

V. POLICY IMPLICATIONS

If one wishes to promote the subcontracting system, a number of steps may be appropriate:

5.1. Businessmen should be made aware of the advantage of organizing some parts of their production process making use of subcontractors. What is needed here is a salesman or promoter for the approach, who would be able to explore with a variety of businessmen the types of production steps which could be subcontracted, the ways in which the system might be established and operated, the procedures for locating agents and villages, and the possibilities for moving into new product lines or upgrading the caliber of work currently done by subcontractors.

Further follow-up could come through assistance to firms in locating and training agents. This could involve facilitating contacts with local government authorities, providing information about skills available in particular areas and villages, and qualifications and characteristics of successful agents. The assistance would need to be largely firm-specific, but there are also some general approaches which could be taught in terms of procedures for record-keeping, quality control, transportation patterns, etc.

Such a promotion program could be based in any of several different institutions. It might be done in the government sector (e.g., the Industrial Services Institute, Community Development Department, or Handicraft Promotion Division of the Ministry of Industries). Alternatively, it might be located in a private agency or organization. The key requirements would

be a group with interests in village development and with contacts in the business community. It clearly would not be appropriate to establish a new institution solely to undertake this activity; but to have one or two persons with this kind of interest and responsibility in an existing institution concerned with the village-level development could bring substantial dividends.

5.2. The government needs to think through more clearly what is feasible and desirable in terms of taxation and regulation of household producers doing subcontracting work. For a start, these workers should be explicitly exempted from minimum wage and other similar labor regulations. Such rules surely are not appropriate for people working in their own homes (farmers are not subject to minimum wage regulations when they grow rice). If the rules are not to apply to them, this should be made explicit, so no one can be threatened and in this way forced to pay a bribe.

If the government wishes to move in that direction, there are straight-forward ways in which tax incentives could be offered to firms making use of subcontracting. These might be in the form of deductions from taxable income, based on the amount a firm spends on payments to subcontract workers. Such an approach makes a great deal more sense in Thailand than the widely practiced alternative of tying tax incentives to the level of investment spending, through depreciation allowances and the like.

This whole area of taxation and regulation of firms making use of subcontracting is one where different government offices currently give conflicting signals. Many officials are suspicious of all subcontract

work, feeling that firms engage in it primarily to escape government controls; the main interest of such officials is to expand the effectiveness of government taxation and regulation. A shift to a clear policy of encouragement would be a welcome change, and could be important in facilitating the expansion of subcontract work throughout the country.

