranded in-country.**

5. **Pay severance as per the law.**

6. **Proactively connect workers to government benefits, such as Social Security payments, and fulfill all obligations to ensure worker coverage and access to these benefits.**

7. **Collaborate with industry partners, origin-side recruitment agency partners, and Thai-side recruitment agency partners to help retrenched workers get properly transferred to other rights-respecting employers whenever possible, at no cost to workers and with the informed consent of those workers.**

8. **For workers resigning due to underemployment (cut hours and days), do not declare the reason for separation in the foreign workers job cancellation letter as “workers resigned.” Declare the reason for separation as “Stopped employment as part of a reduction of work/workforce due to COVID-19” in order to allow workers to find new employers and continue to work in Thailand.**
**RECOMMENDATIONS FOR EMPLOYERS FUNCTIONING NORMALLY**

1. Continue to fully respect all national labour laws, and all international standards and buyer codes of conduct.
2. Continually evaluate working and living conditions for all workers, and ensure that the safety precautions put in place to protect all employees continue to be the most suitable to the regularly changing public health and legal situation.
3. Prepare contingency plans well in advance, in the event a reduction of workforce is needed.
4. Be sure to clearly communicate with workers on all precautions and regulations, ensuring they are well understood by all nationalities. Also, be listening to, and able to properly respond to, issues raised by any of their workers, of any nationality. Communications are especially important during this time, as rumours and stress are significantly elevated during this time.
5. If recruiting workers from available migrant worker applicants already in-country and seeking employment, ensure ethical procedures and no additional costs are charged through the employer or related brokers or agents.

**RECOMMENDATIONS FOR GOVERNMENTS**

**Origin country governments such as Cambodia and Myanmar should:**

1. Fully enforce laws and regulations prohibiting certain recruitment-related fees to be charged to workers, ensuring that these are borne by employers and recruitment agencies—or even better, adopt “zero fees to workers” laws prohibiting the charging of labour recruitment-related fees to jobseekers and workers.
2. Charge reasonable, affordable rates for transportation of migrant workers home.
3. Charge reasonable, affordable rates for COVID testing of returned and prospective migrant workers (which employers would be encouraged to cover).
4. Provide assistance to MoU workers with valid employment contracts who returned to their hometown but who cannot return to work due to closed borders.
5. Enforce the obligations of origin-side recruitment agencies in communicating with and supporting potentially underemployed, unemployed, or stranded MoU workers, including the facilitation of safe repatriation at the expense of the employer, as per bilateral policy.

**Destination country governments such as Thailand should:**

1. Fully enforce laws and regulations prohibiting certain recruitment-related fees to be charged to workers, ensuring that these are borne by employers and recruitment agencies—or even better, adopt “zero fees to workers” laws prohibiting the charging of labour recruitment-related fees to jobseekers and workers.
2. Encourage companies employing foreign MoU workers facing workforce reductions to connect affected workers to unemployment benefits, since these workers have been contributing to the Social Security Fund and are thus eligible for such benefits, yet reliant on employers to apply for them.
3. Provide special provisions, while the borders are closed, to allow employers that need to hire more workers to be able to legally employ migrant workers already in Thailand, since there are many migrants that have been laid off and unable to return home.
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Issara Institute is an independent non-profit organization based in Southeast Asia and the United States tackling issues of trafficking and forced labour through data, technology, partnership, and innovation. People—including worker voice and feedback—are at the center of Issara’s data and intelligence work, and at Issara Labs we conduct a wide range of research, analytics, and technology development related to human trafficking in global supply chains—the people, the policies, the impact, and how to eliminate it.

END NOTES

1. Article IX, Memorandum of Understanding Between the Government of the Kingdom of Thailand and the Government of the Union of Myanmar on Cooperation on the Employment of Workers, signed 21 June 2003, Article IX, Memorandum of Understanding Between the Government of the Kingdom of Cambodia and the Government of the Kingdom of Thailand, signed 31 May 2003, and Article 9, Memorandum of Understanding Between the Government of the Lao People’s Democratic Republic and the Government of the Kingdom of Thailand, signed 18 October 2002.


10. Workers who are eligible for this compensation will have to be employed and have contributed to the Social Security Fund for at least 6 months. Thus, workers who lost their jobs more than 3 months ago are excluded, as are workers who are not fully documented or who have never received a social security card / social security number. In order to receive this benefit, workers have to register at their local Social Security Office or register online at the Thai and English language-only government website, www.sso.go.th.


15. Personal communication, Thai Ministry of Labour Department of Employment, 23 July 2020.

