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Agenda for labour migration policy in Thailand:

Towards long-term competitiveness

Pracha Vasuprasat



ILO/Japan Project on Managing Cross-border Movement of Labour
in Southeast Asia

Regional Office for Asia and the Pacific

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Foreword

Within South-East Asia, the cross-border movement of people is a natural phenomenon dating back centuries and connecting current populations in neighbouring countries historically and culturally. The dynamics of globalization and regional economic integration have further bolstered the bond between people on both sides of a border. The connections are only apt to increase as the implementing of the ASEAN Free Trade Area, which began in January 2010, progresses. And not long from now, in 2015, the ASEAN Economic Community will commence. These two regional initiatives will have profound impact on the countries in the region in terms of the free movement of goods and services, investment and capital, and people and labour.

For more than a decade Thailand has grappled with the seemingly uncontrollable flows of irregular labour migration. Currently, Thailand is confronted with questions on whether the increasing dependence on foreign migrant labour is in its long-term best interest. Now that it has become a lower middle-income country, Thailand is confronting the challenge of avoiding the “middle-income trap”. Many studies find Thailand struggling with eroding labour productivity, chronic labour shortages, a dwindling labour force and a declining fertility rate. Thus far, the Government has adopted a short-term approach to address the labour shortages and the influx of irregular migrant workers through a series of Cabinet resolutions allowing the temporary extension of migrant workers’ resident permit and the annual registration of a work permit. However, this approach has long proven to be ineffective; over the years, a large number of migrant workers have not registered with authorities, and migrant-smuggling networks have become stronger. Cases of forced labour and the exploitation of migrant workers have captured the attention of the media and international trading partners. Many studies find that the policy endorsing the use of cheap migrant labour have actually led to a decline in labour productivity and the erosion of Thailand’s long-term competitiveness.

To move away from the short-term policy responses on foreign migrant labour as well as avoid the middle-income trap, Thailand should place immigration and labour migration policies high on its national social and economic development agenda. In effect, Thailand needs to formulate long-term, coherent and consistent immigration and labour migration policies, guided by international labour standards and other relevant international instruments on labour migration. It also needs to adequately integrate the labour migration

and immigration issues in the forthcoming Eleventh National Economic and Social Development Plan.

But the improved policies should also be comprehensive in nature, taking into account the real cost of harnessing foreign migrant workers while promoting investment in knowledge-based production for higher skilled and available Thai workers.

Most importantly, the immigration and labour migration policies should be forward looking in addressing the distortion in labour market, the conflicting legal and regulatory frameworks and the fragmented migration management system. The adoption of a rights-based approach to labour migration and social dialogue at national and international levels are important principles for realizing the desired outcomes from migration.

I hope the analysis of the current and the long-term social, economic and demographic scenarios, along with the policy recommendations and the strategic framework presented in this report will serve as the impetus for public debates in moving forward with long-term immigration and labour migration policies in Thailand.

Sachiko Yamamoto
Regional Director
ILO Regional Office for Asia and the Pacific

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Abstract

Thailand has become a country of net immigration, currently accommodating an estimated 2 million irregular, quasi-legal and legal migrant workers from neighbouring countries. To cope with the flood of irregular migrants that has been growing, the Thai Government has allowed foreign migrants a quasi legal status, acquired through the work permit registration programme and the conversion of their immigration status. More recently, the policy has included the admission of new migrant workers under a memorandum of understanding between Thailand and Cambodia, Lao PDR and Myanmar (three separate MOUs). However, none of these strategies has led to a reduction in the number of irregular migrant workers. The adoption of short-term policies that support the use of cheap migrant labour has impacted the growth in labour productivity and eroded Thailand's long-term competitiveness. To move away from the short-term policy responses, Thailand should place immigration and labour migration policies high on its national agenda. It also needs to reform the institution/organization for managing migrants as well as improving inter-agency coordination; formulate coherent legal and regulatory frameworks; integrate immigration and labour migration issues into the strategic framework for long-term economic growth; and promote social integration in Thailand.

Executive summary

Thailand is a lower middle-income country with a gross national income per capita of US\$2,840 (2008), which actually was a plunge from the \$3,400 it was in 2007. It is confronting the challenge of avoiding the middle-income trap in which it becomes squeezed between low-wage competitors in developing countries and cutting-edge innovators in industrialized economies. To escape that trap, Thailand needs to place more emphasis on driving productivity growth through efficient resource use and moving from a low-cost resource-based manufacturing economy to a provider of knowledge-based services, which the current Thai Government refers to as the “creative economy”.

However, the structurally embedded demands for low-skilled labour and the availability of labourers from the neighbouring countries willing to exchange their labour for wages lower than the prevailing minimum wages may be undermining critical decisions to push ahead with new, innovative investment. Employers appear to be more comfortable reaping the economic rent in the hiring of more low-paid migrant workers and less inclined to make their business more efficient, particularly through investment in training and technology that will raise their labour productivity. In short, an assumption of the continued availability of cheap migrant labour is influencing decisions for additional investment in the low-skilled labour-intensive manufacturing.

The production system dynamic, the labour market information gap, the expansion of secondary and higher education enrolments and the negative perception of Thai workers towards low-skilled jobs have intensified the labour shortages and the labour mismatch across the spectrum of skills in Thailand. The gap between additional demands for workers and the new workforce entrants with an education attainment higher than primary school will reach an estimated 800,000 persons in 2012.

As the economy reeled back from the impact of the recent global financial crisis in 2009, employers in the manufacturing sector were finding it difficult to attract Thai workers to fill new vacancies. The unemployment rate, at 1.2 per cent over recent years, is far below the natural unemployment rate of 3 per cent. This confirms the tightness in the labour market in which demand for labour outstrips the supply of labour. The labour force participation rate, which indicates the relative size of available labour supply as a share of the total working-age population, is higher, at 77 per cent, than the average for the Association of South-East Asian Nations region, at 73 per cent (2008).

Between 2007 and 2015, the projected labour force in Thailand will grow only by 4 per cent, the lowest among countries in ASEAN. However, the potential latent supply of labour (persons not in the labour force – excluding the young and elderly), equivalent to about 9.6 million in 2009, offers a ray of hope.

The admission of more foreign workers, even if temporary, implies by definition a decrease in the output-labour ratio at the aggregate level, provided the measurement of labour input covers both the domestic and foreign workers. From a policy standpoint, the perplexing issue currently is whether cheap foreign workers have become a substitution for capital investment.

The labour productivity per hour grew between 2000 and 2007 at an annual average of 3.7 per cent, far lower than the 7.4 per cent during the economic boom period between 1987 and 1996. Because migrant workers are not included in the labour force survey, the labour-quality growth calculation could be overestimated. The low capital deepening (after the financial crisis of 1997–1998), coupled with a bias favouring the low-cost and low-skilled labour, created a state of dependency on foreign workers that prevails currently. Hence, it appears as if employers have indeed substituted cheap foreign workers for capital investment over the past decade.

For Thailand, the period to reap the economic benefits (labour supply, consumption, savings, investment and wealth accumulation) from the demographic dividend peaked in 2009 and will come to an end before 2015. The average annual percentage change of the working-age population in Thailand has been increasing at a decreasing rate, from 3.5 per cent (1972–1986) to 2.8 per cent (1987–1996) to 1.4 per cent (2000–2007). The total fertility rate for 2010 is at an estimated 1.8 children per woman, which is below the replacement rate of 2.1.

Thailand has become a country of net immigration, currently accommodating an estimated 2 million irregular, quasi-legal and legal migrant workers from its neighbouring countries. By tolerating the substandard working conditions for migrant workers labouring at lower wages and working for longer hours than the law allows, a distortion in the labour market has been inadvertently created, which has resulted in a long-term dependency on the supposedly temporary migrant workers.

Currently, the formal system for admitting foreign migrant workers is fraught with high costs and complex recruitment procedures, both in Thailand and in the labour-sending countries. As a result, some employers find it convenient and less costly to hire irregular migrants, which has proliferated the underground labour-smuggling networks. The irregular migrants in Thailand include those who used to enjoy a legal status through the registration programme as well as

those who were smuggled into the country. The registering of foreign migrants began in 1992 but only for workers from Myanmar in certain areas of the country; the most recent partial (quasi-legal) regularization programme took place in 2009, when 1.3 million migrant workers from the three neighbouring countries were allowed to register with the Ministry of Labour for a work permit, of which 1,079,991 were from Myanmar, 124,902 were Cambodian and 111,039 were Laotian. These workers are only partially regularized because they retain an illegal immigration status and can still be deported.

Analysis of the past regularization and registration programmes between 2004 and 2009 reveals that an estimated average of 132,000 migrant workers failed every year to renew their registration for a work permit. These workers either fell into irregular status or returned to their home country. They entail those who were registered, those who were accepted through bilateral memorandum of understanding agreements and those regularized through the more recent nationality verification programme but who could not live up to the myriad constraints set in the Alien Employment Act and the Immigration Act. The restrictions include the need to acquire authorization for a change of employer, the need to obtain clearance for travelling outside the province where they work, the need to file a periodic report to the Immigration Office of residence status every 90 days (and within 24 hours for a change in residency) and the need to apply for a re-entry visa before a visit to the home country. Another motive for the registered or legalized migrant workers seeking to change or run away from their employer is the income effect, when their salary is deducted by the employer to cover the costs of registration, nationality verification and recruitment. Many leave also when they hear of better-paying jobs in other provinces.

The failure of the formal admission of foreign migrant workers and the lack of other legal recruitment channels, such as in Myanmar, has played an instrumental role in expanding the recruiting of irregular migrant workers. It has encouraged the increase of migrant smugglers (unauthorized informal brokers). Some brokers have assumed a role either as a service provider by sourcing the migrant workers to the employers or as a subcontractor providing workers for small enterprises that process jobs for larger factories. It's true that more brokers now take responsibility for registering migrant workers with the Government and arranging their work permit. But as a result, many migrant workers have become victims of debt bondage who have to work their way out of a huge debt, which is likely larger than the actual amount of expenses advanced by the brokers. The failure of the formal recruitment process and of proper labour inspection have led to extensive labour exploitation, forced labour and trafficking in humans in many provinces, especially in the unprotected sectors such as fishing and agriculture.

Migrant workers, irrespective of their legal status and occupations, have positively contributed to the Thai economy in many aspects. They have contributed to gross domestic product growth, especially in labour-intensive sectors, sustained Thailand's short-term competitive edge, contained wage push/price inflation, complemented the employment of Thai workers, enabled the participation of more Thai women in the labour market and improved the reallocation of resources through occupational switching among Thai workers.

Given the estimated number of migrant workers (2 million from the three neighbouring countries), the total estimated annual remittances were about 44.5 billion baht to Myanmar, 3.8 billion baht to Lao PDR and 3.3 billion baht to Cambodia. The remittances should greatly contribute to the national as well as the local development of those origin countries and thus reduce the poverty level but only if they are properly harnessed for productive investment in human capital and in starting up small enterprises.

Despite the positive contribution of foreign labour to Thailand's economy, there remains a negative relationship between the additional employment of migrant workers and labour productivity growth in the manufacturing and service sectors. A study found that between 1990 and 2008, a 1 per cent increase in the share of migrant workers reduced labour productivity in manufacturing and service sectors by an estimated 0.883 per cent and 1.351 per cent, respectively. Because of that negative impact, combined with the reality that migrant labourers became a substitution for capital investment, Thailand is now confronted with a productivity gap. If the current policy on cheap labour and the labour market distortions continue, Thailand will find it difficult to catch up with the high-productivity countries in the region or will be overtaken by countries with high productivity. Either way, Thailand's long-term competitiveness is in jeopardy.

Thailand needs to initiate an integrated response to the structurally embedded labour shortages, the influx of irregular migrant workers, the dependence on low-skilled workers, the failure of the formal system in admitting migrant workers, the eroding competitiveness, the declining labour force and the conflicting legal and institutional frameworks for managing labour migration.

Thus, government agencies, employers' and workers' organizations and civil society organizations need to advocate for various concrete and strategic actions, such as the following recommendations:

1. Formulate and implement coherent, comprehensive, consistent and transparent long-term immigration and labour migration policies, guided by international labour standards and other relevant international instruments.

2. Improve the consistency between various legal and regulatory frameworks (the Alien Employment Act, Immigration Act, Labour Protection Act, Nationality Act, Social Security Act), and provide incentives and flexibility for legal migration.
3. Promote the rights and equality of opportunity and treatment of migrant workers and nationals with respect to working conditions, organizing and collective bargaining.
4. Impose on employers to bear the costs of recruitment and employment of migrant workers.
5. Undertake institutional reforms with the adoption of an integrated approach to managing and monitoring labour migration programmes, and promote social dialogue at local and international bilateral or multilateral consultations.
6. Streamline the foreign worker admission programme under the memoranda of understanding to ensure timely, low-cost and flexible procedures and the coordinated repatriation of irregular migrant workers.
7. Place labour migration and immigration issues, including skilled migrants, on the national agenda, and integrate those issues into the Eleventh National Economic and Social Development Plan.
8. Design and implement programmes to ensure the protection of migrant workers' rights, equality of treatment, their access to legal justice and their social integration into the world of work and into Thai society.
9. Incorporate migrant workers into the national social security system and into the Workmen's Compensation Fund.
10. Explore the possibility of free cross-border movement of labour, beginning with Lao PDR.

International migration has become more diverse and complex in recent decades. In the past, countries could easily be characterized as either migrant sending or migrant receiving. Currently, many developing countries, to varying degrees, have become both migrant-sending and migrant-receiving nations. Labour migration has contributed to the increase in well-being of labour-sending and receiving countries and to the expanded dynamics of regional economies. With the increasing depth of globalization and regional economic integration, the cross-border movement of people is likely to intensify in the future.

Thailand's Tenth National Economic and Social Development Plan (2007–2011) placed less emphasis on economic growth than on “sufficiency economy philosophy”, a concept that promotes long-term, sustainable, harmonious, quality and ethical economic development. The plan acknowledges changes in the global economic and technological spheres. It recognizes the impact of regional economic integration that may soon give rise to the free cross-border movement of people and suggests that Thailand has to introduce measures to promote greater overseas employment of Thai workers as well as attract foreign workers to contribute to economic growth. However, the plan failed to provide any policy direction towards the cross-border movement of people.

Thailand has attained the lower-middle income country status¹ and is now confronted with the challenge of the “middle-income trap”, a situation in which low rates of private investment and productivity growth.² If it does not address the predicament, Thailand will find itself squeezed between the low-wage competition of developing countries and the cutting-edge innovations of industrialized economies. To avoid the middle-income trap, Thailand needs to place more emphasis on advanced skilled workers to produce innovative and creative products, to drive productivity growth and to lay a solid foundation for future growth, especially in making the transition from a low-cost resource-based manufacturing economy to a provider of knowledge-based services, which the current Thai Government refers to as the “creative economy”.

¹ Economies are divided according to gross national income per capita, calculated using the World Bank Atlas method. The groups are: low income, US\$975 or less; lower-middle income, \$976–\$3,855; upper-middle income, \$3,856–\$11,905; and high income, \$11,906 or more.

² World Bank: *Ten years on and beyond: Remembering the 1997 Asian crisis* (Bangkok, July 2007).

This then puts Thailand in a dilemma: continue capitalizing on the vast supply of low-skilled labour from neighbouring countries in the Mekong subregion or shift policies and practices dramatically to promote private-sector investment in new technologies and attract the limited supply of skilled workers from other countries. Malaysia, for example, the National Economic Advisory Council just published a document promoting the New Economic Model for Malaysia.³ Among the many goals, the model aims to push country into the high-income country category (\$15,000–\$20,000 per capita) by 2020. The document proposes, *inter alia*, the removal of labour market distortions, the retention and the courting of global talent.

The structurally embedded demands for low-skilled foreign workers and the availability of labourers from the neighbouring countries who are often paid wages lower than the minimum level stipulated by law may actually be influencing the decision to make new, innovative investment. Habits can be hard to change, particularly when employers seek to reap the economic rent from hiring more of the low-paid foreign migrant workers rather than invest to upgrade their production techniques and improve their competitiveness in a different manner.

Hence, the Government should critically review its policy on maintaining the latent wage subsidy in the form of low-cost foreign workers. Some countries, such as Singapore, Hong Kong (China) and Bahrain, have established a clear, guiding policy to discourage employers from capitalizing on low-cost foreign workers. Most economists believe that the long-term dependence on cheap labour from abroad may discourage firms from making their business more efficient by investing in the training and technology that is essential for raising labour productivity. Low labour productivity translates to low pay and hence lower living standards.

To cope with the flood of irregular migrants that had been rapidly growing, the Thai Government initiated a quasi-legalization programme that allowed the registration of foreign migrants and the conversion of their immigration status, including admission of new migrant workers under the memoranda of understanding (MOUs) between Thailand and Cambodia, Lao PDR and Myanmar. However, none of these strategies reduced the number of irregular migrant workers. Rather, the continued distortion in the labour market, such as the lack of or weak collective bargaining practices, inadequate labour protection, indirect taxation on wages (underpayment) and the restrictive movement of labourers, caused Thailand's dependency on migrant workers in occupations shunned by Thai workers.

³ National Economic Advisory Council: *New economic model for Malaysia* (Kuala Lumpur, Mar. 2010).

The temporary-migration syndrome (in which foreign migrant workers have been fielded into the long-term unattractive jobs) in Thailand is due to uncoordinated migration management, incoherent legal frameworks and the lack of sound policy direction. For instance, the Labour Protection Act provides broad coverage to all workers, irrespective of their status; but there are some sectors that are outside the purview of the law, such as agriculture, fishing and household services. Migrant workers are barred from organizing a trade union and are restricted from geographical mobility and changing employers. The weak legal enforcement and the inconsistency between the Labour Protection Act and the restrictive Immigration Act have further aggravated the situation of migrant workers and thus forced them into irregular status. Moreover, there is no provision in the current legal system that provides incentive to both migrant workers and employers to abide by the law.

Migrant workers also experience a range of barriers to cultural and social integration in Thai society and into the world of work. These include restrictions attached to their ambiguous immigration status, discrimination, negative public attitudes, information gaps and linguistic difficulty. Unlike countries with well-planned immigration management, Thailand does not prescribe any programme for the integration of the migrant workers into its social, cultural and working environments. Alarming, the growing number of foreign migrants is prone to occupational and health hazards and is largely outside the coverage of the national social security programme and the Workmen's Compensation Fund.

2

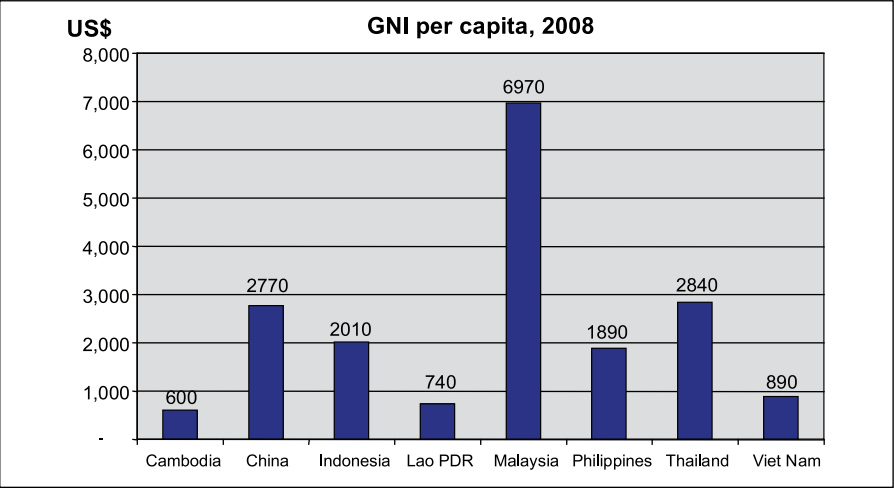
Development challenges

Thailand's gross national income per capita of US\$2,840 in 2008 was a plunge from the \$3,400 that it was in 2007. However, the poverty headcount fell from 10 per cent in 2006 to 8.5 per cent of the total population in 2007, based on the poverty line of 1,443 baht per person per month (expenditure).⁴ The country is now confronted with stagnant economic growth and eroding competitiveness because of the low rate of private investment and productivity growth. In the absence of government interventions, the divergence between the rates of return from the traditional investment in "high volume, low mix" production and the investment in "low volume, high mix" of technology-based products could tighten the grip of the middle-income trap on the country's economy.⁵ To avoid that trap, Thailand has to gear its production away from low-skilled labour industries, which cannot easily remain competitive. This means it must acquire a skilled workforce and technology rather than rely solely on providing factory space and cheap labour. Hence, the future challenges for Thailand rests critically on promoting knowledge-based private investment and increased productivity.

⁴ National Social and Economic Development Board: *Report on the assessment of the poverty situation in 2007* (Bangkok, 2008).

⁵ S. Yusuf and K. Nabeshima: *Can Malaysia escape the middle-income trap? A strategy for Penang*, Policy Research Working Paper 4971 (Washington, DC, World Bank, June 2009).

Figure 1. GNI per capita



Source: World Development Indicator, World Bank, 2009.

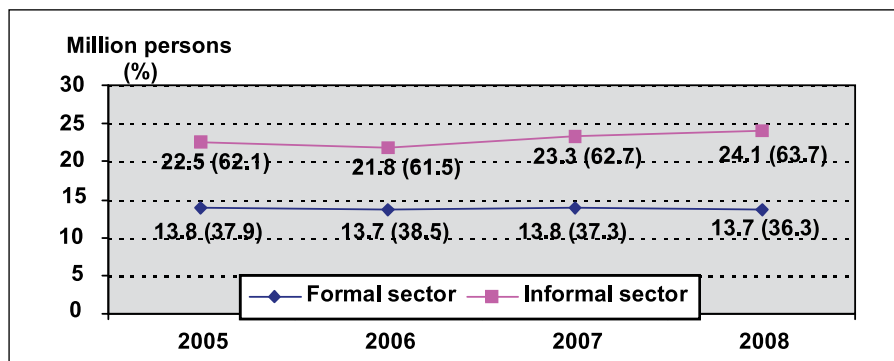
The ASEAN Free Trade Area (AFTA) launched in January 2010. The regional single market as envisioned under the ASEAN Economic Community blueprint is to realize in 2015, with products, services, capital and skilled labour allowed to move freely around the region. These developments should bring about the relocation of upstream and labour-intensive industries within ASEAN Member Countries.

3

Labour market outcomes

The impetus on short-term competitive edge and the expansion of production chains through subcontracting practices may have inadvertently stimulated the proliferation of the informal economy in Thailand. According to the National Statistical Office, the share of employment in the informal sector (defined as a sector in which workers are not protected by the labour laws or the established social safety nets), which tends to hire more foreign migrant workers, has expanded from 61.5 per cent in 2006 to 62.7 per cent in 2007 and to 63.7 in 2008. In 2008, this sector employed 62 per cent of workers in agriculture, 16 per cent in wholesale and retail trade, 7 per cent in hotel and restaurant services, 5 per cent in manufacturing and 4 per cent in construction.

Figure 2. Survey of employed workers in the formal and informal sectors, 2008



Note: The percentages are shown in parenthesis

Source: National Statistical Office, Thailand, 2008.

The dynamics in the production systems, the labour market-information gap, the expansion of secondary school enrolment rates and Thai workers' negative attitude towards low-skilled jobs have intensified labour shortages and created a labour mismatch across the spectrum of skills in Thailand. In 2008, the overall rate of job placement to vacancy of 54.06 per cent and the rate of job applicant to vacancy of 122 per cent should explain the prevailing skill mismatch in Thailand labour market. For instance, the high job placement rate of 95.9 per cent and the rate of placement to applicant of 51.2 per cent

for applicants with bachelor degree may imply the successful placement in jobs below their educational qualification. For job applicants with education at primary level and below, the rate of placement is 59.1 per cent, while the rate of placement to applicant is only 31.8 per cent⁶. The study commissioned by the ILO shows that the gap between additional demands for workers and the workforce with an education beyond primary school will reach an estimated 800,000 persons in 2012⁷. As more Thais seek higher education (with support from government policy that extends compulsory education to the lower secondary level), employers will be compelled to hire foreign workers for jobs that are increasingly shunned by Thai workers.

The recent global financial crisis triggered a temporary rise in unemployment, which may be discouraging many Thai students from entering the labour market and instead opting to continue their studies for a few more years. However, the findings from a 2008 National Statistical Office survey indicates a resilience of the Thai economy to the recent external shocks; responding to survey questions, employers expressed a somewhat optimistic view about the employment prospects for the second half of 2009.⁸

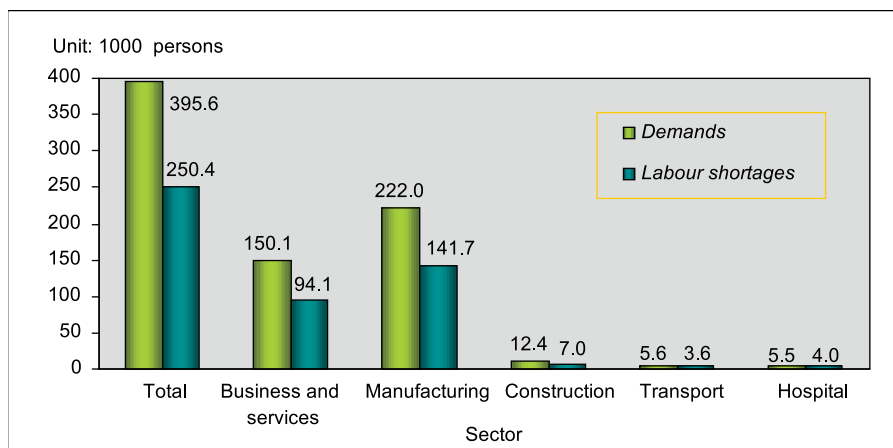
Not surprising, employers in 2010 in the manufacturing sector are finding it difficult to attract Thai workers to fill vacancies and are thus facing labour shortages as the economy slowly reels back from the impact of the global financial crisis. A possible explanation for this phenomenon is that Thai workers may have been discouraged from obtaining decent employment in the formal sector where employment is becoming insecure and contract based and have turned to the informal sector where they can build their own fortune and have some freedom to manage their financial destiny. Another probable explanation is that the forecasted favourable prices and earnings within the agriculture sector in 2010 may have induced many Thai workers to remain in the countryside.

⁶ National Economic and Social Development Board: *Social investment under changing environments and adjustment toward knowledge-based economy* (Bangkok, 2009).

⁷ ILO: *Review of labour migration policy, strategy, and management, and immigration pressure in Thailand* (Bangkok, 2009).

⁸ National Statistical Office: *Survey of entrepreneurs on the impact of the current financial crisis* (Bangkok, 2009).

Figure 3. Survey of demands for labour and labour shortages, 2008



Source: National Statistical Office, Thailand, 2008.

Table 1. Forecasted demand for additional labour, 2007–2012

Unit: 1000 persons

Occupational groups	2006	2007	2008	2009	2010	2011	2012
Additional demands for business expansion (growth)							
Administrators & skilled workers	-79.3	836.6	415.8	417.6	414.4	445.1	384.9
Basic/low-skilled workers	43.2	2.8	123.2	105.6	120.6	137.2	149.5
Total	-36.1	839.4	539.0	523.2	535.0	582.3	534.4
Additional demand for replacement of workers (turnover)							
Administrators & skilled workers	410.2	445.6	463.3	481.0	498.5	517.4	533.7
Basic/low-skilled workers	124.9	125.0	130.2	134.7	139.8	145.7	152.0
Total	535.1	570.6	593.5	615.7	638.4	663.1	685.7
Total additional demands for workers							
Administrators & skilled workers	330.85	1 282.23	879.01	898.52	912.94	962.53	918.57
Basic/low-skilled workers	168.11	127.77	253.49	240.36	260.43	282.82	301.50
Grand total	498.96	1 410.01	1 132.50	1 138.89	1 173.37	1 245.35	1 220.07

Note: The additional demand for replacement of workers is calculated based on the job turnover rate of 4.24%
Source: Thailand Development Research Institute, 2006.

Table 2. Forecasted new graduates who expect to enter the labour market (flow), classified by level of education, 2006–2012

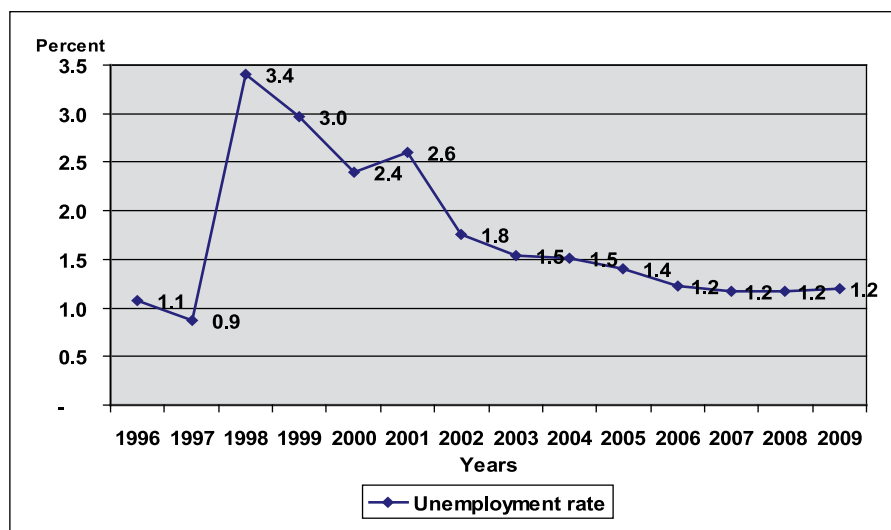
Unit: persons							
Educational level	2006	2007	2008	2009	2010	2011	2012
Lower secondary	102 266	102 119	101 970	101 675	101 201	100 542	99 691
Upper secondary	57 095	57 013	56 930	56 765	56 500	56 133	55 658
Vocational education	23 111	23 078	23 045	22 978	22 871	22 722	22 529
Higher vocational education	113 432	112 909	112 382	111 691	110 803	109 714	108 416
Bachelor's degree	102 399	103 968	105 554	107 006	108 281	109 363	110 233
Post-graduate	25 819	26 593	27 374	28 159	28 955	29 737	30 526
Total	424 122	425 680	427 255	428 274	428 611	428 211	427 053

Source: Thailand Development Research Institute, 2006.

The unemployment rate in Thailand, which has lingered around 1.2 per cent over the past few years, is far below the natural unemployment rate of 3 per cent (the rate normally remains in the economy), indicating a tightness in the labour market in which demand for labour outstrips the supply of labour. To assess the pressure on the labour market, there is a need to examine the growth in real wage net of changes in productivity. This can be done by looking at the unit labour cost, which is a good indicator of labour market pressure. According to a recent Bank of Thailand study, the real unit labour cost in Thailand rose faster than the labour productivity between 2004 and 2005, and again in 2008, despite a negative growth rate of productivity in the fourth quarter following the onset of the global financial crisis.⁹

⁹ A. Waiquamdee, P. Sutthasri and S. Tanboon: *Monetary policy and underlying inflation pressures: The essence of monetary policy design, Discussion paper* (Bangkok, Bank of Thailand, 2009).

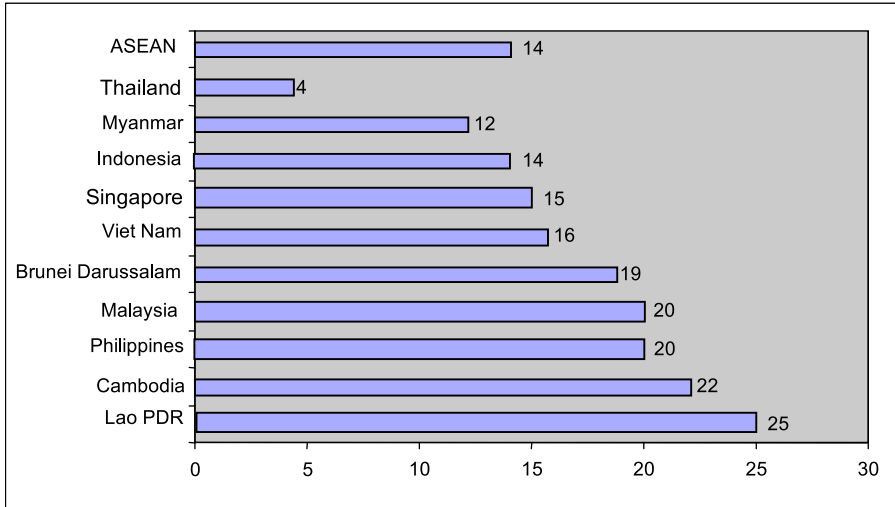
Figure 4. Unemployment rate in Thailand



Source: National Statistical Office, Thailand

The labour force participation rate, showing the relative size of available labour supply (employed and unemployed) as a share of the total working-age population, has been hovering at 77 per cent, which is higher than the average for ASEAN of 73 per cent in 2008. The Thai labour participation rates are projected to decline to 76.9 in 2015 and to 76.7 per cent in 2020 due to demographic changes. The projected labour force in Thailand will grow only by 4 per cent between 2007 and 2015, the lowest in ASEAN; the projected average expansion of labour force for ASEAN is 14 per cent.

Figure 5. Projected labour force growth in ASEAN, 2007–2015 (%)



Source: LABORSTA. *Economically active population estimates and projections* (version 6). ILO.

The employment-to-population ratio, indicating the economy's ability to create jobs as a share of the total working-age population, was 73 per cent in 2007, which was higher than the average for ASEAN, at 66 per cent. In 2008, this proportion slightly dropped to 72.4 per cent (third quarter) as a result of the global financial crisis. Yet, this dip may actually be an indication that the Thai labour market is becoming very tight (labour hoarding phenomenon), with limited scope for generating additional employment.

In October 2009, the garment, electronic and auto industries signalled to the Ministry of Labour of looming labour shortages. This could be testament to a further tightening labour market. Interestingly, there might be some room to generate an additional source of Thai labour from the latent supply of labour (persons not in the labour force – excluding the young and elderly), which represented about 25 per cent of the labour force in third quarter 2009, equivalent to about 9.6 million people (an increased by 1 per cent from 2008). There is need to conduct an in-depth study on the size of that potential additional labour supply and the schemes for harnessing them. This would cover persons who want a job but don't want to search for work, are periodically (even a few hours at a time) attached to the labour force and discouraged workers (people who can't find the job they want).

4

Labour productivity in Thailand

From a theoretical perspective, labour productivity is the amount of goods and services produced by a worker over a specified period of time. In aggregate terms, it is the ratio of the volume of measure of output at adjusted prices (gross domestic product) to a volume of measure of input (work hours or employed workers). The admission of more foreign workers, even if temporary, implies by definition a decrease in output per labour ratio at the aggregate level, provided the measurement of labour input covers both the domestic and the foreign workers.

In Thailand, the labour productivity per hour grew at an annual average of 3.7 per cent between 2000 and 2007, lower than during the economic boom period between 1987 and 1996 when it was 7.4 per cent. The main reason was probably due to the slow average employment growth and the stagnation in capital investment. If foreign migrant workers were included in the calculation, the labour-quality growth would have been even lower.¹⁰ Thus there arises, from a policy standpoint, a question of whether cheap foreign workers have been substituted for capital investment.

Table 3. Average annual labour productivity growth and contributions from capital intensity, labour quality and total factor productivity, by subperiod¹¹

Periods	Real GDP per hour growth (%)	Capital deepening (%)	Labour quality growth (%)	Total factor productivity growth (%)
1987 – 1996	7.4 (100%)	4.3 (57%)	1.3 (18%)	1.8 (25%)
1997 – 1999	-1.6	2.4	2.7	- 6.7
2000 – 2007	3.7 (100%)	0.5 (15%)	1.2 (32%)	2.0 (53%)

Source: S. Chuenchoksan and D. Nakornthab: *Past, present and prospects for Thailand's growth: A labor market perspective*, Discussion paper (Bangkok, Bank of Thailand, 2008).

¹⁰ Beginning in 2006, the National Statistical Office has collected data on the employment status of foreign migrant workers in some selected quarters. With the dominance of irregular migration in Thailand, the data collection may capture only a portion of migrant workers. This results in the under-estimation of the actual number of foreign migrant workers in Thailand.

¹¹ S. Chuenchoksan and D. Nakornthab: *Past, present and prospects for Thailand's growth: A labor market perspective*, Discussion paper (Bangkok, Bank of Thailand, 2008).

Looking at sector-productivity growth,¹² the improvement in labour productivity (output per worker) in agriculture is attributable to the increased capital per worker, even though the labour force has been declining. To cope with the labour shortage, farming production has become more mechanized. The gain in total factor productivity (TFP), reflecting the efficiency change in the use of inputs in this sector, was small, averaging 1 per cent per annum from 1999 to 2005.

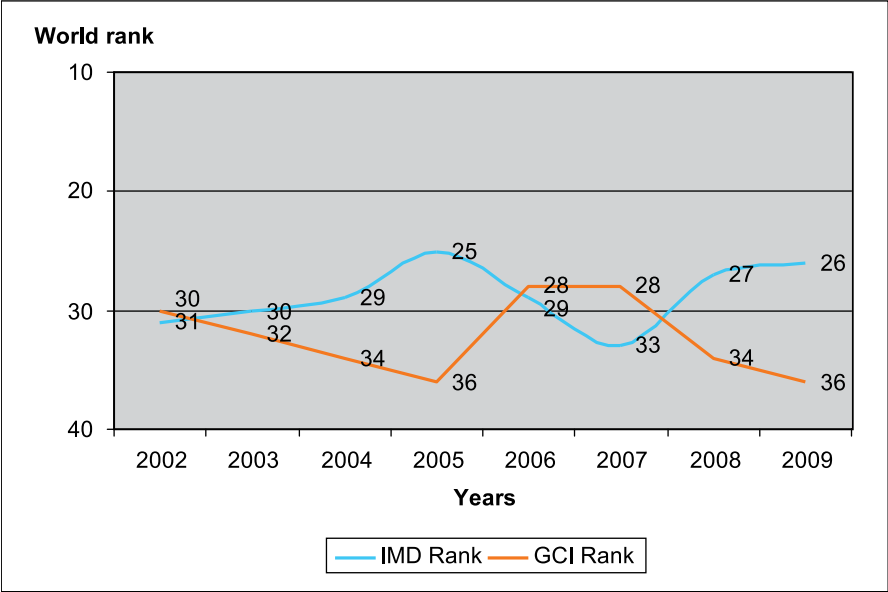
In the industrial sector, output per worker fell by one third after the post financial crisis (1999–2005). However, the growth in the TFP helped offset some of the decline in labour productivity. In the services sector, labour productivity dropped by 10 per cent from 1996 to 1999 and remained stagnant in subsequent years. The weak labour productivity growth was attributable to a sharp decline in capital accumulation. The gain in the TFP of 0.5 per cent per annum was too low to raise the overall productivity in this sector. The low capital deepening (after the 1997–1998 financial crisis) coupled with a bias favouring low-cost and low-skilled labour created a dependency on foreign workers. Hence, it seems fair to conclude that cheap foreign workers have indeed been substituted for capital investment over the past decade.

For Thailand to stay on the long-term “potential” or “trend” of economic growth – the extent at which GDP can expand without causing inflation, there needs to be sustained growth in the quality of the labour supply and productivity derived from capital investment, technological innovation and skills acquisition. However, enterprises cannot raise their productivity through new technology unless they can flexibly match it with skilled workers, either native or foreign.

The sustained growth in labour productivity also implies improved competitiveness. Thailand’s world ranking in competitiveness, calculated by the International Institute for Management Development and the Gannett Co., Inc. (figure 6), floated up and down between 25 and 36 from 2002 to 2009. Thailand can still improve its competitiveness and achieve higher growth in productivity through the infusion of new technology (capital deepening), promotion of technical skills development and admission of skilled foreign workers.

¹² National Economic and Social Development Board and the World Bank: *Measuring output and productivity in Thailand’s service-producing industries: A joint project* (Bangkok, 2008).

Figure 6. Thailand's competitiveness



Source: IMD world competitiveness year books and Global competitiveness reports – World Economic Forum

According to a National Economic and Social Development Board (NESDB) report,¹³ Thailand is gradually transitioning to an ageing society. Its dependency ratio will have increased from 7 working-age people per 1 elderly person in 2000 to an estimated 2.7 working-age people per 1 elderly person in 2027 (17 years from now). The NESDB study also showed that the fertility rate in Thailand has been declining, from 4.9 children in 1974 to only 1.6 children in 2005.

The population trend is having a profound impact on the change in the working-age population. The average annual percentage change of the working-age population has been increasing at a decreasing rate, from 3.5 per cent between 1972 and 1986 to 2.8 per cent between 1987 and 1996 and to 1.4 per cent between 2000 and 2007. According to the *UN world population prospect* (2008 revision), the fertility rate for Thailand for 2010 is estimated at about 1.8 children per woman (table 4), which is below the needed replacement rate of 2.1.

Table 4. Fertility rate in selected countries

Countries	2000–2005	2007	2010–2020
Cambodia	3.7	3.2	2.96
Lao PDR	3.7	3.2	3.54
Malaysia	2.9	2.6	2.58
Myanmar	2.3	2.1	2.32
Thailand	1.8	1.8	1.81
Viet Nam	2.3	2.2	2.08

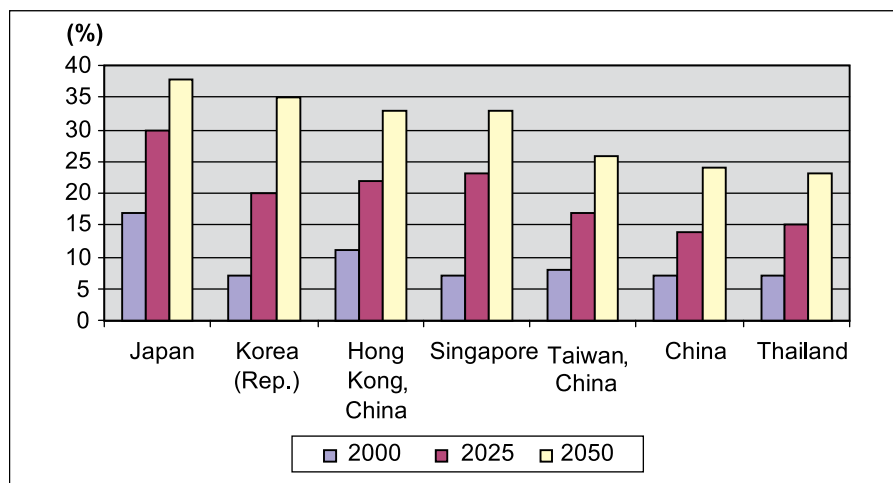
Source: UN ESCAP statistical yearbook for Asia and the Pacific 2008 and UN data (A world of information - projection)

Based on the projected demographic data of the *UN World Population Prospect*, the dependency ratios of the elderly population (aged 65 and older) are increasing in the major countries of East Asia between 2010, 2025 and

¹³ National Economic and Social Development Board: *Report on Analysis of Change in Population Structure and its Impacts on National Development* (Sep. 2008).

2050 (figure 7). For example, it increases, respectively, in Japan from 23 per cent to 30 per cent to 38 per cent; in Hong Kong from 13 per cent to 22 per cent to 33 per cent; in Korea (Rep.) from 11 per cent to 19 per cent to 34 per cent; in Singapore from 10 per cent to 23 per cent to 33 per cent; in China from 8 per cent to 13 per cent to 23 per cent; and in Thailand from 8 per cent to 13 per cent to 20 per cent.

Figure 7. Dependency ratios for the population aged 65 and older

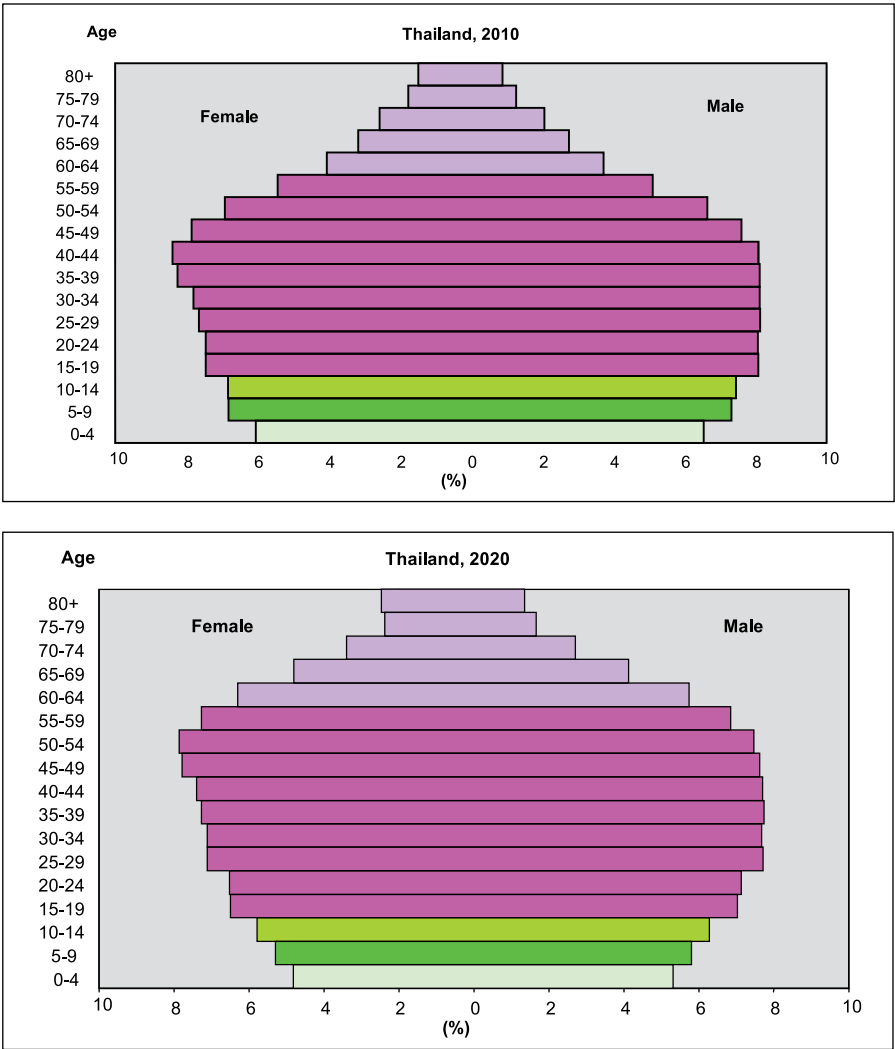


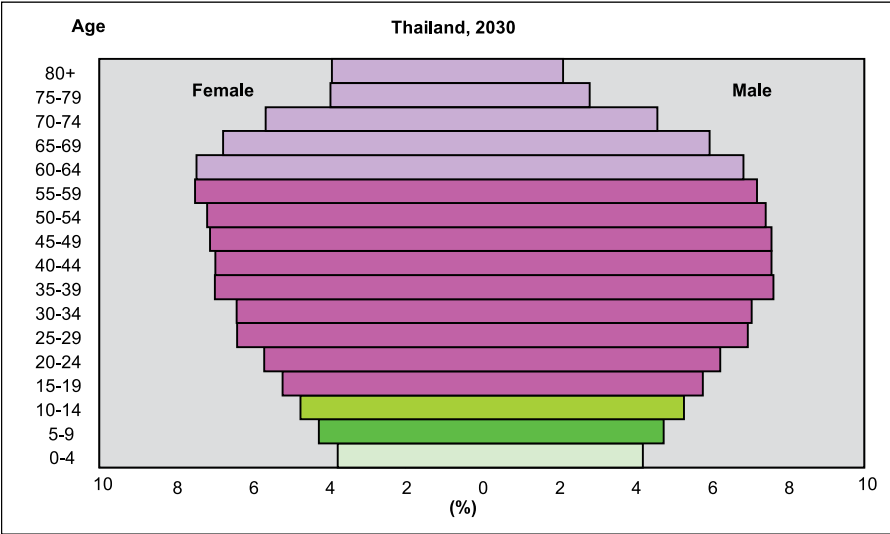
Source: UN World Population Prospect (2008 revision)

For Thailand, the period to reap the economic benefits (labour supply, consumption, savings, investment and wealth accumulation) from the demographic dividend peaked in 2009 and will come to an end before 2015.¹⁴ In most East Asian countries, the proportion of working-age population (aged 15–59) has been declining since 2005, and the window of opportunity for reaping the demographic dividend has already closed. The following projected population pyramids for 2010, 2020 and 2030 indicate the trends of Thailand's ageing population (figure 8).

¹⁴ S. Khamman: *The last chance for Thailand: Six remaining years for the sustained development of Thai people*. (Bangkok, National Economic and Social Development Board, 2004).

Figure 8. Demographic trends in Thailand, 2010-2030





Source: Constructed from "Population projections for Thailand 2000-2030", National Economic and Social Development Board, Bangkok, 2007.

Migrant workers in Thailand: Registration, nationality verification and MOU admission

6

Thailand has become the country of net immigration, currently accommodating an estimated 2 million of irregular, quasi legal and legal migrant workers from its neighbouring countries. By tolerating the substandard working conditions for migrant workers labouring with lower wages and working longer hours than what the law specifies, a distortion in the labour market has been inadvertently created, which has resulted in a long-term dependency on the supposedly temporary migrant workers. This has further encouraged employers to demand for more migrant workers to cope with the labour shortages instead of expanding capital investment to renovate their production techniques or relocate their production base to other countries.

When the formal system for admitting migrant workers is fraught with high costs and complex recruitment procedures, both in Thailand and in the labour-sending countries, some employers find it convenient and less expensive to hire the irregular migrants. Indeed, this has bred the proliferation of the underground “networks” that smuggle migrant labourers across the borders. For instance, the formal recruitment expenses under the Memorandum of Understanding (MOU) on Employment Cooperation range from 15,500 baht (\$484) to 25,000 baht (\$781) for Lao migrant workers and from \$600 to \$700 for Cambodian workers. Normally, it takes about three to six months to recruit and place a migrant worker in a job.

In contrast, it costs about \$100 for a smuggling network to transport a migrant from Lao PDR or Cambodia to Thailand and \$240–\$550, depending on the destination province, to smuggle someone from Myanmar. The irregular migrants in Thailand consist of those who used to enjoy the legal status through proper registration, nationality verification or the MOU admission as well as those who have been smuggled into the country.

The Thai Government initiated the first partial regularization of irregular migrant workers (but only those from Myanmar and in specific areas) in 1992, covering ten border provinces. Since then, a series of registration and partial regularization programmes have been introduced to account for the actual number of migration workers from Myanmar as well as Cambodia and Lao PDR living in Thailand. However, not all previously registered migrant workers continued their registration with the authorities in subsequent years due mainly to a poor public campaign about the process, complex procedures, the high costs and unrealistic deadlines. The nationwide partial regularization

programmes (covering migrant workers from Cambodia, Lao PDR and Myanmar) were first introduced in 2004 and again in 2009, when more than a million migrant workers registered with the Ministry of Interior. Following the partial amnesty programme in 2009, 1.3 million migrant workers registered with the Ministry of Labour for a work permit, of which 1,079,991 were from Myanmar, 124,902 were Cambodian and 111,039 were Laotian. In 2009, there were only 3,543 formal admissions of migrant workers from Cambodia under the MOU process and only 4,027 admissions from Lao PDR. Overall, the proportion of foreign migrant workers, legal or irregular, was about 5 per cent of Thai labour force in 2009.

The number of migrant workers who registered for a work permit with the Ministry of Labour was less than the number who registered with the Ministry of Interior, which included dependants of the migrant workers residing in Thailand, largely from Myanmar. Because the work permit registration process is fraught with inconveniences and restrictions on migrant workers' ability to change employer and to move across the provinces, the number of migrant workers wanting to renew their work permit declines every year. This has compelled the Ministry of Labour to occasionally seek approval from the Cabinet for a small-scale partial regularization programme targeting those who used to have legal status (on some occasions, the programme has also included the new irregular migrants). An analysis of the past partial regularization programmes and the series of registrations between 2004 and 2009 indicates there was an estimated average of 132,000 migrant workers who failed to renew their registration for a work permit every year.

These workers may either be those who moved into irregular status or who returned to their home country; the likelihood that they shifted to an irregular status is much stronger. These workers consist of the registered, the MOU recruited and the regularized through the nationality verification programme who could not live up to the myriad constraints set in the Alien Employment Act and the Immigration Act. The restrictions include the need to acquire authorization for a change of employer (with consent from the employer and the Ministry of Labour), the need to obtain clearance for travelling outside the province where they work, the need to report to the Immigration Office on residency status every 90 days and within 24 hours when changing the place of residency and the need to apply for a re-entry visa before visiting the home country (applicable only to those recruited under the MOU and with a temporary passport).

A significant motive for the registered and legalized migrant workers to change or run away from their employer is due to the negative income effect: The employer deducts the costs of registration, nationality verification

or recruitment from their wages. The deduction of migrants' wages for the repatriation fund (to cover their return expenses and thus ensure they leave the country after completion of their tenure) as stipulated in the Alien Employment Act also imposes an additional burden on migrants.

Table 5. Migrant workers renew/registration, MOU admission and nationality verification

	Registered with Ministry of Interior	Renew/register for work permit	Renew/register for work permit	MOU admission	Renew registration for work permit (20 Jan. & 28 Feb. 2010)*	Nationality verification (cumulative as of 5 March 2010)
	2004	2009			2010	2006-2010
Cambodia	183 541	110 601	124 902	3 543	73 453	70 790
Lao PDR	179 887	105 259	111 039	4 027	83 139	58 430
Myanmar	921 492	633 692	1 079 991	-	706 374	41 770
Total	1 284 920	849 552	1 315 932	7 570	862 966	170 990

*Including those with certificate of identity or temporary passport

Source: Ministry of Labour, Thailand

The main focus of the MOUs on employment cooperation between Thailand and its neighbouring countries is aimed at regularizing the registered irregular migrant workers through nationality verification (issuing a temporary passport/Certification of Identity). However, the effectiveness of the nationality verification is questionable. During the past four years (from 2006 to early March 2010), only 57 per cent of Cambodian-registered migrant workers gained their legal status, compared with the number of migrants registered in 2009.

The nationality verification for Cambodian migrant workers is considered to be the most effective. The Ministry of Labour provides space in its Bangkok offices for Cambodian government officials to conduct the nationality verification year round. This involves interviewing migrant workers and issuing them a certification of identification. In contrast, the nationality verification by the Lao PDR Government has been carried out on a periodic basis, with the Lao authority setting up temporary offices in major public places to verify the Lao migrants. Only 53 per cent of the registered Lao migrant workers obtained a temporary passport between 2006 and 2010 (as of 5 March 2010), compared with the number of migrants registered in 2009. When comparing the number verified with those registered in 2004 from both countries, the proportion was somewhat low (39 per cent for Cambodia and 32 per cent for Lao PDR.)

The nationality verification programme for registered migrant workers from Myanmar, which began in late 2009, is considered to be the most obscure, complex and dangerous process. Workers are required to include information about their family and address on the application form for a pre-screening by the Myanmar authorities. Once the Myanmar authorities are satisfied with the information, each migrant worker is to be escorted either by their employer or an authorized brokerage agency to the agreed work station in Myanmar for the formal verification process. On completion of the verification, migrant workers receive a temporary passport valid for three years; they can then apply for the non-immigrant visa and the work permit in Thailand, where they must obtain a medical clearance, a two-year non-immigrant visa and a work permit. The cost of the whole process supposedly ranges from 5,000 to 7,500 baht per person, while many workers have actually paid far more.

In addition, there are widespread rumours among the communities of migrant workers from Myanmar in Thailand regarding the harassment of the workers' families or collection of taxes from them by the Myanmar authorities. Many migrant workers also fear being detained and arrested when crossing the border to undergo the nationality verification in Myanmar. Thus far (as of 5 March 2010), only 41,770 migrants from Myanmar have passed the verification process, equivalent to about 4 per cent of the registered migrants in 2009.

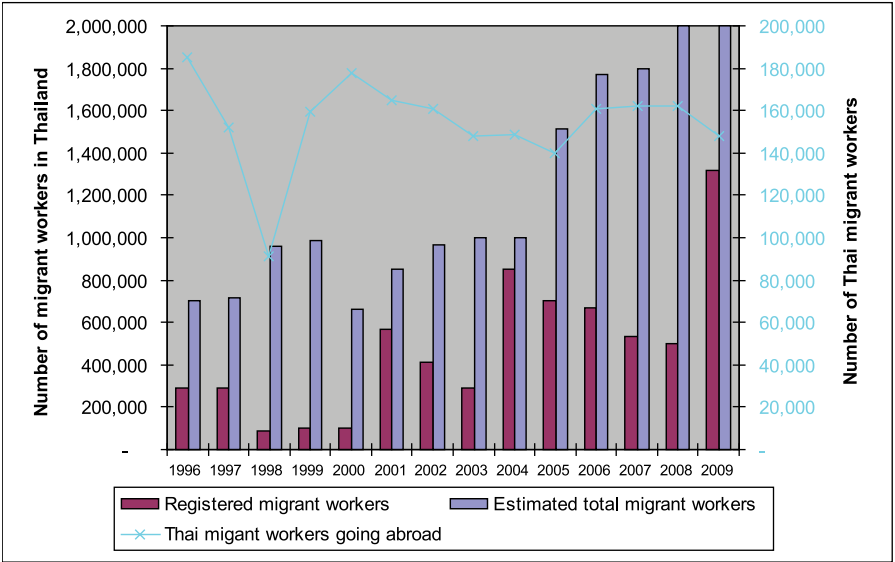
Because of the restrictive regulatory measures, it is unknown how many of the regularized workers have maintained their legal employment and immigration status. Over the years, a large number of legal and quasi-legal migrant workers (registered, regularized and MOU admission) most likely shifted to an irregular status due to the restrictive labour migration policies on change of employer, internal mobility, cross-border re-entry visa application, notification of residency every 90 days, etc. Because migrant workers are generally recruited for unskilled jobs in violation of Article 12 of the Immigration Act 1979, which prohibits the employment of foreigners as labourers, they could be apprehended and deported by the immigration authorities anytime.

Thailand has no systematic pre-employment orientation or social integration programme to assist migrant workers in understanding their rights, obligations, rules and regulations regarding their legal status and health and safety issues at work. In practice, they are simply sent to a workplace and then expected to repay the costs to cover their recruitment and nationality verification.

Although Thailand is experiencing a chronic labour shortage, hundreds of thousands of Thai migrant workers are being deployed for overseas jobs in East Asia and the Middle East every year (figure 9). Many become victims of fraud and exploitation by the recruitment agencies and employers abroad.

Surprisingly, the Government pays no attention to the reintegration of returned Thai migrant workers into the local labour market.

Figure 9. Number of foreign migrant workers in Thailand and Thai migrant workers going abroad



Source: Ministry of Labour, Thailand

7

Forced labour and labour exploitation of migrant workers

As previously noted, the failure of the formal admission of migrant workers coupled with the lack of other legal recruitment channels in Myanmar has enabled the unauthorized informal brokers to flourish in the recruiting of irregular migrant workers and often the subsequent oppression of them. In some provinces, such as Samut Sakhon, the informal brokers have assumed the role of either service provider by sourcing the migrant workers to the employers or as a subcontractor (employing migrant workers to process raw materials that are sent on to a bigger factory). In the latter case, there is no direct employment relationship between the local employers/factories and the migrant workers. The brokers are responsible for paying wages directly to the migrants.

These brokers are either Thai nationals or foreign migrants who have fostered good connections with the employers and some local authorities. The brokers also take responsibility for registering migrant workers with the Government as well as arranging the work permit for them. As a result, many migrant workers have become a victim of debt bondage and have to work out of that debt, which is likely larger than the actual amount of expenses advanced by the brokers. The brokers further exert their control over the migrant workers by withholding their travel and identity documents so that they cannot change the employer. Hence, the workers have very limited freedom of movement. The failure of the formal recruitment process and of the labour inspectorate has led to labour exploitation, forced labour and trafficking in humans to proliferate, especially in the unprotected sectors such as fishing and agriculture.

In September 2006, for example, law enforcement officials from Bangkok raided the Ranya Paew seafood-processing factory in Samut Sakhon province. Sixty-six migrant workers from Myanmar were screened as trafficking victims. A 2006 survey study,¹⁵ supported by the ILO's Mekong Subregional Project to Combat Trafficking in Children and Women, found stark evidence of forced labour in the fishing and fishing-related sectors (see table 6).

According to the Abolition of Forced Labour Convention, 1957 (No.105), forced labour is not just equivalent to low or non-payment of wages or poor working conditions. It represents a restriction on human freedom and a violation

¹⁵ ILO: "Underpaid, overworked and overlooked: The realities of young migrant workers in Thailand", in *The Mekong Challenge*, Vol. 1 (Bangkok, 2006), p.126.

of human rights. Embedded in the international definition of forced labour are two essential criteria: the “menace of penalty” and “involuntariness”.

Table 6. Migrant worker victims of forced labour in fishing and the fishing-related sector

Forced labour	Sex and sectors			Age (years)			Legal status		Total
	Fishing boat	Fishing-related industry		<15	15-17	18-25	Legal	Irregular	
	Male	Male	Female						
Current job (%)	20	10.6	8.2	16.7	17.1	7.8	6.9	18.6	11.2
Number of workers	20	47	49	18	35	64	73	43	116*
Previous job (%)	25	14.9	10.2	16.7	17.1	12.5	9.5	23.3	14.5
Number of workers	21	47	49	18	35	64	74	43	117

This is based on the indications of labour exploitation, whether migrant workers are physically or mentally coerced to work by their employers or a third party; for example, preventing workers from leaving their job by threat of penalty or arrest, withholding travel document, physical or verbal abuse, and debt bondage.

* Excluding one migrant who did not respond to the question.

Article 14 (a) in the Migrant Workers (Supplementary Provisions) Convention, 1975 (No. 143), on migration in abusive conditions and the promotion of equality of opportunity and treatment of migrant workers, refers to the free choice of employment and the right to geographical mobility. In addition, tying time-bound migrants to a particular employer, occupation or sector cannot, from a human rights perspective, be extended indefinitely. On economic grounds, the practice of tied employment in selected sectors should be strictly limited in time, which Article 14 (a) states should not exceed two years or after completion of the first work contract of not more than two years.

Generally, foreign migrant workers in Thailand have to work long hours and count on overtime work to compensate for the low wage and their many salary deductions. As indicated in table 7, 41 per cent of migrant workers in the agriculture sector worked 9–12 hours in 2006. In manufacturing, about 64 per cent of the workers toiled 9–12 hours. The domestic workers tended to work much longer and more erratically than the others; on average, 45 per cent of the workers had to work 9–14 hours a day.

Table 7. Working hours of migrant workers (%)

Working hours	Agriculture	Fishing	Manufacturing	Domestic work	Average
1-8	57.4	24.8	16.3	1.6	18.6
9-12	41.1	30.1	64.3	16.0	32.0
13-14	1.6	14.2	11.6	17.0	12.7
15-16		17.7	4.7	29.9	17.6
17-18		6.2	2.3	32.7	16.5
19+		7.1	0.8	2.8	2.6
Total	100	100	100	100	100

Source: ILO: "Underpaid, overworked and overlooked: The realities of young migrant workers in Thailand", in *The Mekong Challenge*, Vol. 1, (Bangkok, 2006), p. 51.

Although migrant workers work hard and long hours, their wages remain relatively low. The ILO survey on migrant workers' remittances in late 2007¹⁶ found a median monthly income of a migrant was about 6,000 baht, which is less than the average earnings of 8,280 baht per month for a Thai employee.¹⁷

¹⁶ A. Jampaklay and S. Kittisuksathit: Migrant workers' remittances: Cambodia, Lao PDR, and Myanmar (Bangkok, ILO Regional Office, 2009).

¹⁷ National Statistical Office: Labour force survey, Third quarter (Bangkok, 2007).

Human resource complementation from labour migration

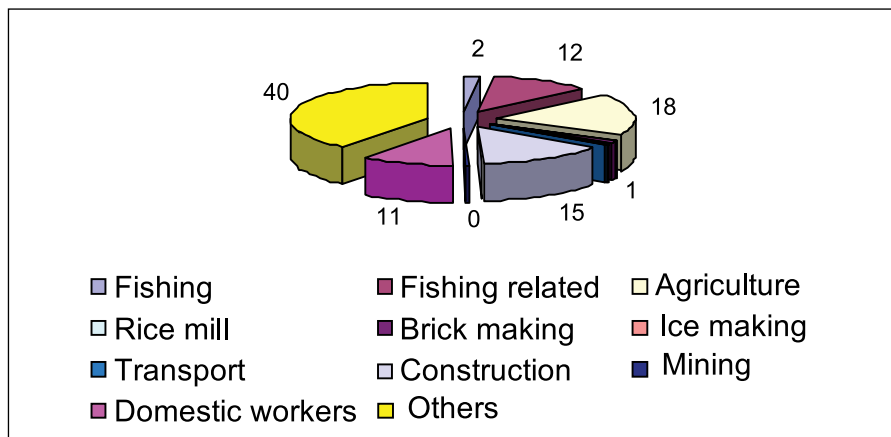
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Promoting labour mobility through a transition from low-productivity sectors to highly productive ones will contribute to labour productivity growth. The labour productivity gains from efficient human resource allocation and utilization will bring about overall economic growth and improvements in workers' well-being. Improvements in access to education and to labour market information can influence the reallocation of human resource, which can manifest as occupation switching or occupational mobility. This reallocation can be a very important source of growth for Thailand, where the level of output per worker in industry is on average nine times greater than it is in agriculture and five times greater than it is in the services sector. For instance, the reallocation effect contributed to the growth in aggregate labour productivity by an estimated 2 per cent per year from 1980 to 1996 and by 1.6 per cent per year from 1999 to 2005.¹⁸

Generally, the low-skilled migrant workers do not compete directly with Thai workers. They are more likely to take jobs that go unfilled by Thai workers who are increasingly more educated and thus have better job opportunities. This indicates the potential value for human resource complementation that foreign labour migration enables the occupation switching among Thai workers. In the Thai labour market, migrant workers are dominant in the agriculture, construction and fishing-related sectors. Increasingly, more migrant workers are employed in the labour-intensive manufacturing sector. However, the distortion in the labour market as a result of the policy on cheap labour could inevitably lead to overinvestment in the labour-intensive sector.

¹⁸ National Economic and Social Development Board and World Bank. Op. cit. p.6.

Figure 10. Percentage of registered migrant workers, by sector in 2008



Source: Ministry of Labour, Thailand

It should be noted that the terms “unskilled” or “low-skilled work” reflect the skill requirement of a job rather than the job holder’s skill capability. Migrant workers who have worked many years in Thailand tend to gain more skills, which helps them to progress from the low-skilled to the skilled category in many occupations. However, there is no system currently for recognizing the skills they gain, making it difficult for them to reintegrate into the labour market of their home country. Hence, there is a need for Thailand and ASEAN to develop a skills recognition and certification system to facilitate the reintegration of returned migrant workers and the movement of labour, especially in preparation for the regional economic integration under the ASEAN Economic Community that will launch in 2015.

Contributions of migrant workers to Thailand's economy: Who gains and who loses from the employment of migrant workers

9

Without a doubt, migrant workers, irrespective of their legal status and occupation, have positively contributed to the Thai economy's growth in many aspects. In particular, they have helped:

- expand the GDP, especially in labour-intensive sectors (agriculture and manufacturing);
- sustain the short-term competitive edge through lower labour costs;
- contain wage push and price inflation¹⁹;
- enable Thai women to participate in the labour market (the hiring of foreign domestic workers allows Thai women to work outside the home);
- expand the employment opportunities for Thai workers (the addition of foreign migrant workers actually creates more jobs and work hours for Thai workers)²⁰; and
- improve the reallocation of resources, which enables occupational mobility among Thai workers from low-productivity sectors to higher-productivity ones (occupation switching).

Although foreign migrant workers have generated undisputed economic gains for Thailand, various studies have found mixed impacts from their contributions:

- Adding more migrant workers to the Thai labour market has resulted in a trivial reduction in wages. For example, a 10 per cent increase in the number of migrants caused a wage reduction of only 0.23 per cent. However, it has had little impact on the wages of Thai workers.²¹

¹⁹ Since 1997, the real minimum wage in Bangkok had been declining until 2007. This may be due to the presence of low skilled migrant workers and the weak bargaining power among Thai workers in low skilled category. S. Chuenchoksan and T. Thanadhidhasuwanna: *Labour market and inflation pressure* (Bangkok, Bank of Thailand, 2008).

²⁰ J. Bryant and P. Rukumnuaykit: *Does migration to Thailand reduce the wages of Thai workers?* (Bangkok, World Bank, 2007).

²¹ *Ibid*, p. 16.

- The Thai workers whose employment is most affected by the influx of foreign labour are the low skilled, the young and the agriculture workers. Because the Thai wages are fixed by the statutory minimum wage, there has been an increase in unemployment among Thai workers. One study found that a 1 per cent increase in the migrant-native ratio (in one province) increased the unemployment rate by 0.5 per cent.²²
- Migrant workers contributed 1.25 per cent of Thailand's GDP in 2005, equivalent to \$2 billion at current prices or \$1.8 billion at constant prices in 2000.²³ A similar study showed that migrant workers generated a net economic gain in real GDP of 1.4 billion baht to the Thai economy in 2005, at constant prices in 1988.²⁴
- The large gap between the labour losses and the capital gains is not only an indicator of a sizable economic rent from the exploitation of low-skilled and unprotected migrant workers in Thailand but has also brought about the proliferation of underground smuggling and illegal recruitment practices, extortion, the bribing of unscrupulous officials and exploitative employment practices, such as subcontracting.

²² K. Kulkolkarn and T. Potipiti: "Migration, wages and unemployment in Thailand", in *Chulalongkorn Journal of Economics*, Vol. 19/1, Apr. 2007.

²³ P. Martin: *The Economic contribution of migrant workers to Thailand: Towards policy development* (Bangkok, ILO, 2007).

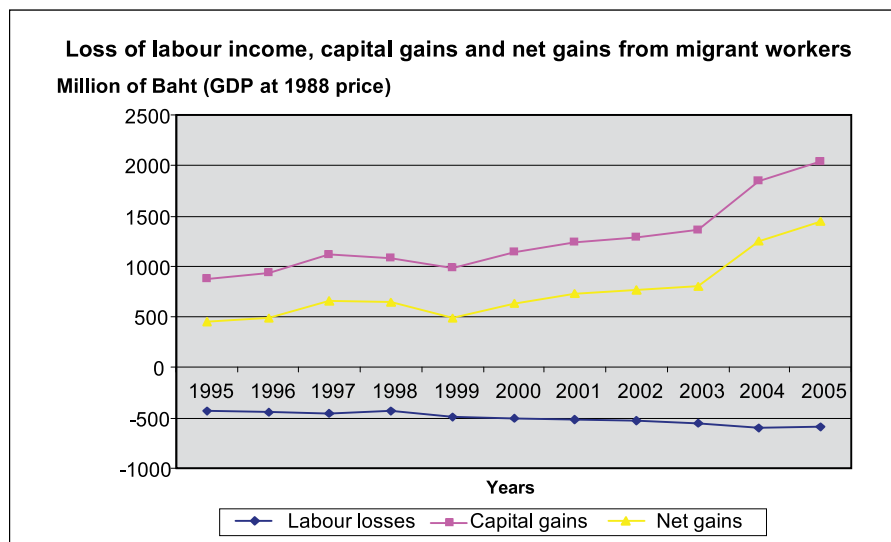
²⁴ P. Pholphirul and P. Rukumnuaykit: "Economic contribution of migrant workers to Thailand", in *International Migration* (Geneva, IOM, forthcoming).

Table 8. Labour income losses, capital gains and net economic gains from the employment of foreign migrant workers

Years	Real GDP (millions of baht at 1988 prices) adjusted labour share		
	Labour losses	Capital gains	Net economic gains
1995	-427	880	453
1996	-447	937	490
1997	-459	1 116	657
1998	-435	1 079	644
1999	-493	985	492
2000	-506	1 139	633
2001	-511	1 242	731
2002	-525	1 291	766
2003	-558	1 357	799
2004	-597	1 846	1 249
2005	-593	2 039	1 446

Source: P. Pholphirul and P. Rukumnuaykit, "Economic contribution of migrant workers to Thailand" in *International Migration* (Geneva, International Organization for Migration, forthcoming).

Figure 11. Labour income losses, capital gains and net economic gains from the employment of foreign migrant workers



Source: P. Pholphirul and P. Rukumnuaykit, "Economic contribution of migrant workers to Thailand" in *International Migration* (Geneva, International Organization for Migration, forthcoming).

10

Migrant workers and Thailand's competitiveness

The findings from a 2010 empirical study²⁵ show that migrant workers have progressively contributed to the economic growth of the Thai economy, from merely 0.3 per cent during the period of 1990–1996 to 7.28 per cent from 2000 to 2008. In that same period, from 2000–2008 (the post 1997 financial crisis period), the average annual GDP growth rate was 4.76 per cent. In contrast, the contribution of capital investment to the output growth has been shrinking, from 78.56 per cent during the pre-financial crisis period to 15.74 per cent after the 1990s crisis. An estimation of migrant workers' contribution to GDP growth (1990–2008), based on the growth-accounting approach, finds 0.161, 0.305 and 0.012 per cent in the agricultural, manufacturing and services sectors, respectively. In other words, a 10 per cent increase in the foreign migrant pool generated output growth in agriculture sector by 1.61 per cent, and similarly by 3.05 per cent in manufacturing but only 0.12 per cent in the services sector.

An analysis of the impact of the share of migrant workers to total employment on labour productivity growth between 1990 and 2008 reveals that a 1 per cent increase in the share of migrant worker increased labour productivity in the agriculture sector by 0.304 per cent, while the relationship was negative in both the manufacturing and services sectors, at 0.883 per cent and 1.351 per cent, respectively. In other words, adding 10 per cent proportion of migrant workers to the economy reduced labour productivity in manufacturing by 8.83 per cent and in the services sector by 13.51 per cent.

This implies that Thailand is confronting a productivity gap. It also means it will be difficult for Thailand to catch up with the higher-productivity countries and likely for it to be overtaken by countries with higher productivity growth. Moreover, as the share of working-age population declines, there will be a greater reliance on productivity to drive GDP growth. Based on the analysis of the current demographic trends and the growth in labour force, Thailand's long-term competitiveness appears to be in jeopardy.

²⁵ This section draws largely from the work of P. Pholphirul, J. Kamlai and P. Rukumnuaykit. *Do immigrants improve Thailand's competitiveness?* a paper prepared for the World Bank under the project: Managing Cross-border Labor Mobility in the East Asia and Pacific (2010, forthcoming).

A 2009 study on migration workers and competitiveness in Thailand's garment industry found no vivid difference in the competitiveness between enterprises with and without foreign labour.²⁶ These results indicate that the policy on cheap labour and the distortion in the labour market have made Thai entrepreneurs overly dependent on what is otherwise artificial low-cost migrant workers from neighbouring countries, which may not build long-term competitiveness of Thailand.

As previously noted, the policy on cheap labour and the labour market distortion have induced the substitution of migrant workers for Thai labour as well as for capital investment. The Allen (partial) Elasticity Substitution (AES) estimates the percentage change in demand for factor relative to change in factor prices (table 9).

This substitution rate of one to one between Thai and migrant workers is understandable because foreign workers take a place in the low-skilled labour market unfilled by a native worker. But the substitution rate between migrant workers and capital inputs is more startling.

This measure underscores the tendency for enterprises to maintain their labour-intensive production by exploiting the underpaid and the poorly protected migrant labourers rather than switching to capital-intensive production.

Table 9. The elasticities of substitution of migrant workers, native workers and capital

AES elasticities substitution	Agriculture	Manufacturing	Services	Overall
Capital and native worker	0.99	1.01	1.01	1.03
Migrant and native worker	0.94	1.00	0.99	0.98
Migrant and capital	0.96	1.00	1.01	1.02

Source: Pholphirul, P. Kamlai J. and Rukumnuaykit, P. *Do immigrants improve Thailand's competitiveness?*, paper prepared for the World Bank under the project: Managing Cross-border Labor Mobility in East Asia and the Pacific (2010).

Thus, the cost-cutting measures and the exploitation of foreign workers are not the appropriate long-term strategies for gaining more productivity and enhancing competitiveness. The Government should, therefore, strengthen the legal protection of migrant workers and allow the natural selection in the market economy to determine the existence of productive enterprises and the

²⁶ K. Kulkolkarn: "Migration workers and competitiveness in the Thai garment industry", Monograph (Bangkok, 2009).

exit of unproductive ones. At the enterprise level, Thailand can improve its productivity and competitiveness through process improvement by building long-term relations with workers and suppliers and improving product quality. Most importantly, creating new valued-added products could be achieved through the combination of incremental innovation, product redesign, process improvement and leveraging of skilled workers, either Thai or foreign talent.

The *New economic model for Malaysia*²⁷ document shows a dramatic decline in the country's labour productivity after the post Asian financial crisis (1998–2007), which was partly attributable to its policy favouring cheap, foreign low-skilled labourers in the production of low value-added goods. Unsurprisingly, this policy also resulted in an over-reliance on low-skilled foreign workers and a decline in the proportion of Malaysian skilled workers across industries between 2002 and 2007. In other words, there could be a substitution effect between the foreign migrant workers for the skilled native workers through the bias in investment. As previously noted, the authors of the document proposed, inter alia, that the Government remove the labour market distortions, reduce the reliance on foreign labour and pursue the global talent.

²⁷ National Economic Advisory Council. Op. cit. pp. 21, 50-52, 123.

The main driving forces for the cross-border labour migration within countries in the Mekong subregion are the few employment opportunities and the unattractive wages in the home country. A 2008's survey in Thailand found that migrant workers remitted home a median of about 25,000 baht over the previous two years. Migrants from Myanmar sent the largest amount (about 30,000 baht) while migrants from Cambodia sent the least (around 20,000 baht).²⁸ When those remittances are combined with the migrant workers' personal savings in Thailand, it represents a sizable monetary resource capable of bringing about economic and welfare impacts within the origin countries. Given the estimated number of migrant workers (legal and irregular) of 2 million from the three neighbouring countries residing in Thailand, the total estimated annual remittances in 2008 were about 44.5 billion baht to Myanmar, followed by 3.8 billion baht to Lao PDR and 3.3 billion baht to Cambodia (table 10).

The remittances should greatly contribute to national as well as local development and thus reduce the poverty in the labour-sending countries – if they are properly harnessed for the productive investment in human capital and in starting up small enterprises. To clarify, there is a distinction between remittances and personal savings of migrants in terms of use. The remittances are the financial transfers for the direct benefit of the family in the origin country. Personal savings become the reserve fund available for the discretionary spending of the migrant in the host country. The amount of personal savings can have profound impact on development in the origin country if it is carefully saved and used productively. Hence, Thailand can contribute to the development impact in the origin country and thus reduce the likelihood for remigration by facilitating migrant workers' access to financial services in the country, such as a bank account.

²⁸ Jampaklay, A. and Kittisuksathit, Op. cit., p. 17.

Table 10. Annual direct remittances and potential remittances (personal savings), 2007–2008

Remittance & Saving	Cambodia	Lao PDR	Myanmar	Total average
Remittances	10 000 baht	13 000 baht	15 000 baht	12 500 baht
Personal savings	12 000 baht	6 000 baht	12 000 baht	12 000 baht
Potential remittances	22 000 baht	19 000 baht	27 000 baht	24 500 baht
Estimated number of migrants	150 000 persons	200 000 persons	1 650 000 persons	2 million persons
Total estimated potential remittances	3.3 billion baht	3.8 billion baht	44.5 billion baht	49 billion baht
	\$100 million	\$115 million	\$1.350 million	\$1.48 billion

Note: The remittances and personal savings of migrant workers are estimated based on the median amount sent and save.

For decades, Thailand has experimented with many draconian and lenient policy choices for managing foreign labour migration. Thus far, it has adopted short-term measures to address the labour shortages and the influx of irregular migrant workers through a series of Cabinet resolutions allowing the temporary extension of migrant workers' resident permit and the annual registration of a work permit. However, this has long been proven to be ineffective because the number of migrant workers who register has been declining over the years. And it has compelled the Government to reopen the partial regularization programme for non-registered and formerly registered migrant workers who resorted to the irregular status due to the restrictive government regulations.

The current labour migration policies and management are ineffective for the following reasons:

- **The unduly restrictive measures imposed on migrant workers (supply side) with little attention placed on the rationalization of the demand for migrant workers.** Migrant workers have to bear the costs associated with the annual registration, recruitment and nationality verification processes. When the costs are paid by the employers, the migrants' salary is deducted. Migrants are not allowed to change employers, except in certain extreme conditions. They are also barred from travelling outside the province in which they've registered, unless they seek permission from the relevant authority or their employer escorts them. The Government also deducts a portion of their salary for a repatriation fund to ensure that they leave the country after completion of their tenure. The registered (quasi-legal) migrants are working without a work contract and are not allowed to organize. They are not covered under the national social security system and the Workmen's Compensation Fund. Their working conditions and payment of wages are often unmonitored. They have to file a report every 90 days to the Immigration Bureau regarding their current residence and are not allowed to leave the host country. If they need to make a family visit home, the regularized migrant workers with a temporary travel document/passport need to seek permission from the Immigration Bureau and pay a re-entry fee before leaving the country. Most employers generally have no obligation to cover any costs of hiring migrant workers, except paying the wages, which tend to be lower than the statutory minimum wages.

- **The adoption of a short-term labour migration policy to address the structural changes in the labour market (the temporary labour migration syndrome).** There is no long-term policy perspective from the Government to cope with the structural shift in the demographic trends, the labour market, the regional economic integration and the attitude of the Thai workforce towards their career path. The Tenth National Social and Economic Development Plan did not provide any policy direction or strategic framework to address the structurally embedded labour shortages and the cross-border movement of labour. As a result, the policy responses are short term and reactive to both demands from employers and national security concerns.
- **The fragmented and incoherent legal and regulatory frameworks.** The immigration and labour migration issues are vested with many government agencies responsible for enforcing the laws under their mandates. For instance, the Ministry of Labour is responsible for enforcing several labour laws that are under the purview of different departments, which perceive migrant workers with different perspectives and lack coordination as well as understanding of each other's mandate. The Immigration Act of 1979 is out of step with the realities imposed by globalization, the movement of people and the upcoming regional economic integration expectations. The arbitrary apprehending and deporting of irregular migrant workers have been often carried out without due consideration to their human rights or their labour rights. For the foreign migrants to be legal, they have to pass through the Ministry of Labour for the registration and work permit, the Ministry of Interior for a migrant's identity card, the Immigration Bureau for a resident permit (non-immigrant visa) and the Ministry of Public Health for a health certificate. All these complex regulations and management procedures have pushed many migrant workers into irregular status soon after registration or passing the nationality verification, including those recruited through the MOU process.
- **Inadequate mechanisms for protecting labour rights and empowering migrant workers.** The Labour Protection Act (1998) purportedly provides good protection of labour rights to all migrant workers, irrespective of their legal status. However, it does not cover all sectors, such as agriculture, fishing, services and household domestic work. On the other hand, the Alien Employment Act (2008) perceives migrant workers differently in terms of rights and protection. Even in the sectors protected by the law, the enforcement of the labour law is very arbitrary and spotty. Migrant workers find it difficult

to reach out for any legal assistance, and they typically aren't aware of their rights within the legal process when experiencing work-related problems. The mechanism for migrant workers to lodge complaints against an exploitative employer is limited. Not able to organize helps sustain both the abuse and the ignorance of their rights. There is no pre-employment orientation provided to both employers and migrant workers about their work relationship and their rights. Some provisions of the Labour Protection Act are also biased, such as the requirement that the rules and regulations in the workplace should be written in Thai language. There is no clear guidance on the participation of migrant workers in the enterprise-based Welfare Committee, the enterprise-based Safety, Health and Working Environment Committee and the Employee Welfare Fund.

- **The absence of an integrated organizational and legal framework for the formulation, coordination, monitoring and evaluation of labour migration policies and programmes.** Currently, the management of labour migration from the three neighbouring countries is vested with the National Committee on Illegal Workers Administration, created in 2001 through a Prime Minister's Office regulation. The committee is supposed to be chaired by the prime minister, but in practice the deputy prime minister oversees the functioning of the committee. Members consist of representatives of the relevant ministries; four permanent staff and eight temporary staff handle the administration duties. This structure implies an ad hoc coordinating role, with the operational functions assigned to eight subcommittees, each headed by a line ministry. Because the National Social and Economic Development Board is not represented in the committee, the policies and approaches adopted are short term and reactive, which hardly leads to any long-term solutions.

Being a reluctant receiving country of immigrants,²⁹ Thailand does not have clear policies on immigration and the long-term management of labour migration. While the current economic and social development plan has acknowledged the free cross-border movement of people, it does not provide any policy direction on labour migration issues. A review of the past and the present government policies on the management of labour migration indicates they are short-term, reactive, inconsistent and, ultimately, ineffective.

The policies fail to take into account the structural changes in the labour market, demographic trends, regional economic integration and long-term competitiveness. Not surprising, the current government policies on the management of labour migration that were presented to the Parliament were in line with the operational plan of the Ministry of Labour (2007–2011), which states that Thailand would admit legal migrant workers to meet the demands for labour in manufacturing and other sectors in which the practice does not affect the employment of national workers and national security. To move away from those short-term policy responses, Thailand should place immigration and labour migration policies high on its national agenda and develop an action plan for addressing the issues.

The following are recommendations for a strategic framework and policy measures for consideration by the Government of Thailand:

- Draft and implement comprehensive, consistent and transparent long-term immigration and labour migration policies, guided by international labour standards and other relevant international instruments on labour migration (such as the Migration for Employment Convention (Revised), 1949 (No. 97) concerning migration for employment and Convention No. 143 concerning migration in abusive conditions and the promotion of equality of opportunity and treatment of migrant workers).
- Improve the coherence between various legal and regulatory frameworks (such as the Alien Employment Act, Immigration Act, Labour Protection Act, Nationality Act, Social Security Act), and

²⁹ Countries that have had considerable experience with immigrants but continue to deny officially that they are countries of immigration (Controlling immigration: A global perspective, second edition edited by Wayne A. Cornelius, et. al., 2004. p 25).

provide incentives and flexibility for the legal cross-border movement of labour (such as reducing the administrative procedures pertaining to the geographical mobility stipulated in the Immigration Act, promoting circular migration,³⁰ allowing migrant workers the right to change employer after completing their working commitment or after two years, whichever comes first, and removing the mandatory deduction of migrants' salary for the repatriation fund).

- Recognize the economic contributions of migrant workers by promoting their rights and the equality of opportunity and treatment of migrant workers and nationals regarding working conditions, organizing, collective bargaining, etc.
- Impose on employers to bear the costs of recruitment and employment of migrant workers; require that they cover expenses for skills training, social integration and repatriation as well as paying migrants the market wages or the legal minimum wages.
- Undertake institutional reforms, adopt the integrated approach to managing and monitoring labour migration programmes and promote social dialogue in local and international, bilateral or multilateral consultations.
- Streamline the foreign worker admission procedures under the MOU programme to ensure timely, affordable and flexible procedures, and coordinate the repatriation of irregular migrant workers, which should include the possible readmission through nationality verification at a border point.
- Integrate labour migration and immigration issues into the national agenda and the forthcoming Eleventh National Economic and Social Development Plan, taking into account issues such as demographic trends, long-term competitiveness, quality and quantity of demand for and supply of labour, and the impending regional and subregional economic integration expectations.
- Design and implement concrete measures and programmes for ensuring protection of workers' rights, the equality of treatment, the social integration of migrant workers into the world of work and into Thai society and access to justice.

³⁰ The scheme that provides more flexibility and ease to mobility for migrant workers, such as a longer and flexible contract, option for re-entry to employment, opportunity to foster a bond with the origin country by granting a multiple entry visa, and free choice of employer with portable work permit.

- Incorporate migrant workers into the national social security system and into the Workmen's Compensation Fund. Because migrant workers are hired as temporary workers, a special social security programme, under the national scheme, with joint contributions by migrant workers and their employers could be considered.
- Explore the possibility for the free cross-border movement of labour (reflected in the tenth development plan and the road map for the ASEAN Economic Community 2009–2015), starting with Lao PDR, and the creation of an ASEAN identity card for facilitating the cross-border movement of people.

Table 11. Suggested strategic framework and policy measures

Governance of labour migration	
Strategic framework	Policy measures
Reform the institution/ organization for managing migrant labour and interagency coordination	<ul style="list-style-type: none"> ● Establish or reform the organizations responsible for integrated policy formulation, implementation, coordination, and monitoring of migration (similar to the Ministry of Immigration, Integration, National Identity and Co-development in France, the Department of Homeland Security in the United States and the Department of Citizenship and Immigration in Canada). ● Make labour migration and immigration issues a high priority in the national economic and social development agenda (eleventh plan), linking labour migration policy to improved competitiveness, regional economic integration and demographic transition. ● Develop an integrated real-time biometric database and a system linking the Immigration Bureau, the Registration Administration Bureau and the Department of Employment for verifying and monitoring the status of migrant workers (the electronic border control). ● Strengthen the control of borders and interior inspections using new technology, while recognize that the draconian attempts to erect barriers to entry have proven to be ineffective (similar to the situation in the US) – manage the movement rather than create the barriers. ● Extend the bilateral cross-border cooperation with neighbouring countries to combat migrant smuggling and trafficking while providing humane treatment for victims (smuggled migrants).

Strengthen or formulate coherent legal and regulatory frameworks

- Amend the Immigration Act and the Alien Employment Act, making them flexible tools for managing migration and ensuring consistency with other laws and regulatory frameworks. Stiff legal requirements and a complex control system do not prevent irregular migration.
- Allow migrants to change their employer and job through the work permit registration process (after working two years or completing the first work commitment), thus encouraging them to stay in the regular and monitored channel.
- Extend social security and compensation coverage to migrant workers (a special programme for the former under the national social security system).
- Extend the scope and strengthen the enforcement of the Labour Protection Act to other sectors, such as agriculture, fishing and domestic work.
- Undertake the periodic regularization of irregular migrant workers in cooperation with the origin countries.
- Consider the unilateral verification of the national status of irregular migrant workers who fail to pass the nationality verification or who could not follow through for verification due to political and human rights reasons.
- Introduce a circular migration programme, providing more flexibility and openness in the system, such as longer and more flexible contracts and re-entry with multiple entry visa and work permits.

Protection and empowerment of migrant workers

Streamline the supervision for admission, placement and monitoring

- Streamline the procedures (reducing steps and costs) for admission and placement of migrant workers under the MOU programmes; the higher the costs, the greater is the likelihood that migrants stay longer and seek irregular channels.
- Establish the one-stop centre for the recruitment, placement and monitoring of migrant workers (involving the Ministry of Labour, Immigration Bureau, Ministry of Interior, Ministry of Public Health, etc.).
- Obligate employers to bear the costs of recruitment, placement, skills training and repatriation of migrant workers.
- Decentralize the management of labour migration to provincial/district levels, in consultation with or involvement of the local communities.
- Obligate employers of any apprehended irregular migrant worker to defray the cost of their repatriation and to pay the arrear wage to them.
- Establish an effective complaints mechanism for migrant workers, complete with translators.

Introduce the standard employment contract and the recognition of skill standards

- Establish and enforce a standard employment contract for all migrant workers, including domestic workers.
- Determine the appropriate concentration ratio of migrant workers that is geographical or sector based, such as the proportion of migrant workers per the Thai labour force or population; do so with the involvement of local stakeholders and communities.
- Introduce an ASEAN skills test and skills recognition system for migrant workers.

Provide support services and remodel workplace labour inspection

- Develop effective mechanisms for regular, periodic and voluntary workplace labour inspections.
- Raise awareness on safe cross-border migration.
- Empower migrant workers with legal knowledge and facilitate their access to the justice system.
- Promote the organization of migrants' associations or trade unions and allow them to engage in collective bargaining.
- Provide employment services to migrant workers who lose their job, allowing them some reasonable time to search for a new job.
- Support the participation of migrant workers in the enterprise-based Welfare Committee and the enterprise-based Safety Health and Environment Committee, including the Employee Welfare Fund.
- Raise awareness about the gender dimension in migration and the needs of women migrant workers among policy makers, government officials, employers, Thai workers and other social partners.

Labour migration and development

Mainstream immigration and labour migration issues into the strategic framework for long-term economic growth, and increased labour productivity and global competitiveness

- Regulate and modernize the informal economy to reduce its dependence on low-skilled workers.
- Explore the potential for free cross-border movement of people, starting with Lao PDR.
- Initiate with ASEAN to standardize and harmonize the national identity card between countries (an ASEAN identity card).
- Increase the scope for the admission of highly skilled immigrants and regular migrant workers, based on labour market needs and long-term development goals.
- Encourage the outsourcing and relocating of the uncompetitive production base to neighbouring countries.
- Promote the transformation of production techniques from labour intensive to capital intensive or the transition to the knowledge-based economy.
- Promote cross-border trade and capital flows with neighbouring countries.
- Strengthen the inter-state cooperation in the managing of labour migration and the maximizing of outcomes of migration, which includes human resource development and remittance flows.

Facilitate access to financial services, develop efficient remittance channels and promote the productive use of remittances in migrants' home country

- Facilitate access to financial services (bank accounts) and the sending of remittances through formal channels.
- Provide training and orientation on financial literacy for newly recruited migrant workers.
- Provide pre-repatriation counselling, skills training and investment advice to returning migrant workers, thus helping them to reintegrate into their home economy or labour market and to reduce the re-migration cycle.

Promote social cohesion (integration) in Thailand as well as the coordinated repatriation to the home country

- Design a social integration programme and mandate structured pre-employment training on working and social relations for both migrant workers and employers.
- Introduce an orientation and training programme to promote workplace relations and social cohesion for Thai workers in industries or factories employing migrant workers.
- Initiate an MOU between the Ministry of Labour, the Immigration Bureau and the Police Bureau to redress the rights of the apprehended irregular migrant workers prior to being processed for a coordinated repatriation.
- Enter into an MOU with the government agencies of labour- sending countries for the coordinated repatriation or deportation and the cross-border regularization of irregular migrant workers.

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