The recent debate over proposed changes to the statutory minimum wage in Thailand demonstrates the central importance of wages in a society and economy. Indeed, this may be an ideal opportunity for workers, employers and government to discuss the bigger picture of wages in general – not only minimum wages–and the policies that determine them.

Wages are at the heart of the ILO's mandate. Therefore, I believe it is timely to offer some dispassionate views on wages in Thailand based on facts and figures available to us, and with reference to international labour standards developed over the past 90 years by our member States, including Thailand – a founding member.

The ILO's analysis of global wages over the past 30 years reveals three clear trends. The share of wages in Gross Domestic Product (GDP) is falling while the share going to profits is rising; workers are reaping an ever smaller part of the national wealth. In addition, wage growth is not keeping up with labour productivity growth, resulting in flat or diminishing real wages for most workers. Finally, income and wage inequality within countries, between the highest and lowest paid, is increasing.

Thailand's economic performance is strong. It is a world leader in manufacturing, food products, mining and tourism. Profits of companies listed on the SET as well as for foreign investors are robust. Unemployment is around 1.2%, and demand for workers is very high. Yet these three trends – decreasing wage share of GDP, flat wage growth, and rising inequality – are evident here.

The share of wages as a part of Thailand's national income has declined from 72% in 1995 to 63% in 2006. Average real wage growth has been flat for most workers. Minimum wage rates have not kept up with inflation over the past 10 years. The country's Gini coefficient – the measure of income inequality – is 0.43, among the highest in Asia.

A minimum wage works most effectively when designed to ensure that the most vulnerable and lowest paid workers and their families can enjoy a basic standard of living. Too low a minimum wage results in the phenomenon of 'working poor'. Concerns have been raised about potential inflationary and employment effects of minimum wage increases. Recent rounds of inflation are unrelated to wage growth, since real wage growth in Thailand and most of the world is flat. Rather, increased demand for raw materials and energy is driving up food and fuel prices. Inflation is creating pressure for wage increases, rather than the opposite.

China's experience is interesting. After years of suppressing wages, the government is now pursuing deliberate policies to increase both minimum and average wages. This has had no impact on aggregate employment (or GDP growth or investment), although some low cost industries have shifted inland, reducing pressure on internal migration.

In Thailand, higher wages may cause employment to drop in certain sectors of the economy that pay very low wages, but given the large overall demand for labour, these workers should be absorbed. Moreover, higher wages will shift aggregate demand upwards and stimulate growth in the domestic economy.

Minimum wage policy must be complemented by other measures to raise average wages. Employers must reward education, skills and productivity. Trade unions must be able to play a role in ensuring a greater return for workers. The ILO has found that in countries where union bargaining power is strong, labour productivity growth and average wage growth are more closely linked.

Labour migration has a large impact on Thailand's wage and employment situation. Most analysis shows that inbound migrant workers have a dampening effect on wages for unskilled Thai labour. To avoid this, migrant workers must be guaranteed the same minimum wage as Thai workers, and receive equal treatment under the law.

The Bangkok Post reported a recent survey in which over 97% of employers stated that they would respond to the proposed minimum wage increase by hiring more migrant workers. These employers might presume that they can pay migrants less than the legally required minimum. Meanwhile, tens of thousands of skilled Thai workers go abroad to earn higher wages than they can in their home country

Some policy makers in Thailand have raised the possibility of a tax deduction in exchange for the minimum wage increase. A number of countries around the world have successfully introduced incentives to increase wages based on corporate profits or stock performance. These profit-sharing schemes, which tend to be adopted by larger companies, are then subject to different tax treatment. Support targeting SMEs that may be disproportionately affected by an increase in minimum wage could include other kinds of tax deductions, better access to credit, and training on a range of productivity enhancing measures that will make increased wages more affordable. All such schemes should be reviewed regularly to ensure that they meet stated objectives.

Rebalancing the global economy following the financial crisis will require export oriented countries to stimulate domestic demand and consumption. Wages are a vital component of domestic demand, making wage policy central to this debate, as well as to a more equitable future for Thailand.