

Does the 300 Baht Minimum Wage Policy Actually Benefit Migrant Workers in Thailand?

Introduction

Thailand has enforced a minimum wage (MW) policy since 1972. The biggest change happened in 2012 when the then government increased the MW to 300 baht, representing an average increase of about 44 percent – the largest increase ever. Previous studies on Thailand found evidence that, despite a high degree of non-compliance with MW policy, the MW helped increase workers' average wages (Leckcivilize 2013; Carpio, Messina and Sanz-de-Galdeano 2014; Carpio and Pabon 2014; Lathapipat and Poggi 2016). These studies looked at the impacts of MW on workers as a whole, regardless of their nationality. Nonetheless, since migrant workers are more vulnerable to abuse and exploitation by employers and officials, it is sensible to conjecture heterogeneous impacts between local workers and migrant workers.

This policy brief is drawn from a study aiming to complement the existing stock of knowledge about the impacts of MW on migrant workers in Thailand. Using qualitative research methods (employee interviews) and available secondary data on wages from the Informal Employment Survey (IES) and Labour Force Survey (LFS), we studied how wages, overtime work, working conditions, and living standards of migrant workers in Thailand have changed as a result of the policy.

The study

For qualitative research, we interviewed 100 regular Myanmar migrant workers employed in the food/food processing and garment sectors (50 interviewees in each sector) in four provinces. These two sectors employ a significant share of migrant workers. The interviewed workers are from 27 food/food processing factories located in provinces adjacent to Bangkok (24 in Samut Sakhon and three in Samut Prakan) and from 18 garment factories (12 in Tak, five in Samut Sakhon and one in Bangkok). These provinces host many factories in the sectors of our interest. In addition, for the garment sector, areas both near and very far away from Bangkok were purposefully chosen to reflect how law enforcement can vary across areas. For comparison purposes, in each sector, the interviewees were selected from both small (less than or equal to 100 employees) and large factories (more than 100 employees).

The interviewed migrant workers can be categorised into two groups according to the type of wage they receive: daily-wage workers, and piece-rate workers. The wages of piece-rate workers are based on the quantity/weight of the products they make: the more they make, the more they earn. In our survey, Tak has the highest concentration of piece-rate workers, accounting for about one-third

of the interviewed migrant workers. All large firms in our sample pay daily wages.

To complement the qualitative analysis of migrant workers' wages, we used data from the IES, conducted yearly by the National Statistics Office. The IES is the only national survey that collects information on foreign workers. Although we know that the foreign workers are regular workers, we do not know their nationalities. However, it is likely that most of them are from Cambodia, Laos and Myanmar because, according to the Ministry of Labour, around 95 percent of regular migrant workers in Thailand are from these three countries.

Key findings

Wages

It was found that 29 out of 100 interviewed workers were paid less than the MW rate. The share of workers paid less than the MW, in our sample, is somewhat higher in the garments sector than in the food and food processing sector. All daily-wage workers in the food/food processing sector received at least 300 baht, while the majority of piece-rate workers received less than 300 baht. The reasons why piece-rate workers did not receive at least 300 baht could be as follows. First, the piece rate may have been low, so getting at least 300 baht a day may have required doing a tremendous amount of work in one day, which may not have been possible. Second, the raw materials

arriving at the factories in particular periods may not have been enough to generate an income of at least 300 baht a day.

Contrary to the findings in the other surveyed provinces, the majority of the interviewees in Tak received less than the MW. All interviewed piece-rate workers were paid less than 300 baht. More interestingly, almost half of the daily-wage interviewees in Tak did not receive the MW. This suggests that MW enforcement and compliance differs vastly across provinces.

To further investigate compliance with the MW, we used secondary data from the IES to calculate the proportion of migrant workers receiving less than the MW. Following Carpio, Messina and Sanz-de-Galdeano (2014), we defined three daily wage rates: above MW (>5 percent higher than MW), below MW (>5 percent below MW) and at MW (5 percent above to 5 percent below MW). As demonstrated in Table 1, after the implementation of the 300 baht MW policy in seven provinces in April 2012, the proportion of foreign workers getting below MW jumped to 42.09 percent, and the proportion of the above MW group dropped sharply to 15.97 percent. This is because the 300 baht MW policy was a big change, and firms were not yet ready and had difficulties raising wages.

To see how the degree of compliance with MW policy varies across important characteristics of foreign workers, we used

Table 1: Percentage of workers receiving above, below and at MW, 2011–15

Year	Migrant			Local		
	Above MW	At MW	Below MW	Above MW	At MW	Below MW
2011	38.79	35.23	25.98	74.12	9.24	16.64
2012	15.97	41.94	42.09	55.10	16.58	28.32
2013	17.88	48.44	33.68	53.58	18.59	27.83
2014	21.80	56.27	21.93	65.61	17.84	16.55
2015	20.17	62.51	17.32	68.35	17.81	13.83
2011–15	21.61	53.15	25.24	63.57	15.99	20.44

Note: the 300 baht MW was implemented in seven provinces in 2012 before being extended to other provinces throughout the country in 2013.

Source: authors' calculation using data from IES and LFS 2011–15

IES data to calculate the proportions of full-time migrant workers receiving wages above, below and at MW by gender, education, sector, firm size and region. The degree of non-compliance is higher for women: 28.72 percent of female migrant workers get below the MW rate compared to 22.52 percent of male migrant workers. Older migrant workers (aged 44 or more) are more likely than younger workers to be paid less than the MW. However, they are also more likely to be paid above the MW than younger workers. This result might be driven by heterogeneity among older migrant workers, as they differ in work experience and skills. The higher skilled and more experienced ones are more likely to receive above MW. Strikingly, higher education does not guarantee higher wages; 29 percent of migrant workers with secondary education and higher earn below MW, compared to 25 percent of migrant workers with just primary education.

Compliance also varies across industry and firm size. Manufacturing is the sector with the lowest non-compliance rate (13.63 percent), while agriculture has the highest (47 percent). Service sectors such as construction, wholesale and retail, and hotels and restaurants have high non-compliance rates, at around 34–38 percent. Based on our broad classification of firm size, size seems to have a positive relationship with compliance. That is, larger firms are more likely to comply with the MW rate than smaller firms. However, the high degree of compliance of larger firms does not mean that larger firms generally pay above the MW. In fact, most of the migrant workers employed in larger firms (79.49 percent) are at MW and only a small proportion (11.98 percent) receive more than the MW, the smallest proportion among the four groups of firms by size.

Last, there is much variation in the compliance rate at the regional level. Migrant workers in Bangkok and central areas are less likely to be paid below the MW rate

than those in other regions, implying that enforcement is weaker in areas further away from central government. Tighter labour market conditions in Bangkok and central areas could be another reason explaining the higher compliance rate. Competitive pressure forces firms in these areas to pay at or even above the MW.

Overtime

According to the Labour Protection Act BE.2541, workers should be compensated at a rate of 1.5 times the hourly wage for each overtime (OT) hour. Therefore, workers earning 300 baht per day should be paid 56 baht for each OT hour. Almost all (45 out of 48) of the interviewed workers in Samut Sakhon and all of those in Samut Prakarn received at least 56 baht/OT hour. In Tak, it is not surprising that most (10 out of 13) of the interviewed workers received below 56 baht/OT hour. These underpaid workers were found in both large and small firms. Most of them never received OT pay, and a few of them were paid only 20 baht/OT hour, far lower than the legal minimum rate.

Working conditions

After the introduction of the 300 baht MW policy, some interviewed workers in the food/food processing sector were forced to work in a more stressful environment. Some described their changed working conditions: “They [the supervisors] keep a time record of how many pieces we can finish in an hour. They even limit toilet breaks during normal working hours to three at the most,” said an interviewed migrant in a food processing factory. Other migrants in the same sector explained “They force us to work harder and faster, putting us under more pressure.” This seems to reflect efforts by employers to squeeze productivity increases from workers to at least partly compensate the rise in labour costs.

Standard of living

It was also found that the majority of the interviewees thought that all types of expenditure had increased since the introduction of the 300 baht MW. More than 90 percent of them thought their living and housing costs had increased, more than 80 percent thought their transport and communications costs had increased, and more than 60 percent thought their leisure costs had increased. It is not clear, however, whether the increase in workers' expenditures has been due to a price effect (goods becoming more expensive) or a quantity effect (wage earners being able to buy more).

We found that many of the interviewees in Tak were satisfied with their current wages. Thus, if these workers were to receive the 300 baht MW, their living standards would be much improved. Among the reasons why workers receiving less than 300 baht a day were still content with their wages are the following. First, the cost of living in Tak was relatively low. Second, migrant workers usually spent most of their time either in the factory or at home. Many of them could not speak Thai, rarely talked to strangers, and hardly went outside their communities or factories (for safety reasons). Consequently, the interviewed migrant workers were able to save and send money back home. In fact, all of the interviewees in Tak reported being able to save, regardless of how much they were paid.

Policy implications

Based on our findings, we have six policy recommendations as follows.

For the Ministry of Labour

- **Allocate sufficient budget and resources** to support the enforcement of the Labour Protection Act, especially in remote provinces (e.g. by increasing the number of labour inspectors).
- **Adjust the minimum wage rate for inflation** to keep up with the rising cost of living. The

MW rate need not be the same for all provinces; it should depend on the cost of living in each province.

- **Promote awareness about workers' rights** among employers and employees with a strict notion that the Labour Protection Act is applied to local and migrant workers alike.
- **Provide skills training for migrant workers.** Migrant workers are vital to foster economic growth in Thailand and they should be offered training opportunities to upgrade their skills which would then help increase their productivity and wages.
- **Streamline and facilitate migrant worker registration.** This is one crucial way to strengthen the employment status and thus bargaining power of migrant workers in Thailand, which would then help prevent their mistreatment.

For the Ministry of Finance

- **Offer employers an incentive** (e.g. tax rebate) to raise wages to the MW level. For SMEs, the government could consider setting a budget for zero or low interest rate loans to help SMEs keep up with the MW rate.

References

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