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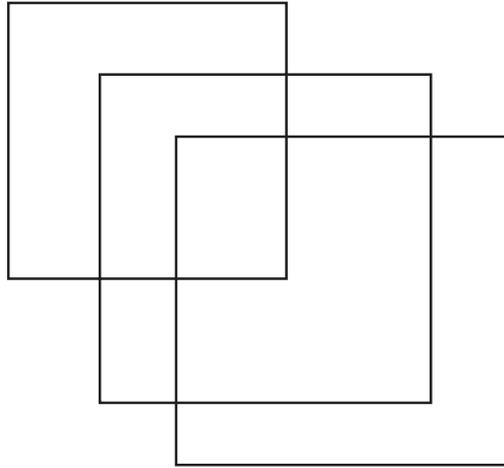
THE ECONOMIC CONTRIBUTION OF MIGRANT WORKERS TO THAILAND: TOWARDS POLICY DEVELOPMENT

Philip Martin

International Labour Organization
Subregional Office for East Asia

ILO/EU Asian Programme on the
Governance of Labour Migration

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



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Acronyms and abbreviations

ABAC	Assumption Business Administration College
ACRM	Asian Research Centre for Migration
BOI	Board of Investment
CGE	Computable General Equilibrium
FTUB	Federation of Trade Unions Burma
GDP	gross domestic product
GTAP	Global Trade Analysis Project
ILO	International Labour Organization
IOM	International Organization for Migration
MAP	Migration Assistance Programme
MOL	Ministry of Labour
MOLSW	Ministry of Labour and Social Welfare
MOU	memorandum of understanding
NESDB	National Economic and Social Development Board
NGO	non-governmental organization
NSO	National Statistical Office
PDR	People's Democratic Republic
PRB	Population Reference Bureau
SAM	Social Accounting Matrix
TDRI	Thailand Development Research Institute
VAT	value added tax

Preface

It is commonly believed that migrant workers generate net economic benefits in receiving countries, including filling vacant jobs and reducing inflationary pressure. Migrants add to output and income, and their employment in export sectors can increase foreign exchange. While a major concern has been that in some countries migrant workers become a burden in terms of public services and welfare payments, the fiscal impact of foreign workers depends on a number of factors, including the participation of migrants in host country social assistance systems. Given the large flows of migrant workers across national boundaries in recent years, these issues are prompting debate around the world. Thailand is no exception.

Although the burden and risks of migrants are often put forward in discussions about employing foreign workers, there is relatively little mention in reports and consultations of their economic contribution to the Thai economy. While this is only one dimension of the labour migration, it should be part of a public debate on policy development for managing labour migration and protecting migrant workers. It is apparent that one has to look at empirical evidence rather than rely on preconceived notions about migrant workers. It is also clear that fair treatment of migrant workers offering labour services in a foreign country should be viewed as a sound long-term policy and not as a form of charity.

The ILO views labour migration as a positive force in the global economy. As part of its broader commitment to promoting decent work, the ILO and its constituents agree on the desirability of maximizing the benefits that can flow from: (i) introducing policies that give priority to economic growth and development; and (ii) encouraging regular labour migration. The International Labour Conference of the ILO held in June 2004 representing governments, employers and workers called for a non-binding multilateral framework for managing migration comprising principles and best practices.

In November 2006 the ILO launched a research project on “Economic Contributions of Migrant Workers to Thailand: Policy Development.” The ILO realised that the resources at hand were not adequate to request a revision of the Consolidated General Equilibrium (CGE) estimates that were produced by the Thailand Development Research Institute in 1995. This would mean restructuring the model and updating the data to reflect the many changes in the Thai economy since the financial crisis. Another solution would be to rely on international experience to piece together the information we have from other sources. For this approach the ILO asked the support of Professor Philip Martin who had worked alongside the TDRI, Chulalongkorn University and Mahidol University on an earlier project dealing with labour migration in Thailand with support from the ILO and IOM.

The ILO consultant for the study was Professor Philip L. Martin from the University of California-Davis who is a well-known authority on labour migration. He has studied labour migration issues in Thailand for a number of years. Professor Martin visited Thailand again in February 2007 to interview Thai experts in a number of research institutes, academic institutions, government agencies and other stakeholders. The research looks into macroeconomic impacts and labour market outcomes in assessing the net contributions of migrant workers to the Thai economy. It aims to make a contribution to developing policies for labour migration management.

The report was discussed at a Workshop on the Economic Contribution of Migrant Worker to Thailand: Towards Policy Development held in Bangkok on 22 May 2007 attended by a broad range of stakeholders including

representatives of government, employers, workers, academic institutions, research institutes, human rights organizations and non-governmental organizations. The author then incorporated the findings in the report.

While the study raises questions as well as poses solutions, it is clear that the net impact of migrant workers on the Thai economy is a positive one. It is the hope of the ILO that this first step will lead to new studies that will shed more light on the labour migration to Thailand in the region.

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Acknowledgements

The idea for the report grew out of discussions among ILO officials in the Subregional Office for East Asia involving Tim De Meyer, Anne Knowles, Thetis Mangahas, Elizabeth Morris, Raghwan, Sutida Srinopnikom and others based on consultations with constituents representing government, employers and workers related to various aspects of labour migration. While it was clear that businesses, farmers and households were eager to employ migrant workers to fill jobs in factories, construction, agriculture and domestic service, there were also some worries about allowing foreigners to work in Thailand. Some accounts in the media raised alarm about migrants coming to live in communities where they might spread disease and contribute to crime. Other discussions pointed to concern about the costs to Thailand of providing services for education and health. Although the risks and burden of migrants are often put forward in discussions about employing foreign workers, there had been relatively little mention in reports and consultations of their economic contribution to the Thai economy. While this is only one dimension of the labour migration, it should be part of a public debate on policy development for managing labour migration and protecting migrant workers.

Elizabeth Morris in the Subregional Office for East Asia prepared the terms of reference for the project. The report was later given support by Manolo Abella, Ayaka Matsuno and Rakawin Leechanavanichpan in the ILO-UNIFEM-EC Asian Regional Programme on Governance of Migration and Pracha Vasuprasat of the ILO-Japan Project on Managing Cross-border Movements of Labour in Southeast Asia. Steve Kapsos, Labour Economist in the Regional Office for Asia and the Pacific, offered suggestions for estimating value added of migrant workers based on their employment share in key sectors. Special thanks go to Sutida Srinopnikom and Rakawin Leechanavanichpan for programme support together with Teerasak Siriratanothai and Manida Pongsirirak for practical arrangements involving contracts, meetings and printing.

Responsibility for the analysis rests with the author and the opinions expressed in the report do not necessarily reflect the views of the ILO.

Executive summary

This paper highlights the contributions of migrant workers to Thailand and recommends policies to promote economic development and decent work in both receiving and sending countries. The ILO views labour migration as a positive force that can stimulate economic growth and development in both labour-sending and labour-receiving countries, and has developed a framework of principles, guidelines and examples to ensure that labour migration contributes to decent work for all (ILO, 2004, 2006).

Migrant workers contribute to Thai employment and economic output, and this paper outlines the macroeconomic contributions and microeconomic impact of migrant workers as part of an assessment of Thai labour market needs. An earlier analysis conducted in 2004 as part of an ILO-IOM project based on case studies concluded that the Thai economy was likely to continue employing migrants for at least another decade. It urged the government to estimate the benefits to Thailand, develop clear and transparent policies in cooperation with social partners, and explain why migrant workers are likely to remain an integral part of the Thai economy (Martin et al, 2004). This report begins to fulfil that recommendation.

The Thai labour force of 36 million in 2007 included about 5 per cent or 1.8 million migrants. The migrants were concentrated by location, industry, and occupation, with most workers in low-skilled jobs in Bangkok and the southern and north-western areas of Thailand. Most migrants are employed in agriculture and fisheries, construction, manufacturing, and services such as domestic workers. The number of migrants and the range of occupations, industries, and areas in which they are employed have been increasing. There may be a similar expansion of the origins of migrants as networks mature in Myanmar, Cambodia and Lao People's Democratic Republic (PDR).

Thai migrant worker policy since 1996 has permitted employers to register the migrants they employ, paying a fee equivalent to about a month's wages for the right to hire a particular migrant for one year of additional legal work. Most employers pay registration and health fees and then deduct them from migrant wages. Periodic registrations at first glance appear to give policymakers maximum flexibility to manage labour migration, since refusing to renew work permits is presumed to result in migrants leaving the country. In fact, there is far more variance in the number of registered migrants than in the number of migrants. The number of registered migrants reflects policy decisions, while the total number of migrants results from economic conditions in Thailand and neighbouring countries.

There are several unique features of migrants in Thailand:

- Migrants are concentrated in the same sectors in Thailand as in other migrant-receiving countries, viz, agriculture, construction, and some manufacturing and services, but it is unusual to have a lower share of migrants than nationals in agriculture: about 25 per cent of migrants compared with 40 per cent of Thais. Migrants are especially concentrated in several sectors. About 15 per cent are employed in fishing and fish processing, compared with less than two per cent of Thais, and 14 per cent are employed in construction, compared to 6 per cent of Thais. Over half of the domestic workers in Thailand are believed to be migrants.
- About 75 per cent of registered migrants are from Myanmar, followed by 12 per cent each from Cambodia and Lao PDR. There is little prospect for a "natural" end to emigration pressures from countries of origin, as would occur if economic development and rising wages kept migrants at home.

- Migrants are concentrated in Bangkok and southern Thailand as well as in Thai provinces bordering Myanmar. Thailand's poverty is concentrated in rural areas of the northeast. Many Thais in the northeast who migrated within Thailand in the past now go abroad to work, often in the same sectors that employ migrants in Thailand, such as agriculture and construction. It appears that migrants from Cambodia and Lao PDR pass through poor areas of Thailand to find jobs in Bangkok and southern Thailand.

Macroeconomic contributions

In 1995, when 750,000 migrants were 2.2 per cent of the Thai labour force, the Thailand Development Research Institute (TDRI) estimated that migrants increased Thai GDP by one-half of one per cent, contributing \$839 million of the then \$168 billion Thai GDP at current prices, and \$600 million of the \$120 billion Thai GDP in 2000 constant dollars (Sussangkarn, 1996).¹ If the 1995 Social Accounting Matrix-Computable General Equilibrium (SAM-CGE) relationships remained valid in 2005, when migrants were five per cent of the Thai labour force, the migrant contribution would be 1.25 per cent of Thai GDP, \$2 billion at current prices or \$1.8 billion in 2000 constant dollars.

Another way to estimate the contributions of migrants to Thai GDP is to estimate the value added by migrants in each sector of the economy and make assumptions about the average output of each migrant. If 25 per cent of migrants are in agriculture, 15 per cent in fisheries, 40 per cent in industry,² and 20 per cent are in services. In order to estimate their contribution to GDP several assumptions or scenarios are made about the productivity of migrants. These are used to produce "ballpark" figures and do not necessarily reflect their actual contribution: If migrants were half as productive as the Thais employed in these sectors, migrants would account for 3.1 per cent of Thai GDP in 2005. If migrants were equally productive, their contribution would double to 6.2 per cent of GDP.

Most estimates of the net economic contributions of migrants in industrial countries are based on aggregate labour demand and supply curves. The arrival of immigrants shifts the labour supply curve outward, resulting in a new equilibrium with more employment and lower wages. A graphical representation reproduced as Figure 1 shows national income as the area under the aggregate demand curve, divided by the equilibrium wage line into a rectangle of wages to workers (below the wage line) and a triangle of returns to capital and land (above the wage line). Adding migrant workers lowers the wage line and increases total employment and national income. Most of the wage rectangle that is enlarged by migration is paid to migrants, but an extra triangle of benefits is created, and this represents the net economic gain due to migration.³

Estimates based on this approach for the United States in the mid-1990s, show that the foreign-born workers who were 10 per cent of the labour force depressed the wage line by three per cent. With labour's share of national income almost 70 per cent, the size of the triangle representing the net benefits of immigrants was estimated in 1997 to be a tenth of one per cent of GDP (Smith and Edmonston, 1997). For Thailand, if wages are depressed 3 per cent by migrants, representing 5 per cent of workers, and labour's share of national income is 40 per cent, the net gain due to migrant workers would be \$47 million in constant dollars and \$53 million in current dollars.⁴

¹ Throughout the report \$ is used to refer to US dollars.

² "Industry" refers to major sector of the International Standard Industrial Classification (ISIC) that includes mining and quarrying; manufacturing; electricity, gas and water; and construction.

³ If migrants do not depress wages, they generate no net benefits for the receiving economy in this model.

⁴ TDRI estimated that the wages of Thai workers with a primary school education were depressed 3.5 per cent by the presence of migrants in 1995. Over 80 per cent of Thai workers were in this category in 1995.

Aggregate labour demand and supply models are static, in the sense that they do not illustrate the additional investment that may be stimulated by the presence of migrants. Dynamic models may find that the availability of migrants prompts additional investments and raises rather than lowers the wages of national workers. In addition, the employment of migrants may have favourable macroeconomic side effects, such as dampening wage inflation and increasing GDP via the multiplier effect of migrant spending on food, transportation and other goods and services.

Industry and other effects

Migration adds workers to the economy, increasing employment and output and depressing wages. Even though migrants are concentrated by location, industry and occupation, their impacts can be diffused throughout the economy based on the interaction between Thais and migrants in different regions and jobs.

In most cases, migrants complement Thai workers, as when migrants on fishing boats increase the productivity of Thai boat captains, boat builders, and others in upstream and downstream production. There may also be instances of substitution between migrants and Thai workers, as when construction firms hire migrants rather than Thais because the migrants are willing to work more hours or longer periods and at lower wages. Most analysis suggests that migrants fill jobs that became less desirable as Thais gained more options in a growing economy, including migrating abroad. In some cases, “migrant jobs” were created by subsidized foreign and domestic investments, most notably in agriculture and garments in Thai provinces along the Myanmar border.

Migrants are primarily young workers, in the age group that typically pays taxes rather than receives tax-supported services. Many reports suggest that even registered migrants do not receive the Thai minimum wage to which they are entitled. Access to services for which they have paid such as healthcare is uneven, because migrants may not know their entitlements and may not speak the language of healthcare providers. Surveys find that most Thais agree that migrants work hard.

Access to education and incidence of crime are special concerns. Some of the migrants are couples with children brought to or born in Thailand. These children are entitled to attend Thai schools, although there is no national count of migrant children enrolled. Thailand has below-replacement fertility, and if it wants immigrants to add to its population and labour force, migrant children educated in Thai schools should be among the easiest foreigners to integrate.

Irregular migrants employed are violating Thai laws. However, media reports of migrant workers involved in criminal activities are likely to leave a false impression that migrants commit a disproportionate share of crimes. Yet most migrants are in Thailand to earn a living rather than engage in crime. In this regard, it would be useful to educate migrants about their rights and responsibilities.

Recommendations

Labour migration is a process to be managed, not a problem to be solved. The fact that Thailand must deal with the entry and employment of workers from neighbouring countries reflects Thailand’s relative economic success. Experience from other countries demonstrates that there is no one best way to manage labour migration, but there are universal principles that can protect the human rights of both migrant workers and local labour.

International experience shows that policies that adhere to fundamental principles and are flexible enough to change with circumstances offer the most promise. This means that if the government were to acknowledge that the Thai economy is likely to continue to employ migrants over the medium term, create mechanisms to involve social partners in the development of a transparent migrant worker policy, and promote cooperation with migrant countries of origin, Thailand could reap the benefits of migration while protecting the rights of migrants and Thais.

Changing migration policy to make it more flexible, with separate registration procedures for different economic sectors, and ensuring that recruitment and deployment under the Memoranda of Understanding (MOUs) would appear to be a better alternative than irregular migration: the Thai government could better manage labour migration while protecting migrants.⁵

⁵ It is important to emphasize that protecting migrants also protects Thais. Thailand is a major exporter of products with many migrants employed in sectors that export a significant share of their production. Some foreign buyers may shun Thai products if Thailand develops a reputation for employing underage or underpaid migrant workers.

1 Introduction: Foreign workers in Thailand

Thailand is a tiger economy that began to industrialize and grow rapidly in the mid-1980s. After recovering from the 1997-1998 financial shock, rapid economic growth resumed, and has been accompanied by increasing migration from neighbouring Myanmar, Cambodia and Lao PDR. Thai workers have been migrating to work in the Middle East and other Asian countries since the beginning of the 1980s, but in the early 1990s, Thailand made the transition from net sender of workers abroad to net receiver of foreign labour, as the number of migrants arriving surpassed the declining number of Thais leaving for jobs abroad.

Thailand's laws generally prohibit the entry and employment of unskilled foreign workers. The Foreigner Employment Act of 1978 specified 27 occupations that were open to foreigners, but Article 17 of the Immigration Act of 1979 allows the Thai Cabinet to permit foreigners to enter and work in Thailand as an exception to this general ban. Article 17 has been the basis for the registrations that define Thailand's migrant worker policy.

Table 1: Thai cabinet decisions on migrants: 1992-2006

Date	Where	Fees	Note
March 17, 1992	10 border provinces	5,000- <i>baht</i> bond; 1,000- <i>baht</i> fee	Burmese only; 706 migrants registered, but 101,845 purple cards issued
June 22, 1993	22 coastal provinces; fisheries		Not implemented in fisheries until 1939 law amended
June 25, 1996	39 (later 43) provinces; 7 (later 11) industries	1,000- <i>baht</i> bond; 1,000- <i>baht</i> fee 500- <i>baht</i> health fee	Two-year permits for those who registered between Sept 1-Nov 29, 1996—34 types of jobs open to migrants; 372,000 registered, and 303,988 permits granted
July 29, 1997 January 19, 1998	Step up border and interior enforcement	Remove 300,000 migrants in 1997; another 300,000 in 1998	Provincial committees to deal with migrants; encourage factories in Thai border areas
April 28, 1998 May 8, 1998	Max 158,000, but 90,911 migrants registered; Permit border commuters	1,000- <i>baht</i> bond; 700- <i>baht</i> medical exam fee, 500-1,200- <i>baht</i> provincial health fee	54 provinces, 47 types of jobs; Extend permits expiring in August 1998 to August 1999
August 3, 1999 November 2, 1999	37 provinces; 18 sectors in 5 industries	1,000- <i>baht</i> bond; 700- <i>baht</i> medical exam fee, 1,000- <i>Baht</i> health card	Max 106,000 permits good for one year, to expire August 31, 2000; 99,974 migrants registered
August 29, 2000	37 provinces; 18 sectors		Allowed 106,684 migrants in 18 sectors and 37 provinces to work until August 31, 2001
August 28, 2001	All industries and all jobs	3,250 <i>baht</i> (\$74)1,200 <i>Baht</i> for six- month renewal	Six-month permits renewable for another six months until September-October 2002; 568,245 migrants registered
September 24- October 25, 2002	All employers, provinces, and jobs	3,250 <i>baht</i> (\$74)1,200 <i>baht</i> for six- month renewal	409,339 migrants registered

Table 1: Thai cabinet decisions on migrants: 1992-2006 (*continued*)

Date	Where	Fees	Note
July 21, 2003	National Security Council Resolution		Link the number of migrants to demand by sector; minimize migrant families; issue identification to migrants; enforce minimum wages; encourage returns; develop border areas
November 2003- June 2004	All employers, provinces, and jobs	3,250 <i>baht</i> (\$74)1,200 <i>baht</i> for six- month renewal	288,780 migrants registered
March 2, 2004 decision; July-August 2004 registration		3,800 <i>baht</i> for work permit (1800), medical exam (600), health fee (1300), registration fee (100); 13-digit ID	1,284,920 migrants and dependents (103,100)—72 per cent Burmese, 14 per cent Cambodian, and 14 per cent Laotian. 838,943 completed one year registration, and 343,777 reregistered in June 2005
MOL, 2006			668,576 registered migrants, 85 per cent Burmese, including 460,014 whose work permits expire June 30,2007 and 208,562 whose work permits expire February 28, 2007. In each case, work permits can be extended one year

Sources: Sontissakyothin, 2000, 154-62; Caouette, et al., 2000, Ministry of Labour.

Migrant worker registration began in 1992, when employers in nine Thai provinces along the Myanmar border were allowed to register the migrants they employed. Only 706 migrants were registered, largely because employers were required to pay a 5,000-*baht* bond or bail fee that was to be returned when they “turned over” their migrant workers to authorities as work permits expired (Archavanitkul, 1998, 8).⁶

The first registration that required employer-paid fees was during September-November 1996, when employers were allowed to register the migrants they employed for two additional years after paying 1,000-*baht* for a bond, a 1,000-*baht* fee and a 500-*baht* health fee.⁷ Initially, only employers in seven sectors (agriculture, fisheries, construction, mining, coal, transportation and manufacturing) and 39 provinces could register migrants, but during the exercise the number of sectors was expanded to include domestic service and several others, and the number of provinces was expanded to 43. Some 323,123 migrants were eventually registered, 88 per cent Burmese, and 293,652 two-year work permits were issued. Many of the migrants registered in 1996 had already been in Thailand for several years.

The Thai government tried to remove migrants from the country by not renewing their work permits in order to open up jobs for Thais laid off by the financial crisis that began in July 1997; the plan was to remove 300,000 migrants in 1997 and another 300,000 in 1998. For example, the government said it would not renew the work

⁶ In what Archavanitkul calls an “example of unclear policy,” another 101,845 unauthorized foreigners received “purple cards” from the Ministry of Interior at no cost “in order to control the people in a certain area.”

⁷ Mid-1990s studies of migrants in the provinces of Chiang Rai, Tak, Kanchanaburi, and Ranong found that most migrants walked across the Myanmar-Thai border, sometimes with help from Thai or Burmese agents, and that most local residents thought that migrants increased crime rates and helped to spread contagious diseases.

permits of migrants employed in rice mills after June 1, 1998. The mills, which employed about 20,000 mostly migrant workers, complained that eliminating migrants would reduce rice exports.⁸ In response to—the pleas of—mill owners, the government extended registration for migrants in rice mills until August 4, 1999, and migrants continue to dominate among mill workers.

The Thai economy began to recover in 1998, and 91,000 migrants were registered by their Thai employers. Employers were permitted to re-register migrants in 1999 and 2000, and about 100,000 migrants were registered each year. In 2001, newly-elected Prime Minister Thaksin Shinawatra expanded migrant worker registration to all 76 provinces and all industries, and Thai employers registered 568,000 migrants in a programme that began August 28, 2001.⁹ Employers paid fees of 3,250 *baht* (\$74) for each migrant worker, including 1,200 *baht* for health insurance, 900 *baht* for a six-month work permit, 150 *baht* for a photo identification card, and 1,000 *baht* for a deposit forfeited if the migrant disappeared. After six months, another work permit fee of 900 *baht* and health fee of 300 *baht* was due, making the total fee 4,450 *baht* (\$101) for 12 months, but only 350,000 of those first registered in 2001 were re-registered in 2002. In most cases, employers paid the fees and deducted them from migrant wages, which were typically the minimum wage of 133 to 165 *baht* a day in 2001, making registration and fees equal to about one month's wages.

On July 21, 2003 the National Security Council approved a six-part resolution aimed at dealing with illegal migration. It linked the number of migrants to the demand for them by sector, aimed to minimize the presence of migrant families in Thailand, called for issuing secure identification cards to migrants and enforcing the minimum wage and other laws. One new feature of the 2003 resolution was encouraging migrants to return at the end of their work permits by promoting economic development in the border areas of migrant countries of origin and creating a programme for migrants to commute daily from homes in Myanmar, Cambodia and Lao PDR to jobs in Thailand.

Thai employers were asked to submit the number of migrants they “needed” to the Ministry of Labour, and 245,100 employers requested 1.5 million migrants. Meanwhile, Thailand signed MOUs with Myanmar, Cambodia and Lao PDR aimed at legalizing migrant entries and employment. Under the MOUs, Thai employers have their need for migrants verified by Thai authorities. Sending country governments recruit and select migrants to fill these jobs and issue them passports so they can receive entry visas at the appropriate Thai embassy or consulate. Migrants travel to Thailand and report to their Thai employers, receive work permits and are entitled to the same wages as Thai workers. Migrants are to depart when their work permits expire, receiving the 15 per cent of earnings that were withheld in their countries of origin.¹⁰

There was doubt about the number of migrants in Thailand, so during July-August 2004 all migrants in Thailand were allowed to register with the Ministry of Interior at no charge “ the incentive to register was documents to stay in Thailand an additional year. Some 1,284,920 migrants (including dependents) registered with the Ministry of the Interior (MOI), but just 1,122,192 foreigners went to government offices to be photographed.

⁸ On July 5, 1998 an estimated 600 of 1,000 Thai rice mills closed because, the owners claimed, the government would not permit them to employ foreign workers. The estimated 20,000 million workers, mostly Burmese, earned the minimum wage of \$4 a day or \$122 a month to carry bags of rice that weigh up to 100 kilos or 220 pounds; the quota was to carry 200 bags a day. The government proposed that the mills raise wages and reduce the weight of the bags from 100 to 50 kilos to attract Thai workers, some of whom said they would work in rice mills if the bags were lighter (*Migration News*, 1998, “Migrants Can Stay,” August, Vol. 5, No. 8). A week-long workshop to get Thais into fishing saw the number of participants dwindle from 82 to zero by the time workers were to board boats.

⁹ The Cabinet Resolution stated: “owing to the lack of Thai workers’ willingness and ability to work in some hazardous jobs... [employers have been permitted] to employ illegal foreign workers temporarily prior to deportation in 37 of Thailand’s 76 provinces and in 18 types of jobs, such as fisheries and hog farms.”

¹⁰ This part of the MOU has not been implemented; many experts doubt that migrants will ever receive the withheld wages from their own governments. Under the Thai MOUs with Myanmar, Cambodia and Lao PDR, migrants may be liable for income taxes in both Thailand and their country of origin.

Only employers could register migrants for work permits, which required the payment of fees to the Ministry of Labour, and employers registered 849,552 migrants by paying 3,800 *baht*, which included 1,800 *baht* for a one-year work permit, 600 *baht* for a medical exam, 1,300 *baht* for health insurance and a 100-*baht* registration fee.¹¹ On July 19, 2005, the Thai Cabinet by resolution allowed employers to extend migrant worker permits until June 30, 2006 by paying additional fees, and 705,293 migrants were re-registered.¹²

In 2006, employers were allowed to re-register their migrants, and 668,576 were re-registered. Another 53,202 work permits were issued under the MOUs, giving Thailand 722,000 registered migrant workers.¹³ The data in Table 2 show the rising total number of migrants and the fluctuating number of registered migrants. About two-thirds of the estimated total number of migrants were registered in 2000, but the share of registered migrants has since dropped below 50 per cent (the data are approximate, since the total number of migrants is not known). Except in 2000 and 2003, the number of unregistered migrants appears to have exceeded the number of registered migrants, sometimes by two to one.

Table 2: Foreign workers in Thailand, 1996-2007

	Registered	Non-registered	Total	Registered (%)
1996	293,652	406,348	700,000	42
1997	293,652	424,037	717,689	41
1998	90,911	870,556	961,467	9
1999	99,974	886,915	986,889	10
2000	99,956	563,820	663,776	15
2001	568,249	281,751	850,000	67
2002	409,339	558,910	968,249	42
2003	288,780	711,220	1,000,000	29
2004	849,552	149,848	999,400	85
2005	705,293	807,294	1,512,587	47
2006	668,576	1,104,773	1,773,349	38
2007	460,014	1,339,986	1,800,000	26

Note: An additional 53,202 migrants were registered under the MOU in 2006. Most were already in Thailand.

Sources: Ministry of Labour, Presentation by Rattana-ut, 2006; Hugu- et, 2007.

It should be noted that the government allows employers to hire almost as many migrants as employers say are needed, but it appears that many employers do not obtain work permits for the migrants they employ. In 2006, employers requested 1.3 million migrants, the government quota was 1.2 million, but only 475,000 work permits were issued (Table 3).¹⁴ The major reason for the discrepancy was that 41 per cent of the requests for migrants were in “other sectors,” but only five per cent of the work permits were issued to migrants in “other sectors.”

¹¹ Migrants without jobs could register as well during July-August 2004, but were the weight of the bags from 100 to 50 kilos to attract Thai workers, some of whom said they would work in rice mills if the bags were lighter (*Migration News*, 1998, “Migrants Can Stay,” August, Vol. 5, No. 8). A week-long workshop to get Thais into fishing saw the number of participants dwindle from 82 to zero by the time workers were to board boats.

¹² The July 19, 2005 resolution also allowed migrants to enter as daily and seasonal commuters.

¹³ A 2006 presentation by the Ministry of Labour’s Department of Employment reported a total of 2.8 million foreigners in Thailand, including the almost 1.3 million migrants registered with the MOI in 2004, 500,000 foreigners who entered legally and overstayed their visas (from 190 countries), 800,000 foreigners under the responsibility of the Ministry of the Interior, and 104,000 registered foreign professionals.

¹⁴ Employer requests for migrants (migrant demand) is the number of migrants employers told the Ministry of Labour they “needed;” quota is the maximum number the Ministry of Labour allowed them to employ; and work permit is the number of migrants for whom employers sought permission to work. (Interviewed in February 2007)

Table 3: Employer requests, quotas and work permits issued, 2006

Sector	Employer requests		Migrants per district (%)	Government quota		Per cent of requests (%)	Work permits issued		Per cent of quota (%)	Work permits per sector (%)
	Employers	Migrants		Employers	Migrants		Employers	Migrants		
Agriculture	40,833	212,055	16	40,627	200,737	95	39,048	127,028	63	27
Construction	15,337	200,355	15	15,256	183,171	91	15,837	106,614	58	22
Fish Processing	2,966	152,041	11	2,961	151,283	100	4,267	80,743	53	17
Domestic Helpers	74,627	118,552	9	72,820	112,987	95	66,776	66,776	59	14
Other	50,906	552,080	41	49,864	483,900	88	51,925	51,925	11	11
Fisheries	5,006	59,715	4	4,965	57,286	96	4,535	23,708	41	5
Rice Mills	841	9,803	1	840	9,169	94	1,035	6,134	67	1
Ice Factories	914	7,882	1	890	7,087	90	984	4,525	64	1
Brick Factories	772	8,258	1	771	7,717	93	918	4,153	54	1
Transportation	1,744	10,321	1	1,741	10,262	99	319	2,469	24	1
Mining	187	2,541	0	185	2,507	99	232	1,373	55	0
Total	194,133	1,333,603	100	190,920	1,226,106	92	185,876	475,448	39	100

Source: Kitthikhum, 2007, 3-4.

The Ministry of Labour (MOL) in 2007 had a four-part strategy to manage labour migration.¹⁵ It included implementing the MOUs with the three major source countries, encouraging employers of unauthorized foreign workers to register them, studying the introduction of a levy on employers of migrants (as is done in Malaysia and Singapore), and developing more fully daily commuter and seasonal worker programmes for migrants employed in border areas.

The Ministry of Labour reported 668,576 registered migrant workers in 2006, 85 per cent Burmese, including 460,014 whose work permits would expire June 30, 2007 and 208,562 whose work permits expired February 28, 2007 (these migrants were employed by new employers). Thai employers of both types of migrants could renew their work permits for an additional year. In addition, there were 80,811 migrants from Cambodia and Lao PDR in Thailand whose nationality was verified, and 49,214 applied for visas and work permits. Finally, 3,988 migrants were admitted under the MOUs from Cambodia and Lao PDR, bringing the total number of registered migrants to 721,778 in 2006.

Thai migrant worker policy is best described as a series of employer-initiated registrations of foreign workers that defer their removal. The major recent change is the signing of bilateral MOUs with Myanmar (June 2003), Cambodia (May 2003) and Lao PDR (October 2002) to improve migration management. Under the MOUs, Thai employers are to get their need for migrants verified by Thai authorities, who transmit information on the number of migrant workers needed to sending-country governments, where private firms (Cambodia) or

¹⁵ The Ministry of Labour devoted 124 million or 13 per cent of its 951 million baht budget for the fiscal year 2007 to the management of migrant workers. Interviews in January 2007.

government agencies (Myanmar and Lao PDR) recruit and select migrants to fill Thai jobs (Vasuprasat, 2007). Migrants are issued passports, so they can receive entry documents at the appropriate Thai embassy or consulate before travelling to Thailand to receive two-year work permits that are renewable once. Migrants are to depart when their work permits expire, receiving in their home country the 15 per cent of wages that were withheld to encourage their return (these wages are forfeited if migrants do not return).

Recruitment under the MOUs began in 2006, when Thai employers requested 51,100 Lao and 17,500 Cambodian workers (Vasuprasat, 2007, 8). However, only 3,400 Lao and 600 Cambodian workers arrived under the MOUs in 2006; an additional 1,400 arrived from Lao PDR in the first quarter of 2007.¹⁶ Up to 10 per cent of those recruited under the MOUs leave before their two-year contracts are completed, but there is no system for recording why.¹⁷

Relatively few migrants have come to Thailand under the MOUs for several reasons, including time-consuming recruitment procedures and high fees. In both Cambodia and Lao PDR, migrants must obtain documents from local and provincial authorities and eventually travel to the capital, a process that can take three to five months (Huguet, 2007). Although information about jobs and workers is to be transmitted by computer, sending countries have not yet developed computer systems compatible with those in Thailand.

High fees are an ever more significant barrier to legal movements under the MOUs. Cambodian migrants entering Thailand under the MOU must agree to have recruitment agency fees that average 20 per cent of the first year's earnings in Thailand (an average 3,700 *baht* a month, derived from the minimum wage of 144 *baht* a day and 26 days of work a month) deducted from their pay and sent to the agency. These fees of \$350 to \$500 are far more than the typical \$85 cost of being smuggled from Cambodia to Thailand. Some Cambodians use daily border crossing passes that cost 10 *baht* (\$0.35) to enter Thailand and then work illegally, especially if they have relatives in Thailand to find them jobs and provide shelter (Vasuprasat, 2007, 9).

Recruitment in Lao PDR is also expensive. The Prime Minister Decree 68/PMO allows the five authorized employment agencies, two of which are state enterprises, to charge legal migrants 15 per cent of what they will earn abroad in recruitment fees, and does not make clear if agencies may charge additional fees for passports, health checks and other costs. Thai employers advance half of the 15,500 *baht* recruitment fee to Lao recruitment agencies and pay the other half once the migrant arrives in Thailand, and then deduct this fee from migrant worker wages (Vasuprasat, 2007, 9). Being smuggled from Lao PDR to Thailand costs around \$60 to \$85, or about one month's wages, compared to five to six months' wages in fees for migrating through regular channels.

As Thailand considers a labour migration policy for the medium term, the decade of 2007-2017, economic growth is expected to continue at rates far higher than in the migrant countries of origin. As a result, demand-pull factors in Thailand, supply-push factors in migrant countries of origin, and networks that bridge borders are likely to sustain migration. The policy question is whether migrants arrive and are employed in Thailand legally or illegally.

¹⁶ Another 49,200 migrants already in Thailand received documentation of their nationality from Cambodian and Laotian authorities and work permits from the Thai government (Huguet, 2007, 8-9).

¹⁷ Vasuprasat (2007, 12) suggested that the reasons for early returns included the fact that Thai employers advance travel costs (fly now, pay later in wage deductions) and that many migrants are farm workers not accustomed to the long hours they are expected to work in Thai factories. On the other hand, some migrants assume they would be able to work 3-4 hours a day of overtime and are disappointed when there is less overtime work available.

2 Migrants: Macroeconomic contributions

In 1995, the presence of an estimated 750,000 migrants increased Thai GDP by a half of one per cent, \$839 million of the then \$168 billion Thai GDP at current prices and \$600 million of the \$120 billion Thai GDP in 2000 constant dollars (Sussangkarn, 1996).¹⁸ This estimate of migrant contributions to GDP was based on a Social Accounting Matrix (SAM) that laid out the links between economic actors in the economy, with the rows in the square matrices representing sellers of goods and services, such as farmers who hire migrants to produce commodities, and the columns representing local and foreign buyers of these commodities.

SAM data, which provide a static or cross-section picture of the economy in a single year, were assembled for 79 sectors and fed into a Computable General Equilibrium (CGE) model, with equations showing how the supply of goods and services interacts with the demand for them. The CGE can then estimate how changes in the cost of an input, such as the cost of labour used in the production of fish products, changes output. If migrants hold down fishery wages and fish prices, the CGE model can estimate how much fish prices might rise with higher labour costs and how much exports may fall if the migrants were removed.¹⁹ If migrants expand the supply of minimum wage workers and allow more fish to be caught, processed, and exported at the fixed world price, the CGE model can estimate the additional GDP due to the presence of migrants.

Table 4: Thai and migrant workers, 1995

Sector	Thai workers with a primary education and above	Less than a primary education	Total Thais	Migrants	Distribution (%)	Migrant share (%)
Agriculture	1,322,920	16,898,850	18,221,770	561,432	76	3.0
Industry-low skill	793,949	2,894,057	3,688,006	147,095	20	3.8
Industry-medium skill	665,482	964,897	1,630,379		0	0.0
Services	4,154,350	5,043,296	9,197,646	34,272	5	0.4
Total	6,936,701	25,801,100	32,737,801	742,799	100	2.2

Source: Sussangkarn, 1996, 4.

Sussangkarn (1996, 4) estimated that there were 743,000 migrants in the 33.5 million strong labour force of 1995, including 561,400 among 18.8 million employed in agriculture, 147,000 among 3.8 million employed in low-skilled Thai industries, and 43,000 among 9.2 million employed in services. The foreign workers were assumed to be substitutes for Thais with a primary education or less and complements for Thais with more education. These assumptions led to the estimates that real GDP would fall by 0.48 per cent if all migrants were removed from the Thai economy, including a one per cent drop in agricultural GDP (Sussangkarn, 1996, 10).

¹⁸ Sussangkarn, (1996, 1) concluded that the presence of migrants expands output but that “low educated Thais lose” from the presence of migrants, and that “taxes and transfers” should be used to share the benefits of migrants “so that all groups gain” from their employment in Thailand.

¹⁹ The GTAP (Global Trade Analysis Project) has developed a global economic database to estimate a CGE model of the world economy and simulate e.g. the effects of carbon taxes aimed at slowing global warming (www.gtap.agecon.purdue.edu).

If migrants were removed, the wages of Thai workers with less than a primary education (substitutes for migrants) would rise by 3.5 per cent, but the wages of Thais with more than a primary education would fall (migrants complement them). This redistribution is mirrored in projected changes in the Thai income distribution – the real income of the poorest 60 per cent of Thai households would increase 0.4 per cent, if there were no migrants, while that of the richest 40 per cent of Thai households would decrease by 0.3 per cent without migrants (Sussangkarn, 1996, 11). If a levy of 20 per cent were imposed on migrant wages (and paid by employers because migrants were already at the minimum wage), employers would pay more for migrants and there would be fewer of them, but low-educated Thais would gain.

In 2005, the estimated 1.8 million migrants were five per cent of the 36 million strong labour force, that is, the migrant share of the labour force expanded by a factor of two. If the 1995 SAM-CGE relationships remain valid (this is unlikely, since the Thai economy experienced structural changes after the 1997-1998 financial crisis, but we did not have access to a new CGE model), so that each 2.2 per cent migrant labour force share increases Thai GDP by 0.5 per cent, then the migrant contribution to Thai GDP should be almost 2.5 times greater in 2005 because the migrant share of the labour force is this much larger. Instead of migrants adding one half of one per cent to Thai GDP, as in 1995, their contribution in 2005 would be $0.5 \times 2.5 = 1.25$ per cent of Thai GDP, which was \$177 billion at current prices and \$157 billion in 2000 constant dollars, making migrant contributions to Thai GDP \$2 billion or \$1.8 billion.

Table 5 reports the estimated number of migrants and the Thai labour force between 1995 and 2005. The number of migrants increased by 153 per cent over this decade, from 700,000 to 1.8 million, while the Thai labour force increased by 13 per cent, from 31.5 million to 35.7 million. Thai GDP in constant 2000 dollars increased by 31 per cent, and the combination of a rising share of migrants and a rising GDP means that the estimated contribution of migrants using the SAM-CGE relationships almost tripled, from \$600 million in constant 2000 dollars in 1995 to \$1.8 billion in 2005.

The author did not have access to updated SAM or CGE models of the Thai economy.²⁰ However, a simulation based on the number of migrants in the various sectors of the Thai economy and output per worker in agriculture, industry, and services also finds significant migrant contributions to Thai GDP.²¹ The total number of migrants is not known, but most studies suggest at least 1.8 million distributed as follows: agriculture and fisheries, 40 per cent; industry and construction, 40 per cent; and services, 20 per cent.

It is possible to calculate the total value added in agriculture, industry and construction, and services and the average output per worker in each sector. Most migrants are low-skilled. In order to estimate their contributions to value-added in each sector, calculations were based on assumptions or scenarios they are 25, 50, 75 and 100 per cent as productive as Thais and non-Thais employed in that sector. For example, if migrants are 25 per cent as productive as the average in each sector in which they work, they account for one per cent of the value added in agriculture, two per cent in industry and construction, and one per cent in services, or 1.6 per cent of the total value-added in the Thai economy. If migrants are as productive as the Thais in each sector, their total contribution would be 6.2 per cent of Thai GDP, which exceeds their five per cent share of the labour force because a higher percentage of migrants than Thais are in the industrial sector, which has the highest output per worker.

²⁰ We understand that in 2003 TDRI, in conjunction with the Institute of Asian Studies at Chulalongkorn University and the Institute for Population and Social Research at Mahidol University, generated updated estimates of the contributions of migrants to the Thai economy in a report to the Office of the National Security Council, but we did not receive this report.

²¹ In many cases, migrants are complements to local workers in the sector. For example, rice farming is dominated by Thais, but many of the workers in rice milling are migrants. Similarly, most shrimp farmers are Thais, but many of the workers in shrimp processing are migrants.

Table 5: Migrants and Thai GDP, 1995-2005

	Total migrants	Labour force	Migrant (%)	Thai GDP (\$) Constant 2000 \$	Current \$	TDR1 migrant contribution (\$)		Constant 2000 \$
						1995=0.005	Current \$	
1995	700,000	31,516,460	2.2	120,005,700,000	167,895,800,000	0.005	600,028,500	839,479,000
1996	717,689	32,237,260	2.2	127,087,600,000	181,688,900,000	0.005	635,438,000	908,444,500
1997	961,467	32,763,300	2.9	125,344,800,000	150,891,500,000	0.007	835,988,666	1,006,372,692
1998	986,889	32,952,510	3.0	112,171,100,000	111,859,600,000	0.007	763,498,363	761,378,122
1999	663,776	32,925,590	2.0	117,160,100,000	122,337,800,000	0.005	536,803,127	560,526,268
2000	850,000	33,590,080	2.5	122,725,200,000	122,725,200,000	0.006	705,811,873	705,811,873
2001	968,249	34,097,740	2.8	125,385,000,000	115,536,500,000	0.006	809,197,198	745,637,931
2002	1,000,000	34,395,880	2.9	132,052,500,000	126,877,000,000	0.007	872,544,381	838,346,971
2003	999,400	34,720,240	2.9	141,339,600,000	142,919,800,000	0.007	924,629,633	934,967,145
2004	1,512,587	35,272,760	4.3	150,061,800,000	161,688,100,000	0.010	1,462,508,488	1,575,818,887
2005	1,773,349	35,724,940	5.0	156,752,700,000	176,602,200,000	0.011	1,768,418,542	1,992,352,317
% increase 1995-2005	153%	13%	123	31%	5%		195%	137%

Notes: According to TDR1 the migrant contribution was 0.5 per cent of GDP when migrants were 22 per cent of the labour force. The migrant contribution is assumed to increase with its share in the labour force.

Sources: MOL; World Bank. *World Development Indicators*, TDR1.

Table 6: Migrant contributions to Thai GDP: Sector analysis, 2005

	Employment	Employment	Value added	Output/worker
	Total	Migrants	2005 (\$millions)	2005 (\$)
Agriculture	15,120,000	720,000	16,931	1,120
Industry	7,320,000	720,000	82,863	11,320
Services	13,500,000	360,000	76,808	5,689
Total	35,940,000	1,800,000	176,602	4,914

Migrant value-added (\$millions, 2005)				
Assumptions or scenarios about productivity of migrant workers compared to Thai workers	25%	50%	75%	100%
Agriculture	202	403	606	806
Industry	2,038	4,075	6,128	8,150
Services	512	1,024	1,540	2,048
Total	2,751	5,503	8,275	11,006

Migrant value-added (percentage of total, 2005)

Assumptions or scenarios about productivity of migrant workers compared to Thai workers	25%	50%	75%	100%
Agriculture	1%	2%	4%	5%
Industry	2%	5%	7%	10%
Services	1%	1%	2%	3%
Total	1.6%	3.1%	4.7%	6.2%

Notes: Migrant employment is assumed to be distributed as follows: 25 per cent in agriculture, 15 per cent in fisheries, 40 per cent in industry and 20 per cent in services.

Sources: See text discussion

Using average value-added per worker generates a gross estimate of migrant contributions, since the wages paid to migrants are the largest component of the additional GDP. For many purposes, we want to estimate the net contributions of migrants, subtracting the wages that they earn from the additional GDP. We can do this with an aggregate labour demand and supply approach that requires estimates of three parameters: the wage depression due to presence of migrant workers, the migrant share of the labour force, and labour's share of national income. Figure 1, prepared for the United States in the mid-1990s (Borjas, 2005, 338-339), illustrates this net contribution method of analysis. There is a negatively sloped aggregate demand for labour and a positively sloped aggregate supply of national workers that produces a non-migrant equilibrium at **E**, when 125 million national workers are employed at an average wage of \$13 per hour.

Adding migrants shifts the supply of labour curve to the right. If the demand for labour remains fixed, wage rates fall and employment increases at the new equilibrium **F**. However, national income – the area under the demand curve AEFI – is larger with migrants. Most of the additional national income, the rectangle **D**, is the wages of migrants. However, there is an extra triangle of net benefits due to the employment of migrants represented by triangle **B**, whose size can be estimated to reflect the additional national income due to migrants.²²

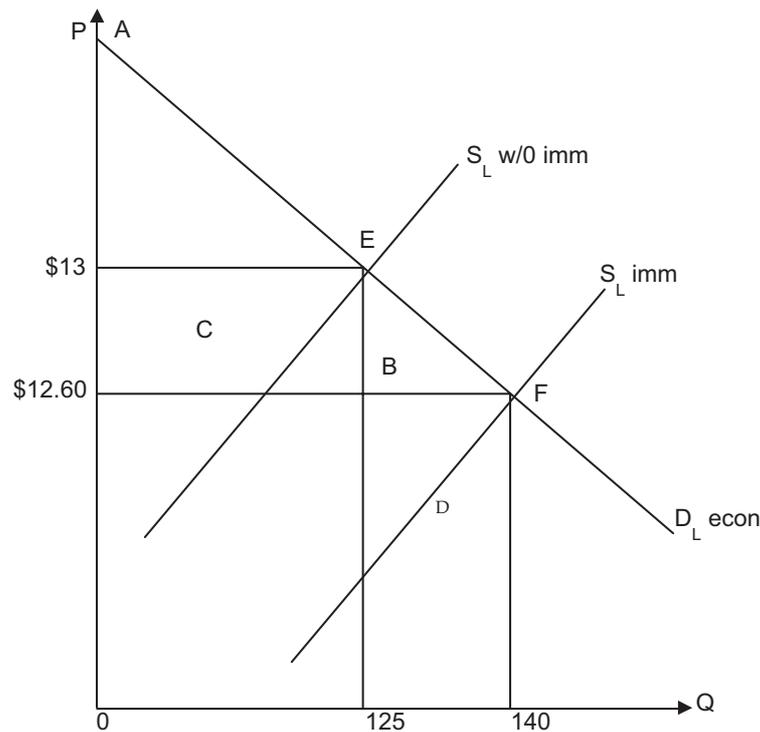
For the US economy, where there were 15 million foreign-born workers in the mid-1990s, migrants reduced US earnings by an estimated 3 per cent or \$0.39 to \$12.60 an hour. The size of triangle **B**, the net increase in national income due to migrant workers, can be estimated in percentage terms as: $1/2$ (3 per cent decrease in wages x 11 per cent immigrant worker share of the labour force x 70 per cent share of labour in national income, or $1/2 \times (0.03 \times 0.11 \times 0.7) = 0.001$, meaning that national income in the United States was increased by $1/10$ of 1 per cent because of the presence of migrant workers. US GDP in the mid-1990s was \$8 trillion, making each 1 per cent \$80 billion and $1/10$ of one per cent \$8 billion. To put this number in perspective, an \$8 trillion economy growing 3 per cent a year expands by \$240 billion or about \$1 billion per working day.

Again, the three key parameters needed to estimate the net increase in national income due to migrant workers are the wage decrease due to migrants, the migrant worker share of the labour force, and labour's share of national income. These calculations can be made for the entire economy or for particular sectors in which migrants are concentrated. In migrant-dependent sectors, wage depression may be larger, the migrant share

²² Owners of capital gain triangle **B**, the net economic benefit of migrant workers, in increased returns to capital and land. Note that there is no triangle **B**, there is no net benefit from migrant workers to the economy in this model, if wages do not fall. If the aggregate demand curve were horizontal, meaning that wages did not fall as employment expanded, migrants would receive all the gain from their employment in wages.

of the labour force higher, but labour's share of industry revenue may be lower. For example, in US agriculture, wage depression due to the fact that migrants are 75 per cent of workers may be 50 per cent. Labour's share of revenue in migrant-dependent farm commodities is about 30 per cent, and $1/2 (0.5 \times 0.75 \times 0.3) = 0.06$ or 6 per cent, making \$2 billion of the \$30 billion in revenue in this sector due to the presence of migrant workers.

Figure 1: Estimating the net economic benefits from migrants



Source: George Borjas, *Labour economics*, McGraw Hill, 2007, pp. 338-339.

Applying the aggregate demand-supply model to Thailand yields the estimates in Table 7. TDRI estimated that the presence of migrants reduced the wages of Thai workers with a primary school education or less by 3.5 per cent (Sussangkarn, 1996). The World Bank's data show that 83 per cent of Thai workers had a primary school education in 1988, 2 per cent a secondary school education, and 8 per cent a tertiary education, suggesting that three per cent wage depression due to migrants is a reasonable assumption for Thailand.

The compensation-of-employee share of Thai national income has been declining, from 44 per cent in the late 1990s to 40 per cent in 2004-2005.²³ Thus, $(0.03 \times 0.05 \times 0.4 = 0.0006)$ and $1/2$ of this is 0.0003. Thai GDP in constant 2000 dollars was \$157 billion in 2005, making the net gain due to migrants \$47 million in constant dollars and \$53 million in current dollars.

²³ Data from http://www.nesdb.go.th/econSocial/macro/gdp_data/mainaccount.htm

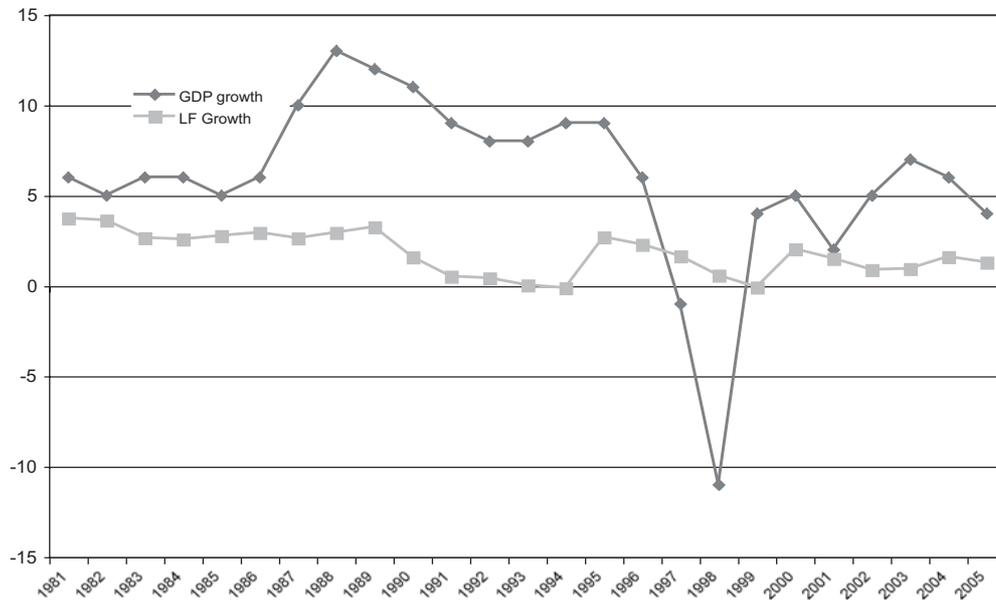
There are several caveats to these estimates. First, they assume that the wage depression due to migrants remains at three per cent even as the migrant share of workers increases. If wage depression increases with the rising share of migrant workers, the economic contributions of migrants rise. For example, if migrants depressed wages by six per cent in 2005, the net gain due to migrants doubles to \$94 million in constant dollars and to \$106 million in current dollars. Second, migrant impacts are likely to be larger in the sectors in which they are concentrated, viz, agriculture, fish processing, construction, manufacturing and some services. Wage depression is likely greater in these “migrant sectors,” the migrant share of workers higher, and labour’s share of income/revenue may be higher.

Table 7: Migrants and Thai GDP, 1995 -2005

	Wage depression	Migrant share of labour force	Labour's share	Estimating net gain (1/2)	Thai GDP (\$billion)		Migrant contribution	
					Constant 2000 \$ (billion)	Current \$ (billion)	Constant 2000 \$ (million)	Current \$ (million)
1995	0.03	0.02	0.4	0.0001	120	168	16	22
1996	0.03	0.02	0.4	0.0001	127	182	17	24
1997	0.03	0.03	0.4	0.0002	125	151	22	27
1998	0.03	0.03	0.4	0.0002	112	112	20	20
1999	0.03	0.02	0.4	0.0001	117	122	14	15
2000	0.03	0.03	0.4	0.0002	123	123	19	19
2001	0.03	0.03	0.4	0.0002	125	116	21	20
2002	0.03	0.03	0.4	0.0002	132	127	23	22
2003	0.03	0.03	0.4	0.0002	141	143	24	25
2004	0.03	0.04	0.4	0.0003	150	162	39	42
2005	0.03	0.05	0.4	0.0003	157	177	47	53

Sources: TDRI estimates of wage depression; migrant data from Ministry of Labour.

Adding migrant workers to the Thai labour force expands employment and national income, and the net increase in national income depends on wage depression, the migrant share of the labour force, and labour’s share of national income or sectoral revenue. However, it is much harder to link the presence of migrants to other macro indicators, from labour force growth to exports to inflation. For example, Figure 2 shows no apparent link between Thai GDP growth and labour force growth. Labour force growth was rapid in the 1980s, when immigration was low, slowed to zero in the mid-1990s and again in 1999-2000, and has been expanding by one to two per cent a year in recent years. GDP growth, on the other hand, was most rapid during the late 1980s, declined as the number of migrants increased in the early 1990s, plunged during the financial crisis of 1998-1998, and has since rebounded.

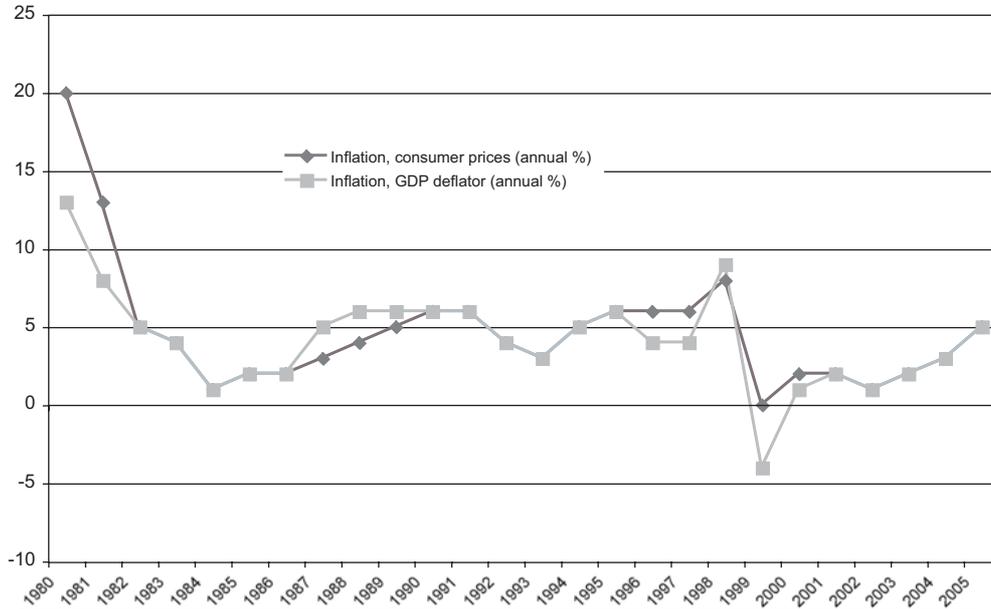
Figure 2: Thai GDP and labour force growth, 1981-2005 (%)

Source: World Bank.

Thailand has increased significantly its exports, from \$8 billion in current dollars in 1980 to \$130 billion in 2005. As a share of Thailand's growing GDP, exports rose steadily from less than 25 per cent in the early 1980s to a 75 per cent in 2005. The fastest-rising exports of goods are machinery, including autos and parts, and electrical and computer-related goods. Each accounts for about a sixth of Thai exports, and both types of goods are produced mostly with Thai workers (World Bank, World Development Indicators). The \$5 billion in garment and textile product exports, many produced with the help of migrants, are shrinking because of competition from lower-wage countries, especially China and Viet Nam. Finally, agricultural exports of about \$8 billion a year are dominated by rubber and rice, commodities in which migrants play important roles.

Inflation declined between 1980 and 1984, remained at about five per cent from the mid-1980s to the mid-1990s, and then surged and fell in the late 1990s before returning to the five per cent level in 2005. As suggested by the behaviour of inflation in the late 1990s, non-migrant factors are the major drivers of price changes, although migrants may play wage- and price-dampening roles in particular sectors, such as maintaining Thai garment production and exports in the face of increased competition from China and Vietnam and holding down costs of export commodities such as rubber and rice.

Figure 3: Inflation in Thailand, 1980-2005



Source: World Bank.

Migrant workers earn and spend in Thailand. If migrants earn an average 135 *baht* (\$3.75) for 300 days of work a year, their earnings are 40,500 *baht* (\$1,125) a year, or about half of the average 80,000 *baht* a year earned by Thais. If migrants remit half of their earnings and spend the other half in Thailand, they spend an average of \$562 a year in Thailand. With a multiplier of two, each migrant's spending translates into \$1,125 of additional Thai GDP. This means that 1.8 million migrants at an average \$1,125 a year earn a total of \$2 billion. Even if they remit \$1 billion to their countries of origin, their spending in Thailand increases Thai GDP by \$2 billion, assuming an expenditure-to-GDP ratio of two.

3 Migrants: Industries and labour markets

Employers hire migrants seeking jobs. If the migration and employment are voluntary, both parties are better off, which is one reason why governments find it difficult to reduce the entry and employment of migrants after the mutual dependence of employers on migrants and migrants on jobs has developed.

The supply of migrants affects the industries in which they are employed as well as the attitudes and choices of local workers. For example, the availability of migrants may reduce the incentives for employers to search for labour-saving changes as the economy grows and offers local workers new options.²⁴ The presence of migrants may encourage local workers to avoid “migrant jobs,” especially if they tend to be in so-called 3-D jobs – dirty, difficult, and dangerous.

It has been very hard to measure the impacts of migrants on the wages and employment choices of local workers. Migrants can have little effect on wages, if all or many workers in the industry or occupation are paid the minimum wage, which can prevent wage depression when migrants in fact receive the minimum. The availability of migrants can slow improvements in wage-related benefits and working conditions associated with economic growth, but this is hard to measure. Even if migrants are concentrated by location, industry and area, their impacts can diffuse quickly throughout the economy and labour market, as the products they produce move from one area to another and local workers move away from migrant areas or do not move to them in search of jobs.

Migrant impacts: Theory

There are two extreme perspectives on the labour market impacts of migrants. At one end of the spectrum are those who assert that migrants and local workers are perfect substitutes, so that each migrant displaces a local worker, so that each migrant removed opens a job for a local worker. At the other end of the spectrum are those who argue that there is no relationship between migrant and local workers, because migrants fill jobs that local workers refuse, making migrants perfect complements for national workers.

Both extremes are wrong. Migrants are both substitutes and complements for national workers. Their presence affects both the wage rates and employment options of local workers, and the degree to which migrants are substitutes for or complements to national workers varies with factors that range from migrant and national worker characteristics to technologies of production and the nature of labour and product markets.

The usual way in which migrant-local worker interactions are discussed when considering policy changes imagines national workers being hired first. When there are no more national workers available at prevailing wages and conditions, migrants fill job vacancies. To illustrate this scenario, imagine an aggregate demand for labour curve and two labour supply curves, one for national workers and a total labour supply that includes national and migrant workers the horizontal difference between the two is the number of migrants.

The policy question is what would happen without migrants, that is, how would employers react as migrants were removed from the labour market? There are two scenarios. First, as migrants are removed, wage rates

²⁴ Migrant impacts on labour-saving changes can also be different in the short- and medium-term. For example, the presence of migrants that slows labour-saving changes in the short term can expand the profits of the industry, allowing it to make more labour-saving changes in the future.

could rise, reducing the demand for labour and increasing the supply of national workers, as in the usual economic model when changing prices (wages) bringing supply and demand into balance. Proponents of this smooth adjustment to fewer migrants often argue that there is no shortage of workers, only a “shortage” of wages.

The alternative vision is that the demand for labour curve is not smooth. If the demand for labour curve is kinked or discontinuous in particular sectors with the schedule more elastic at higher wage rates and more inelastic at lower wage rates, then as migrants are removed from the labour market, wages rise, but at some critical wage, the quantity of labour demanded falls sharply, reflecting the kink. This sharp drop in the demand for labour could be due to higher wages prompting labour-saving automation or making the product produced by migrant and national workers uncompetitive.

There is an important policy implication from smooth versus kinked demand for labour curve. If the demand for labour is smooth, then allowing wages to rise will bring the demand for and supply of labour into balance, and governments do not have to worry about adjusting to fewer migrants. However, if the demand for labour is kinked at critical wages, there may be room for government to help industries adjust to a reduced presence of migrants, since it may be difficult for one employer to make labour-saving adjustments in isolation.

Migrant impacts: Thailand

Most migrants in Thailand appear to have been hired to fill jobs vacated by Thai workers and to fill jobs created in part because migrants were available as, for example, when foreign investment along the Myanmar border creates jobs for migrants. Economic growth opened new opportunities for national workers who previously filled jobs in agriculture, construction and fisheries. The availability of migrants likely speeded up national worker exits from these sectors, as a growing economy offered national workers other options.

One major question is whether the substitution of migrants for national workers was speeded up in some sectors because the presence of migrants reduced wages. Bryant and Rukumnuaykit used data collected as part of the 2004 registration. Thailand had 76 provinces and 917 districts in 2004, and Bryant and Rukumnuaykit compared the share of migrants by district to wages by district to see whether relatively more migrants were associated with higher or lower wages.

They found the opposite of what economic theory would predict – districts with a higher share of migrants in the working-age population had higher wages. One reason for this somewhat counter-intuitive result is that migrants are likely to move to districts with higher wages. For instance, if migrants move to the relatively high-wage rubber-producing districts in southern Thailand, both the share of migrants and higher-than-average wages can increase together.²⁵ In the Thai districts bordering Myanmar, a higher share of migrants is associated with lower wages, which may indicate that large numbers of unregistered migrants putting downward pressure on Thai wages.

This district analysis is a reminder that migrants can be complements for national workers, filling jobs in agriculture, construction and fisheries in a manner that creates jobs for national workers in upstream and downstream industries. For example, the availability of migrants has enabled Thailand to maintain and expand its fish production creating jobs in building fishing boats and selling fish products. The availability of migrant domestic helpers may allow more Thai women to join the labour force, a case in which the availability of migrants increases the number of national workers.

²⁵ Bryant and Rukumnuaykit tried to control for the effects of migrants moving to high-wage areas with instrumental variables, and found no statistically significant relationship between wages and the share of migrants.

It is easy to list these possible migrant impacts in Thai labour markets, but hard to assess them with available data. Thailand's National Statistical Office has been conducting national labour force surveys since 1963, with expanded coverage and reliability over time. According to the LFS, the Thai labour force grew about twice as fast as the population between 2001 and 2005, and the number of employed workers in Thailand increased almost three times faster. Meanwhile, the number of unemployed was almost halved.²⁶

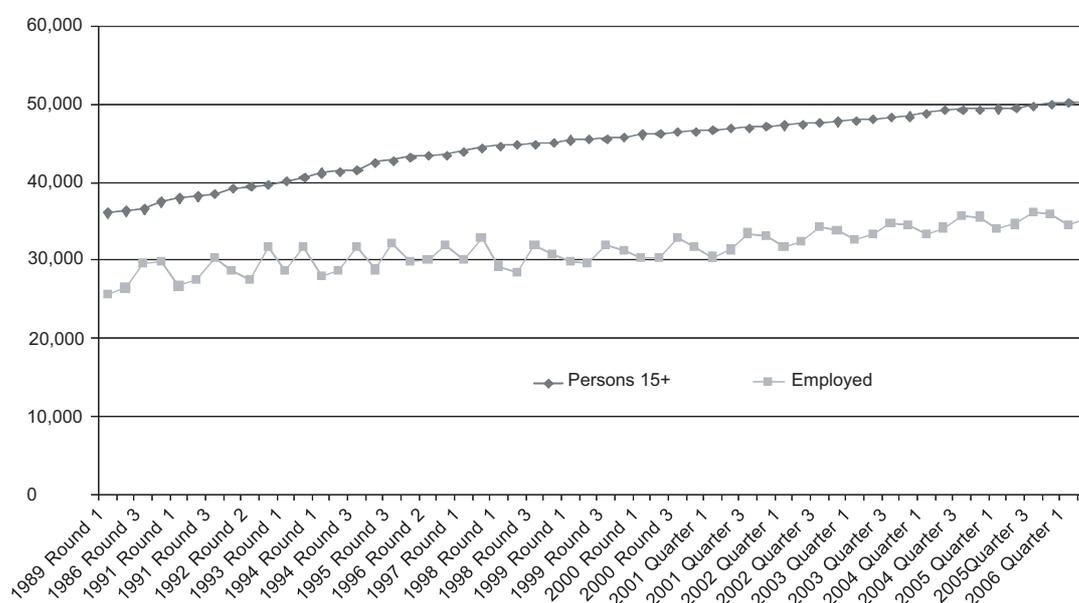
Table 8: Thai population and labour force: 2001-2005

	Annual averages (thousands)					Percentage change 2001-2005
	2001	2002	2003	2004	2005	
Population	62,936	63,461	64,006	65,082	65,088	3.4%
Labour force	33,813	34,262	34,902	35,718	36,120	6.8%
Employed	32,104	33,061	33,841	34,729	35,245	9.8%
Unemployed	1,124	823	754	739	663	-41.0%

Source: Thailand labour force survey.

A longer term perspective presents a more mixed picture of employment growth. If we compare the number of persons employed to the number who are 15+ since 1989, it is clear that the employment-to-population ratio fell from 80 per cent to 70 per cent, with most of the decline occurring in the 1990s, and with a sharper drop for women than men. There are several explanations for the fact that fewer Thais are in the labour force and employed, including that more young people are getting more education and there are more elderly Thais (about seven per cent of Thais are 65 and older).

Figure 4: Thai population 15+ and employment, 1989-2006



Source: Thailand labour force survey.

²⁶ It should be noted that less than 40 per cent of employed Thai workers are private-sector employees, while half are self-employed or unpaid family workers, often in agriculture. Employment in Thailand is seasonal. Some 80 per cent of men and 60 per cent of women are in the labour force in the first quarter, the dry season, compared to 85 and 65 per cent in the third quarter, the wet season. The size of the labour force varies by two to three million throughout the year, as agricultural employment is higher in the third quarter (wet season) than in the first quarter (dry season). The labour force survey reports that almost 40 per cent of Thai workers have not completed elementary school.

About 40 per cent of Thai workers are employed in agriculture and fisheries and 60 per cent in non-farm industries. Among industries known to employ migrants, construction had rapidly increasing employment between 2001 and 2005, up almost 30 per cent, while agriculture, fishing, and private households with employed persons had stable or shrinking employment.

Table 9: Thailand: Employment by industry, 2001-2005

	Annual averages (thousands)					Percentage change 2001-2005
	2001	2002	2003	2004	2005	
Total Employment	32,104	33,061	33,841	34,729	35,245	9.8
Agriculture	13,137	13,558	13,425	13,201	13,159	0.2
Fishing	474	483	455	432	452	-4.7
Manufacturing	4,927	5,052	5,299	5,476	5,586	13.4
Construction	1,645	1,787	1,881	2,080	2,129	29.4
Trade	4,688	4,946	5,199	5,540	5,551	18.4
Hospitality	1,918	2,043	2,147	2,256	2,348	22.4
Private households	254	233	256	243	243	-4.3

Source: Thailand labour force annual survey (2001-2005).

Industries with more migrants have lower wages, according to the labour force survey. The average monthly wage of all workers was about 7,400 *baht* in 2005, an average 285 *baht* a day for a 26-day work month. However, wages were 40 per cent of the average in agriculture, 60 per cent of the average for private household workers, and 70 per cent of the average for construction workers, sectors in which there are significant numbers of migrants.²⁷

Table 10: Thailand: Average wages by industry, 2001-2005

	Annual averages (<i>baht</i> per month)					Percentage change 2001-2005
	2001	2002	2003	2004	2005	
All workers	6,663	6,611	6,759	6,915	7,389	10.9
Agriculture	2,284	2,421	2,537	2,696	2,801	22.6
Fishing	4,330	4,316	4,450	4,422	4,485	3.6
Manufacturing	6,165	6,042	6,187	6,163	6,506	5.5
Construction	4,628	4,650	4,730	4,889	5,016	8.4
Trade	6,537	6,588	6,659	6,559	6,740	3.1
Hospitality	5,107	5,197	5,131	5,337	5,488	7.5
Private households	3,720	3,799	3,926	4,187	4,206	13.1

Source: Thailand labour force annual survey (2001-2005).

²⁷ In most industrial countries, construction workers earn more than manufacturing workers, with the higher wage in part offsetting the more dangerous and seasonal nature of the work. For example, in the United States in November 2006, construction workers earned an average \$800 a week, compared to \$700 for manufacturing workers. However, in Thailand, manufacturing workers earn almost the average wage, while construction workers earn about 30 per cent less than average.

The National Economic and Social Development Board (NESDB) highlighted this wage-depressing effect of migrants in arguing against expanding their number. It estimated that the real income of the poorest 60 per cent of Thai households fell by 0.4 per cent because of migrants in the country, while the real income of the richest 40 per cent rose 0.3 per cent. (NESDB, n.d., 16). The NESDB concluded that migrants have benefited “only [a] small group of businessmen and corrupt officers.”(17).

Employer attitudes

There have been several surveys of Thai employers asking about their “need” for migrant workers.²⁸ For example, the Asian Research Centre for Migration (ARCM) of Chulalongkorn University collected information from almost 6,000 employers in 50 provinces in 2000 (ARCM, 2000), concluding that there was a need for 107,235 additional migrants, with two-thirds in farming (40,000) and fisheries (27,000). Some 85 per cent of the Thai employers reported they had sufficient workers, and 93 per cent of the workers they employed were Thais. Employers told ARCM that the number of required foreign labourers was 788,215 over the next several years (2003-2005), with 97 per cent of the need in three sectors, agriculture and fisheries, fish processing and construction.

The ARCM study concluded that migrants are essential to Thailand and criticized all parties for what it called the unsatisfactory situation in 2000: employers for exploiting cheap labour, the public for not understanding migration “realities,” and the government for “adopting an off-and-on approach” to foreign worker problems on an *ad hoc* basis.²⁹ The ARCM study recommended tough enforcement to prevent illegal migration and employment as well as a policy of gradual reductions in the number of migrants. More specifically, the study called for the number to be reduced by 20 per cent a year no matter how much alien labour the private sector may specify. “This policy should not change under pressure.”

The ARCM research included questions asked employers about what wages Thai and migrant workers should be paid. Employers reported that Thais should be paid at least 157 *baht* (\$3.65) a day and migrants at least 124 *baht* (\$2.88) a day, or 80 per cent as much. Policymakers in the 50 provinces in which the survey was conducted also thought that migrants should be paid 80 per cent as much as Thais. The Thai workers interviewed responded that migrants should be paid 74 per cent as much. Even the migrants interviewed said that Thais should be paid more than they received.

The idea that migrants should not be treated equally was also a major finding of an ILO-UNIFEM poll done by Assumption Business Administration College (ABAC) in November 2006: only 40 per cent of those polled thought migrants should receive the same wages as Thais, with many noting that migrants earned more in Thailand than at home. The poll results, released December 18, 2006, found that 59 per cent of the 4,148 Thais polled do not want more migrant workers in Thailand because they allegedly increase unemployment

²⁸ “Need” is not an economic concept. Markets, including the labour market, use supply and demand curves to rank sellers and buyers of commodities and time. The actions of the last or marginal seller and buyer determine an equilibrium wage or price in the market, generating “surpluses” for sellers who would have sold for less and buyers who would have paid more. There can be no “shortages” in well-functioning markets because an inward shift of the supply curve should raise wage rates, which reduces the quantity demanded and increases the quantity supplied. Shortage in employer surveys usually refers to home many more workers they would like to hire *at current wage rates*.

²⁹ ARCM, 2000, criticized the Government for corruption: “Government officials, especially police, exploit the situation, demanding tea money both from business establishments and from legal as well as illegal alien workers. Some of them even facilitate or undertake human trafficking themselves.”

Table 11: Opinions of appropriate daily wages (baht/day in 2000)

	Migrants	Thais	Thai premium
Employers	124	157	1.27
Employees	136	185	1.36
Policy Makers	118	146	1.24
Other Thai Workers	128	178	1.39
Migrants	118	147	1.25
Average	125	163	1.30

Source: ARCM. 2000. *Shortage of labourers in Thailand in 2000*.

and reduce wages. Two-thirds of those polled do not think migrants should be able to choose their jobs in Thailand, and 77 per cent would support a law that does not allow non-Thais to join unions.

As migrants spread throughout the Thai economy, employer perceptions of Thai and foreign workers may be changing. For example, employers in the five southernmost provinces of Thailand complained in January 2007 that Thai workers did not work as “diligently” as migrants, and asked that the registration fee be reduced so that more could be hired to work on rubber plantations and in fisheries. In most countries that have depended on migrants for a decade or more, supervisory and training systems evolved to reflect the demand for a rising number of migrants, with employers often justifying their preference for migrants by saying that local workers do not want to fill the jobs they once held because their expectations have been raised by education and economic growth.

Case studies

With migrants concentrated by location, industry and occupation, case studies can highlight migrant impacts in more specific ways. Case studies conducted in 2003 by Chulalongkorn University, Mahidol University and the Thailand Development Research Institute found that most employers and migrants knew about the registration process, but many migrants did not gain the full benefits of the registration process, in part because many employers retained registration cards (Martin et al, 2004; Beesey, 2004).

Thai agriculture employs 40 per cent of the Thai work force and generates 10 per cent of GDP. About 130,000 migrants were registered by agricultural employers in 2001 and 180,000 in 2004, suggesting that 20 per cent of registered migrants were in agriculture. Unlike most industrial countries, a higher share of Thai than migrant workers is employed in agriculture. However, about 90 per cent of Thais employed in agriculture are farmers or unpaid family workers, while almost all of the migrants are hired workers.³⁰

³⁰ The 2003 Census of Agriculture included a question on whether the farm (holding) hired migrants, and 4,648 of the 1.5 million sample holdings (0.3 per cent) reported they hired a total of 18,793 migrants and 166,772 Thai workers, making migrants 11 per cent of employees; the weighted totals suggest that 16,300 of the 5.6 million farm holdings employed 66,000 migrants and 587,500 Thai employees (Bryant, 2006, Table 1). Almost half of the migrants were women. Many farmers hire migrant couples. The Census likely underestimates migrants; Bryant puts the total number of migrants at over 200,000, noting that 130,000 migrants were registered by agricultural employers in 2001 and 180,000 in 2003. About 37 per cent of the migrants, and 40 per cent of the Thai hired workers, were in the south; half of the migrants were employed year-around in rubber production and on more seasonal fruit farms. In the largest holdings hired 44 per cent of migrant workers and 36 per cent of Thai workers were employed as hired labour. The Census reported few migrant workers employed on flower farms despite media reports suggesting otherwise.

Thai agriculture is becoming more capital-intensive, market oriented and diversified with the share of production falling³¹ (Bryant, 2006). Compared to other Southeast Asian countries, Thailand has a relatively high land-labour ratio; yields are typically lower than in more densely populated countries, and value added per agricultural worker is relatively low, about the same as in Indonesia and the Philippines, which are poorer countries. As a result, rural Thailand is relatively poor. The average land holding is 23 *rai* or nine acres, 74 per cent of farm land is outside irrigation zones, and household income in rural areas averages about 100,000 *baht* or \$2,800 a year (Kitthikhum, 2007, 9–10). Especially in the northeast, over half of average household income is from non-farm activities, including working for wages elsewhere in Thailand or abroad.

Case studies of migrant employment in Tak province, which borders Myanmar, suggest that Board of Investment (BOI) policies may have encouraged the employment of migrant workers. Many countries have banned investment in and imports from Myanmar, and the Burmese areas closest to Thailand includes ethnic minorities who have long resisted the central government. As a result, there is a pool of Burmese workers living in poor conditions in Burmese areas bordering Thailand available to be migrants in Thailand. By giving tax breaks to agriculture and garments in Thailand, the BOI helps to create a demand for migrant labour.³²

In 2003, when the minimum wage was 133 *baht* a day, researchers conducting case studies in Tak province reported that most migrants were paid 60 to 70 *baht* a day to produce fruit and flowers. The garment factories in Mae Sot, some of which had moved there from Bangkok, paid the migrants they employed 40 to 80 *baht* a day. Many sewing shops were reportedly reluctant to register migrants if they did not have firm contracts that would guarantee employment for the registration period, since loss of work could lead to layoffs before the registration fee was recouped via wage deductions. Surveys of 300 migrants 18 or younger conducted by NGOs in Mae Sot during 2004 found that 98 per cent were 15 or older. After deductions for registration fees, housing and other expenses, migrant net earnings were typically less than the minimum wage.³³

Fishing and fish processing are major employers of migrants.³⁴ The Thai fishing industry includes two major types of boats that employ migrants: those that fish in Thai coastal waters and stay at sea up to 14 days, and those that fish in foreign waters for up to several years. Data suggest that the migrant share of the crew rises with the duration of time at sea. Many fishing workers earn piece rate wages, meaning that they do not know what they will earn when they set off to sea. In 2003, the value of the catch was typically split 70–30, and crews sharing the value of 30 per cent of the catch earned an average 200 *baht* (\$4.65) a day.³⁵

Internal migrants from north-eastern Thailand began turning away from jobs on fishing boats after many boats sank in an early 1990s typhoon, and they were soon replaced by Burmese migrants working on boats and in fish processing, which is concentrated in Samut Sakhon south of Bangkok. Thais allegedly shun fishing jobs that require months and years away from home as well as and fish processing work on land because they do not want to get up at one or two o'clock in the morning to peel shrimp. Nor do they like working irregular hours, depending on the catch, for piece-rate wages.

³¹ New crops include flowers, fruits and vegetables, and aquaculture.

³² Government officials in Tak province complained in August 2006 that new investment in agriculture and garments dried up because of confusion about migrant worker regulations. Some 143,000 migrants were registered in the capital city of Mae Sot in 2006, and local officials say that most commercial farms and garment factories rely on Burmese migrants.

³³ This is based on a report made on February 2, 2007 if a survey conducted by the Federation of Trade Unions Burma (FTUB). The survey found that the migrants, mostly from Myanmar, were from all over Myanmar.

³⁴ Fishing crews tend to be male, and fish processing workers female. Fish processing workers are sometimes the wives of migrants employed on boats.

³⁵ Some boats reportedly advance funds to the migrants, and then deduct these wage advances from the worker's pay.

Fishing and fish processing jobs may disappear as the industry restructures. About two-thirds of the cost of deep-sea fishing is fuel. Since many Thai boats fish far from Thailand, rising fuel costs may make the type of fishing most dependent on migrants less competitive in the future. However, migrants are likely to remain the core of the labour force on coastal fishing boats and in the fish-processing industry.

Construction has long been a major employer of migrants. Thai farmers traditionally migrated to Bangkok and other cities to work in construction for up to 10 months a year, but contractors and subcontractors during the mid-1990s economic boom reportedly became less likely to rely on seasonal Thai labour when migrant workers were willing to work year-round. At the same time Thais were migrating to Taiwan (China) and elsewhere to take advantage of higher wages.³⁶ Migrants employed in Bangkok-area construction in 2003 reported earning slightly more than the minimum wage for eight to nine hours a day, an average of 2,800 *baht* a month for 26 days work, about 82 per cent as much as Thai construction workers earned (Chantavanich, et al, 2006, 13).

Foreign migrants also replaced internal migrants as domestic workers in Bangkok and other cities as Thais gained new opportunities for education or employment. The number of domestic workers registered by Thai employers doubled between 1996 and 2001 to 81,000, when over half were in Bangkok. The case study found that most foreign domestic workers were recruited via informal networks, with brokers receiving 5,000–6,000 *baht* to match migrant workers with Thai households.³⁷ In 2003, migrant domestic workers were paid 2,000 to 4,000 *baht* a month, and almost all lived with their employers (Martin et al., 2004).

Labour standards

One major issue involving migrants is the enforcement of labour standards. Migrants come from areas with lower wages and less labour protection, but they are entitled to equal wages in Thailand. The bedrock principle of the ILO Conventions and Recommendations on migration is equality of treatment, meaning that migrant workers should be treated the same as national workers. Paying the same wages to migrant workers and national workers, and providing them with the same labour law protection, is applied to both migrant workers and national workers.

Migrants in Thailand are often not treated equally. Mahidol University's Institute for Population and Social Research interviewed 700 migrants and reported in December 2006 that many were not treated the same as Thai workers, even if they were registered. For example, 60 per cent of the migrants employed as domestic workers were not allowed to leave the homes in which they were employed, and 43 per cent of migrants employed in agriculture, fishing and manufacturing reported that their employers kept their identity and registration cards to restrict their movement.³⁸ The report makes 29 recommendations, including that the government educate Thais about the ways in which the presence of migrants benefits Thais.

³⁶ Jones and Kittisuksathit (2003, 517) reported that "international migration experience" was so widespread in northeastern Thailand that it was hard to find households with no migrants.

³⁷ Many of the brokers were reportedly Thai policemen.

³⁸ Some migrants reported using cell phones to communicate if they could not leave the place in which they worked. Pennapa Hongthong, "Study throws new light on plight of migrant labour," *The Nation*, December 17, 2006.

4 Demography and public finances

Thailand is a country of 65 million growing by 0.7 per cent a year; the Thai population is projected to be 70 million in 2025 (PRB, 2006). Thai fertility fell below replacement levels in the early 1990s, and Thai women today are expected to have an average 1.7 children in their lifetimes, well below the 2.1 replacement level. As a result, the share of Thais younger than 15 is decreasing, while the share older than 65 is increasing.

Demographic trends in the major source countries of migrants are different. They have higher fertility rates and larger shares of young people. For the next decade, their population and labour force growth will be far higher than in Thailand.

Table 12: Demographic indicators, 2006

	Population 2006(millions)	Population 2025 (projected in millions)	Natural increase (%)	2006 <15 (%)	2006 65+ (%)
Cambodia	14.1	19.6	2.1	37	3
Lao PDR	6.1	8.7	2.3	43	4
Myanmar	51	59	1.1	32	5
Thailand	65.2	70.2	0.7	23	7

Source: PRB, www.prb.org.

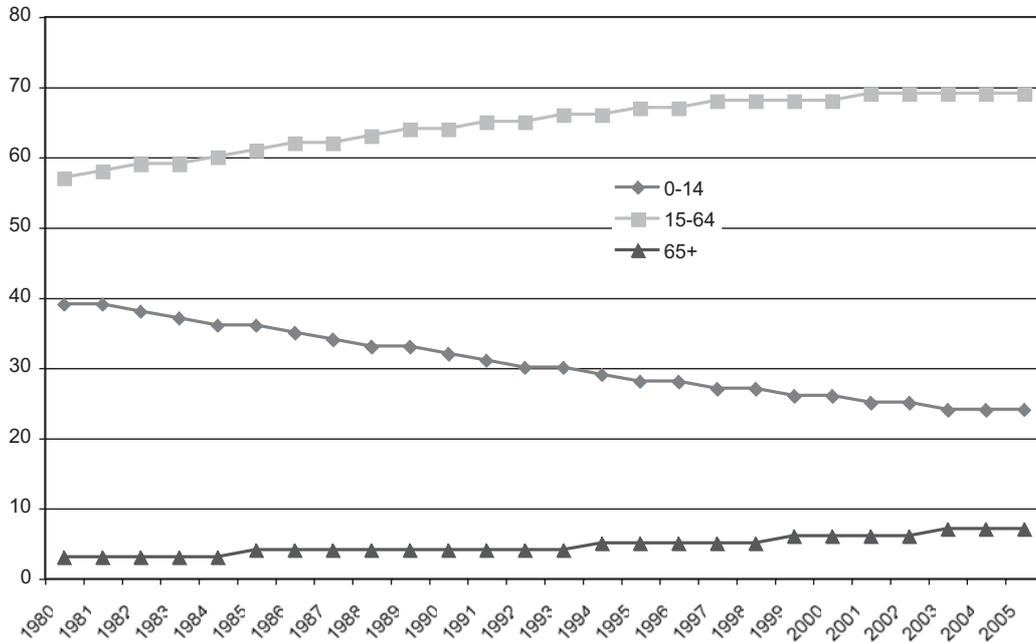
Thailand has been a major beneficiary of the so-called demographic bonus, lower fertility that reduced the number of children and encouraged more women to join the labour force. At a time that children and the elderly represented smaller shares of the population, the Thai economy had plenty of workers. By encouraging both foreign and local investment to create jobs, the labour force as the share of the population in the 15–64 age group rose to 70 per cent of the population.

Migrant workers tend to be at the younger end of the 15–64 age group, in their tax-paying rather than tax-receiving ages. In Thailand, foreigners with earnings are to obtain a 10-digit taxpayer identification number within 60 days of going to work, but they are exempt from Thai taxes on the first 100,000 *baht* of taxable income. Most migrants do not earn more than 100,000 *baht*, which would require an average monthly income of over 8,300 *baht*. Migrants pay value-added tax (VAT)³⁹ and other taxes on the goods and services they buy in Thailand.

Most migrants are not seeking or eligible for tax-supported benefits such as education and healthcare. Even though there are “tens of thousands” of children of migrants in Thailand, born abroad as well as in Thailand, there are proportionately fewer children among migrants than among Thais. For example, there are about 24 children under 15 for each 100 Thais, but far fewer children for each 100 migrants.

³⁹ Thailand has had a VAT since 1992; the rate on most goods (excluding food) is seven per cent.

Figure 5: Thailand: Age-group shares, 1980-2005 (%)



Source: World Bank.

We found no studies that estimated the value of migrant tax contributions and compared them to the cost of tax-supported services that migrants and their families received. The characteristics of the migrant workforce, and the fact that many migrants are not eligible for tax-supported benefits, suggests that they are likely to pay more in taxes than they consume in tax-supported services, especially when compared to Thais with similar demographic and labour characteristics.

In fiscal year 2006, migrant registration fees totalled 500 million *baht*. Migrants usually reimburse employers who pay registration fees on their behalf via deductions from their wages. These fees, for work permits and health care, are about one month's salary at the minimum wage, meaning that migrants pay fees equivalent to 8.3 per cent of their earnings.

Registration in 2004 included fees for medical exams and health insurance, at 600 *baht* and 1,300 *baht*, respectively. The health insurance payments of 1.1 billion *baht* were transferred to provincial public health offices to cover the cost of caring for migrants, who were eligible for services under the Universal Health Insurance scheme under which the cost of health care is 30 *baht* or \$0.80.⁴⁰ However, many registered migrants reportedly do not access the health services for which they have paid, since many migrants are unaware of their eligibility, are unable to leave their workplace or experience problems with language.

⁴⁰ Universal Health Insurance scheme in Thailand was established in 2002, providing health care coverage to all Thais for 30 *baht* per service.

5 Migrants: Non-economic impacts

Migrants began arriving in large numbers in Thailand during a time of rapid change, as the country moved from an agricultural exporter to an exporter of both agricultural and industrial goods. Many studies explaining Thailand's evolution during the past several decades emphasize that globalization and urbanization have transformed Thailand, so that especially young Thais look away from villages and toward cities (Pasuk and Baker, 1998).

Education

Thailand has had foreign workers for over a decade, which means that some migrants have settled in Thailand with their families. Many migrant families include children.⁴¹ The Thai Ministry of Education issued a regulation in 1992 that allows the children of registered migrants to attend Thai schools through the compulsory level,⁴² but did not allow those completing grade six to receive a certificate (Amaraphibal and Worasaen, 2000).

The Thai government in July 2005 decreed that all children in the country had the right to an education. It is not clear how this policy is being implemented. Media reports suggest that, in areas with concentrations of migrants such as Samut Sakhon, some schools work with NGOs to encourage migrant children to enrol, providing them with uniforms and Thai names.⁴³ However, most migrant children are not enrolled in Thai schools. There are many reasons, including the fact that some parents reportedly do not value a Thai education for their children. Others are deterred by the cost of school uniforms and supplies. If labour laws are not enforced strictly, some migrant parents may prefer that their children work and earn to help support the family.

Thailand does not allow Burmese-language or unregistered schools, but there are "learning centres," many operated by NGOs to provide some schooling for the children of migrants in their own language. Funding is sometimes augmented by parents' contributions. The centres often mix children of various ages in one room, limiting the effectiveness of the schooling.

Crime

Most migrant workers are young men, and they are often associated in receiving countries with higher levels of crime. Deputy Prime Minister Chidchai Wannasathit was quoted in the Bangkok Post in August 2006 as lamenting that the absence of a "migration czar" was allowing unauthorized foreigners, including migrant workers, in Thailand to pose a security threat. Chidchai called for integrated databases, but acknowledged that, with only 3,800 staff at the Immigration Bureau, Thailand could not police effectively its land borders.

The linking of migrants and security has spread from high government officials to the general public, and perhaps vice versa. The ILO–UNIFEM poll done by Assumption Business Administration College (ABAC) in November 2006 found that 80 per cent of 4,148 Thais remembered media reports of migrants who committed serious crimes in Thailand. There is no doubt that smugglers and traffickers are involved in moving migrants into Thailand, and that some of are also smuggling drugs and other contraband. The smuggling and trafficking of children and women into Thailand, especially to work in the sex industry, has been widely studied and reported.

⁴¹ Thailand grants Thai nationality to children born in the country if one of the parents is Thai and there was a legally certified civil marriage.

⁴² Thailand's National Education Act of 1999 gave Thais the right to free basic public education for 12 years and raised the level of compulsory education from six to nine years; these new provisions went into effect in August 2002.

⁴³ Chatrarat Kaewmorakot, "Lessons for all," *The Nation*, December 16, 2006.

The perception that migrants commit crimes and are a threat to security has prompted some provinces to impose restrictions on migrants. Phuket provincial authorities in May 2007 announced that the 32,000 registered migrants would have to register their mobile phones and would be prohibited from riding motorcycles and leaving their accommodations at night.⁴⁴ In Ranong, migrant workers have been prohibited from gathering in groups of five or more unless they are working; similar restrictions on migrants were planned for Tak, Chiang Mai and other border provinces.

However, public perceptions about high crime rates among foreign workers are often wrong. One report noted that “Malaysians think that the increase in foreign workers has worsened crime rates. Official figures show that foreigners in the country commit proportionately fewer crimes than do Malaysians themselves.” The article concluded that locals might be more willing to accept migrants if the public had a more balanced picture of the pros and cons of employing foreigners to do jobs that no local will take and more accurate data on crimes committed by migrants. This plea for a balanced assessment of migrant contributions and crime rates would also be useful for Thailand.

Crime against foreign workers may be more common than migrants committing crimes against Thais. An ILO–UNIFEM poll found that 41 per cent of Thais remembered stories of migrants being abused by employers in Thailand, and most Thais said they would report abuse of migrants to authorities.

There are media stories of Thai authorities arresting and deporting migrants who protest unpaid wages or low earnings and poor working conditions, or discovering migrants held as forced labour. In June 2005, when the minimum wage was 139 *baht* a day in Tak Province, the Migrant Assistance Programme (MAP) Foundation sued a Thai garment maker as well as the local labour office after it rejected the migrants’ charge that they were not paid the minimum wage. In February 2007 it was announced that 66 Burmese migrants allegedly had been held as slaves for up to seven years in a seafood factory west of Bangkok; they were freed by the Human Trafficking Multidisciplinary Organization of Thailand in September 2006.

Thailand launched a major enforcement campaign against illegal entry and employment in 2006. Some 135,400 unauthorized migrants from Myanmar, Cambodia and Lao PDR were detected at Thai borders, including 52 per cent Cambodians and 44 per cent Burmese, and Thai authorities removed 95,000; there were 103,000 border arrests in 2005 and 57,000 in 2004 (Vasuprasat, 2007, 10). However, interior arrests of migrants rose fastest for Cambodians, up over 100 per cent between 2005 and 2006, and almost a third for Laotians, while arrests of Burmese declined. The Royal Thai Police reported that it spent 852 million *baht*, 1.4 per cent of its 2007 budget, to deal with illegal migration.

⁴⁴ “Warm welcome for tourists doesn’t extend to workers,” *The Nation*. May 1, 2007.

Table 13. Enforcement indicators, Thailand, 2005-2006

Migrants	2005	2006	Percentage change
Border Arrests	102,780	135,428	32
Interior Arrests	236,722	336,033	42
Myanmar	100,759	88,819	-12
Cambodia	92,268	196,798	113
Lao PDR	34,565	45,148	31
Others	3,130	5,268	68
Arrests in Thailand (Thais and foreigners)			
Employers	1,005	1,039	3
Landlords	1,280	1,627	27
Smugglers	2,305	2,626	14

Source: Vasuprasat, 2007, page 11.

6 Conclusions

Thailand has the problem of managing migrants because its economic success enabled internal migrants who once filled “3-D” jobs to find better opportunities in Thailand or abroad. Thai employers turned to migrants from Myanmar, Lao PDR, and Cambodia to replace previous internal migrants as well as to fill newly-created jobs in Thailand’s expanding economy. Migration policies were apparently based on the assumption that the need for migrants would be short-lived, despite periodic re-registrations of migrants which demonstrated that some locations, industries and occupations had become “structurally dependent” on migrants.

Thai authorities searching for durable migrant worker policies would be wise to remember that labour migration is a process to be managed, not a problem to be solved. As long as Thailand is significantly richer than neighbouring countries, there will be labour migration into Thailand.

In managing labour migration, it is important to remember that both Thai employers and migrant workers prefer certainty to uncertainty. Extending work permits for only a year or two discourages employers from training migrants and migrants from learning Thai and acquiring skills, since it is not clear whether there will be future extensions. Granting work permits for three to five years would change employer and migrant incentives and could promote more training and higher productivity.

A second challenge is to develop a flexible migration policy that recognizes the realities of particular sectors that employ foreign workers. For example, many migrants in agriculture are not registered because they are employed only seasonally in a low-wage sector, which makes the registration fee too high relative to earnings to justify registration. The government has introduced more flexibility in border areas,⁴⁵ but may have to expand this flexibility further by, for example, supporting local initiatives that allow migrants to register at the village level and shift from farm to farm. Similarly, fisheries present a special case, since migrants may be at sea during registration periods.

International experience provides at least three lessons about managing labour migration. *First*, temporary worker programmes tend to become larger and to last longer than anticipated, as employers and migrants become mutually-dependent on one another. In order to avoid the “nothing more permanent than temporary workers” outcome, economic incentives must reinforce the policy goal of reducing dependence on migrants over time, rather than the usual case in which economic incentives are the opposite of programme rules.

Second, economic tools are available to align the interests of employers and migrants with policy goals. For example, employers are more likely to pay registration fees if some of the funds are used to develop labour-saving changes that raise productivity and improve competitiveness. Migrants are more likely to return at the end of their work permits if they receive refunds of some of the fees they have paid.

⁴⁵ An ad hoc programme allows Burmese migrants in Mae Sot (Mae Kasa Sub-district) who did not register in the government programme because they work only seasonally in Thailand, making the registration fee too high, to work and be charged 100 *baht* each by the village head. The head of the village and employer arrange for a group photo of the migrants, record their personal information and pay them 60 to 70 *baht* a day. The migrants are not provided with food or shelter; they construct their own housing for themselves and family members who accompany them, and spend about 25 *baht* per day per person for food. When the work is finished, they move to another location, with the village head informing the next village that the migrants are coming.

Third, international migration involves nationals of two nation states. Cooperation between governments of countries sending and receiving migrants is needed to protect migrants and minimize smuggling and trafficking. Sending countries can be encouraged to cooperate to prevent irregular migration and human trafficking by opening legal channels for migrants, and remittances and return bonuses matched by international development agencies can foster development in the areas of origin.

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In 2007, migrant workers in Thailand totaled 1.8 million, comprising 5% of the Thai labour force. They are mainly from Myanmar, Cambodia and Lao PDR, and are employed mostly in agriculture and fisheries, construction, manufacturing, and services such as domestic workers. They are primarily young workers, in the age group that typically pays taxes rather than receives tax-supported services. The report estimates that, in recent years, migrants have made a net contribution of about US\$53 million annually to the Thai economy. The report proposes changing migration policy to make it more flexible, with separate registration procedures for different economic sectors, and placing recruitment and deployment under Memoranda of Understanding with migrant sending countries. Labour migration is a process to be managed and not a problem to be solved, argues the report. By recognizing the contributions of migrant workers to the economy and following the proposed adjustments to migration policy, the Thai government could better manage labour migration while protecting migrants.