Part 1:

Minimum Wage and Its Impacts

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Impacts of the 300-Baht Minimum Wage Policy on Migrant Workers in Thailand

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This paper explores the impact of Thailand's 300-baht minimum wage policy on wages and employment of migrant workers using secondary data, such as the Informal Employment Survey, and qualitative methods, including interviews with 100 migrant workers from Myanmar in food/food processing and garment manufacturing sectors in Bangkok, Samut Sakhon, Samut Prakan and Tak. We find that the 300-baht minimum wage has not reached its full potential due to non-compliance. This is because the introduction of 300-baht minimum wage in 2012 was a big change, and firms were not ready to raise wages at the time. However, firms seem to have adjusted in the following years as the proportion of workers earning below the minimum wage has declined. Migrant workers in Bangkok and its vicinity are less likely to be paid below minimum wages than those in other regions, implying that enforcement is weaker in areas further away from the central government. Moreover, the 300-baht policy created a positive spill-over effect on migrant workers who already received at least 300 baht. However, migrant workers may not be better off with the 300-baht minimum wage because when wages rose, workers' expenditures also increased. Regarding the impacts on employment, the 300-baht minimum wage seemed to have a small and temporary disemployment effect.

2.1 Introduction

The International Labour Organization has defined a minimum wage (MW) as the "level of wage that renders workers sustainable social well-being". In many developing countries, including Thailand, the MW is used with the objective of improving the prospects of low-skilled workers and poor individuals. On the one hand, the MW can help increase the wage of workers whose wages are below the MW, and in some cases, the effect could spill over to upper parts of the wage distribution. On the other hand, increasing labour costs can have a negative impact on employment. A lot of studies have investigated the impacts of the MW on different labour market parameters (see Card and Krueger 1997; Flinn 2010 for extensive surveys of the literature). The broad consensus is that MWs have a positive impact on average wages, while their effects on employment are still continuously debated (Carpio and Sanz-de-Galdeano 2014).

Thailand has enforced a MW since 1972. The process of setting the MW has gone through several important changes. The biggest change happened in 2012–13 when the government decided to raise the existing MW to 300 baht nationwide, an increase of about 44 percent on average – the largest ever increase. Previous studies on Thailand find evidence that, despite a high degree of non-compliance with the MW, the MW helped raise workers' average wages. It is important to note that these past studies look at the impacts on workers as a whole, regardless of their nationality. Nonetheless, because migrant workers, especially low-skilled workers from neighbouring countries (Cambodia, Laos, Myanmar and Vietnam), are more vulnerable to abuse and exploitation by employers and officials, it is sensible to conjecture heterogeneous impacts between average workers and migrant workers.

Although migrant workers in Thailand account for around 10 percent of the labour force and have made important contributions to the Thai economy, relatively little is known about the impacts of the MW on migrant workers. There are a few qualitative studies based on interviews with small and selective samples which collected data on wages, overtime pay, and working hours. These studies provide useful information, but they do not systematically answer the question how the MW affects key variables such as wage, pay and working hours. This research adds to the stock of knowledge by thoroughly studying the impact of the recent 300-baht MW policy on wages and employment of migrant workers using available secondary data as well as new primary data collected through qualitative research methods (employee interviews and in-depth interviews with firms).

The paper is organised as follows. The next section provides an overview of the MW policy in Thailand and reviews the existing literature on the impacts of the Thai MW on workers, and on the recent situation of migrant workers in Thailand with a focus on their wages, overtime pay and working hours. Section 3 discusses data used in the analysis. The quantitative research strategy is reported in Section 4. Section 5 discusses the findings. The last section concludes and provides policy recommendations.

2.2 Literature review

Following the promulgation of the Revolutionary Party Decree No. 103, the MW was first introduced in Thailand in 1972. Decree No. 103 gave authority to the Ministry of the Interior to appoint the tripartite National Wage Committee (NWC), comprising representatives from the government, employers and employees, to set the MW rate, which was defined as "a wage rate which an employee deserves and is sufficient for an employee's living." The first MW was set at 12 baht per day and was enforced in only three provinces: Bangkok, Samut Prakarn and Pathum Thani.

The Asian financial crisis in 1997–98 led to the introduction of the Labour Protection Act BE 2541 (1998), which extended enforcement of the MW to all provinces in Thailand. The law also introduced the new MW setting system, which involves three institutions: the NWC, the Provincial Subcommittees on MW (PSMWs) and the Subcommittee on Technical Affairs and Review (STAR). The PSMWs recommend appropriate MW levels for each province to the NWC, considering several economic variables, such as inflation, standard of living, production cost, prices of goods and services, employers' ability to pay, labour productivity and socioeconomic conditions (Paitoonpong, Akkarakul and Sukaruji 2005). The NWC, in turn, sends the recommendations to STAR for technical review. After receiving STAR's review, the NWC makes a final decision and submits it to the Ministry of Labour. Then, the NWC's recommendation on the MW is officially announced by the Cabinet. Although the new regime adopted a system of provincial differentiation, industry-level differentiation was not implemented, largely because it was too complex to administer (Carpio and Sanz-de-Galdeano 2014).

In 2011, the newly elected government announced that a MW of 300 baht per day would be imposed nationwide by January 2013. In April 2012, the government announced the pilot implementation of the 300-baht MW in seven provinces (Bangkok, Nonthaburi, Pathum Thani, Samut Prakan, Samut Sakhon, Nakhon Prathom and Phuket), causing the MWs in these provinces to immediately increase from 215–221 baht, representing an increase of 36–40 percent. In January 2013, the 300-baht MW policy was implemented

in all remaining provinces. The new rate represented a drastic increase from the existing rates, attracting criticism that the policy has been driven by institutional factors such as political interest rather than by economic conditions. Meanwhile, the system of differentiating MWs according to different provincial economic factors was abandoned.

Table 2.1: Growth rate of MW, 2012–2013

Region	Mean	SD	Min	Max
Northeast	0.501	0.043	0.370	0.567
North	0.517	0.040	0.392	0.575
South	0.408	0.085	0.152	0.474
East	0.384	0.079	0.279	0.481
West	0.432	0.046	0.386	0.500
Central	0.392	0.076	0.299	0.500
Bangkok and vicinity	0.165	0.000	0.165	0.165
All	0.435	0.110	0.152	0.575

Note: For regions that had more than one MW rate in 2013, the average rate is used to calculate the growth rate.
Source: Authors' calculations using MW data from the Ministry of Labour

Increasing the existing MW to 300 baht was a big jump. Table 2.1 shows the mean regional and national MW growth rates between 2012 and 2013. Overall, the growth rate was approximately 44 percent, but there are some variations across regions. Due to the relatively low existing MW rates, provinces in the north and northeast experienced the largest shift in the MW, with average growth rate of more than 50 percent. The average MW growth rate in southern, central and eastern provinces was around 40 percent.

The 300-baht MW policy was expected to have significant impacts on firms, industries and the overall economy. Firms in labour-intensive industries such as garment manufacturing and food processing were expected to face major increases in production costs and thus might be forced adjust, for example, by raising prices and adopting new technology and employment policies. A study by the Bank of Thailand (Sikamat 2012) forecast that the new MW could lead to a drop in real GDP of 1.7 percent, compared to a counterfactual scenario of no MW change, and to a 1 percentage point rise in inflation.

A large body of literature has studied the impacts of MWs on average wages and employment. While it is unanimous that MWs have positive impacts on average wages, the impacts on employment are not conclusive. Studies in developed countries find small disemployment effects (Card and

Krueger 1997; Dickens, Machin and Manning 1999). For Thailand, there are several studies using econometric techniques to investigate the impacts of the MW on wages and employment. First, all reviewed studies point to the fact that a significant portion of wage employees receive less than the MW (high degree of non-compliance), reflecting weak enforcement of Labour Protection Law. Second, all quantitative studies concur that the MW has a positive and significant effect on wage levels (Leckcivilize 2013; Carpio and Sanz-de-Galdeano 2014; Carpio and Pabon 2014; Lathapipat and Poggi 2016). However, the impact is heterogeneous in the sense that it is not evenly distributed across population subgroups and sectors. Leckcivilize (2013) finds that while the MW effectively reduces wage inequality among workers in formal sectors (wages at the lower end of the wage distribution increase proportionally more than at the upper part of the wage distribution), it does not affect wage distribution in the informal sector at all, perhaps due to weaker law enforcement.

Carpio and Pabon (2014) and Carpio Ximena and Sanz-de-Galdeano (2014) report that the MW has increased wages in general but has had a larger impact on female and young workers than on prime-aged male employees. Lathapipat and Poggi (2016) find that the MW has increased the wages of workers in general, and that the wages of young low-skilled workers (15–24 years old with secondary education or less) have increased more than for the average workers. In addition, they find that the 300-baht MW has a positive effect on workers at the lower end of the wage distribution, but not on those at the very bottom of the distribution; they attribute this phenomenon to the non-compliance problem. Third, the MW change tends to have small impacts on employment. Carpio and Pabon (2014) and Carpio and Sanz-de-Galdeano (2014) find that the MW reduces the probability of being employed, especially for female, elderly and less-educated workers. The disemployment effect is small, however. Lathapipat and Poggi (2016) find no significant reduction in the employment of workers in general and young low-skilled workers in the short- and medium terms, but they observe a slight negative effect in the long-run (six quarters after the change in the MW) for both cases. Moreover, the negative effect is more pronounced in small firms.

All the studies we reviewed use data from Thailand's Labour Force Survey series, implying that some foreign workers (albeit a small portion) are included in their analyses. Therefore, their results reflect the impacts of the MW on wage workers in general, not on migrant workers in particular. Our research partially fills this research gap. A few qualitative studies have documented facts regarding wages, overtime pay and working hours of

migrant workers in Thailand. We provide a brief review of those studies. Makcharoen (2010) interviewed a small number of child migrant workers (most were undocumented) and parents working in small primary seafood-processing plants in Samut Sakhon. The small primary plants usually have subcontracting agreements with larger plants in which both parties accept agreed piece rates, for example, 5–6 baht for peeling 1 kg of large shrimp. Reportedly, most interviewed child migrant workers received much less than the MW (which was 199 baht per day at the time).

The MAP Foundation (2015) interviewed 139 Myanmar migrant workers employed in construction, agricultural, manufacturing and domestic sectors during November and December 2013. The majority of the surveyed workers, regardless of their legal status, were paid less, often far less, than the MW (300 baht). The majority of interviewees did not receive overtime pay corresponding to the amount specified in Labour Protection Law. A significant number of interviewees claimed to work more hours than permitted by law.

Napier and Sheill (2016) interviewed 125 migrant workers in the construction sector in Bangkok and Chiang Mai between October and December 2015. More than half of the fully documented workers in their sample received less than the MW (300 baht). Moreover, there is inequality in pay, with women likely to be paid less than men, even if they had more experience. In addition to gender inequality, inequality between Thai and migrant workers is evident; some firms establish pay structures ensuring that the pay ceiling for migrant workers is about the same as the starting pay for local workers. Although MAP (2015) and Napier and Sheill (2016) shed light on the situation after the implementation of the 300-baht MW, they did not attempt to examine the impacts of the 300-baht MW, leaving the important question of how the new MW rate has affected migrant workers unanswered. Our research helps fill some of that gap.

2.3 Data

In this study, we use primary and secondary data for our analyses. For qualitative analysis, we collected primary data through an employee survey with 100 regular migrant workers from Myanmar who either entered the country through the MOU process for migrant workers or who used to be irregular migrant workers in Thailand but have become regular workers through the National Verification process.

For quantitative analysis, we use secondary data from the Informal Employment Survey (IES) to analyse impacts of the 300-baht MW on migrant workers. Conducted by the National Statistics Office, the IES collects data on foreign workers and local informal workers, the latter being defined as

those local workers who have no social security through work.[1] IES is the only national survey containing information on foreign workers. However, it is worth mentioning that the dataset has important caveats. First, what we know about foreign workers is only that they are regular workers. We do not know their nationalities, but it is likely that most of them are from Myanmar and Cambodia.[2] Second, the IES is supposed to include only workers in informal businesses or under informal employment arrangements. Thus the IES covers only Thai workers who have no social security. Because the IES does not collect data on migrant workers' social security status, we cannot determine whether or not a migrant worker included in the IES has social security. In other words, we do not know if they are formal or informal workers.[3] Last, the sample of regular foreign workers surveyed may not represent the entire population. In 2013, according to the Ministry of Labour, there were about 1,021,000 migrant workers (from Myanmar, Laos and Cambodia) with MOU or National Verification status. The number of informal foreign workers obtained from the 2013 IES is 329,000, which is much smaller than the number of regular migrant workers from the three countries recorded by the Ministry of Labour.[4]

2.4 Methodology

For quantitative analysis, we use data from the Informal Employment Survey (IES) to calculate the proportion of foreign employees receiving less than the MW. Following Carpio et al. (2014), we define above MW workers as those whose daily wage is more than 5 percent higher than the MW: $w > (1 + 0.05)\ x\ MW$. Below MW workers are those whose daily wage is more than 5 percent lower than the MW: $w < (1 - 0.05)$ x MW.

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1 The Informal Employment Survey (IES) was conducted for the first time in 2005, and has usually been conducted along with the Labour Force Survey (LFS) during the 3rd quarter. The IES contains all variables appearing in the LFS plus its own set of variables, including a migrant identifier. With information from the IES, we are able to identify foreign workers in the LFS.

2 According to information from the Ministry of Labour, in 2016, around 95 percent of regular migrant workers in Thailand were from Cambodia, Laos and Myanmar.

3 In practice, not having social security does not imply that a regular migrant does not work in a formal business. Due to weak law enforcement, a significant number of regular migrant workers in formal businesses do not have social security. For example, Huguet (2014) estimated that, in 2013, about 700,000 regular Cambodian, Lao and Myanmar workers failed to register in the social security system.

4 Based on our calculations using IES data, the number of foreign workers increased from 371,000 in 2012 to 755,000 in 2015. These figures are far lower than the official numbers of migrant workers from Cambodia, Laos and Myanmar recorded by the Ministry of Labour.

And at the MW workers are those whose daily wage is between the daily wage of the other two groups.

For qualitative analysis, we interviewed 100 regular Myanmar migrant workers in the food/food processing and garment manufacturing sectors (50 interviewees in each sector). These two sectors were selected because they employ a significant share of migrant workers. Located in four provinces, the interviewed employees are from 27 food/food processing factories located in provinces adjacent to Bangkok (24 in Samut Sakhon and 3 in Samut Prakan) and from 18 garment factories (12 in Tak, a remote western province bordering Myanmar, 5 in Samut Sakhon and 1 in Bangkok). The studied provinces were purposefully chosen because they host many factories in the sectors of interest. In addition, for the garment sector, areas both near and very far 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).

To complement the information collected through interviews with migrant workers, we conducted in-depth interviews with representatives of some large firms and a business association in both sectors in order to learn more about how the 300-baht MW has affected their employment of migrant workers, and how firms have made adjustments to comply with the policy.[5] Key informants' opinions may not necessarily reflect the views of smaller factories. We report the findings when applicable.

2.5 Results and discussion

2.5.1 Quantitative analysis

Table 2.2 reports the percentages of fulltime local and migrant workers receiving wages above, below and at the MW, using data from IES. In 2011, before the implementation of the 300-baht MW policy, the largest group of fulltime migrant workers were those who received wages above the MW (38.79 percent of the total), while those receiving below the MW made up the smallest of the three groups (25.98 percent). After the implementation of the 300-baht policy in seven provinces in April 2012, the proportion of foreign workers getting below MW jumped to 42.09

[5] We sent out interview requests to around 20 firms (including large and small firms in the garment and food/food processing sectors in the studied provinces), but only three large firms in the food/processing sector in Samut Sakhon permitted us to interview them. In Mae Sot, we were fortunate to interview representatives of the Federation of Thai Industries, Mae Sot branch. The representatives are involved in large garment factories in Mae Sot.

percent, and the proportion of the above MW group dropped to 15.97 percent. Compared to 2011, the non-compliance proportion for both types of workers rose significantly in 2012 and 2013, then constantly declined continuously. This is because the 300-baht MW was a big change, and firms were not yet ready and had difficulties raising wages at the time. However, in the following years, firms seem to have been increasingly able to adjust to the new MW policy, as the proportion of the below MW group has continuously declined. In 2015, the proportion of the below MW group was 17.32 percent, which is lower than it was in 2011. Although the non-compliance problem has continuously improved since the introduction of the 300-baht policy, the degree of non-compliance is still significant and remains a challenge.

Table 2.2: Percentage of workers receiving above, below and at the MW, 2011–15

	Migrant			Local		
Year	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 enforced in seven provinces in 2012 before being extended to other provinces throughout the country in 2013.
Source: Authors' calculations using data from IES and LFS 2011–2015

To see how the degree of compliance with the 300-baht MW varies across important characteristics of foreign workers, we use IES 2012–2015 data to calculate the proportions of the fulltime migrant workers receiving above, below and at the MW by gender, education, sector, firm size and region. The results are reported in Table 2.3. The degree of non-compliance is higher for women, as 28.74 percent of female migrant workers get below the MW compared to 22.52 percent of male migrant workers. Older migrant workers (aged 44 and over) are more likely than younger workers to get 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 highly skilled and more experienced ones are more likely to receive above MW. Strikingly, higher education does not guarantee payment of the MW: 29 percent of migrant workers with secondary education and higher are below the MW, compared to 25 percent of migrant workers with just primary education.

Table 2.3: Percentage of migrant workers receiving MW by characteristics

	Above MW	At MW	Below MW
Female	15.04	56.22	28.74
Male	23.48	53.99	22.52
Age			
Age 15–24	17.41	54.11	28.49
Age 24–44	20.68	56.54	22.77
Age > 44	26.57	38.06	35.37
Education			
Primary and lower	18.32	56.87	24.81
Secondary and higher	37.33	33.67	29.01
Sector			
Agricultural, hunting, forestry	32.24	20.76	47.00
Manufacturing	10.31	76.06	13.63
Construction	32.07	29.99	37.93
Wholesale and retail trade, repair of motor vehicles, and personal and household goods	26.72	39.42	33.86
Hotels and restaurants	31.63	30.9	37.47
Firm size (number of employees)			
1–9	25.40	26.93	47.67
10–49	28.60	36.40	35.00
50–99	25.13	54.26	20.61
More than 99	11.98	79.49	8.53
Region			
Bangkok	25.86	44.52	29.62
Central	14.59	70.09	15.32
North	24.46	18.78	56.76
Northeast	21.36	14.09	64.55
South	31.50	28.17	40.33
All	20.04	54.90	25.06

Source: Authors' calculations using data from LFS and IES 2012–2015

Compliance also varies across industry and firm size. Manufacturing is the sector with the lowest non-compliance rate (13.63 percent) and agriculture has the highest non-compliance rate (47.00 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 than smaller firms. However, the high degree of compliance of larger firms (with 100 employees or more) does not mean that larger firms generally pay more than the MW. In fact, most of the migrants employed in larger firms (79.49 percent) are at the MW and only a small proportion (11.98 percent) receive above the MW, the smallest among the four groups of firms by size. Last, there is much variation in the compliance rate at regional level. Migrant workers in Bangkok and the central area are less likely to be paid below MW than in other regions, implying that enforcement is weaker in areas further away from the central government. Tighter labour market conditions in Bangkok and the central area could be another reason explaining the higher compliance rate. Competitive pressure forces firms in the area to pay at or even above the MW.

How the 300-baht MW affects wage distribution is of much interest to policymakers and academia. This section sheds some light on the issue by simply inspecting various parts of foreign workers' daily wage distribution from 2011 to 2015. Table 2.4 shows the mean and the 10th, 25th, 50th, 75th and 90th percentiles of the wage distribution. In 2012, when the partial introduction of the 300-baht MW kicked off, we spot shifts in all parts of the distribution, with the largest shifts in the median percentile. When the 300-baht MW policy was fully implemented in 2013, the wage distribution continued to shift upwards, and the largest shift (in growth and absolute terms) occurred in the 10th percentile. In 2015, the 10th percentile wage continued to grow while the other percentiles remained unchanged.[6] Despite the rise, the gap between the MW and the 10th percentile wage was still sizable (at around 50 baht).

The increase in the 90th percentile observed during 2012–2013 implies that the 300-baht MW had a positive spillover effect on workers that already received at least 300 baht. However, overall, the 300-baht MW policy seemed to help improve wage inequality among migrant workers in the long run as the lower percentiles moved closer to the upper percentiles over time. The wage ratio between the 75th and the 25th percentiles has narrowed, from 1.28 in 2011 to 1.03 in 2015. Despite all improvements, how to further increase wages in the lowest part of the distribution remains an important challenge.

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[6] Due to an outlier in 2014, the mean daily wage in 2015 is lower than the mean in 2014. If the outlier is dropped, the 2014 mean daily wage reduces to 304.34 baht.

Table 2.4: The 10th, 25th, 50th, 75th and 90th percentiles of foreign workers' daily wage distribution (baht)

year	mean	p10	p25	p50	p75	p90	p75/p25
2011	248.13	150.00	180.00	200.00	230.77	290.00	1.28
2012	294.55	180.00	230.77	269.23	300.00	307.69	1.30
2013	295.14	230.77	250.00	300.00	307.69	346.15	1.23
2014	314.19	230.77	288.46	300.00	307.69	346.15	1.07
2015	311.10	250.00	300.00	300.00	307.69	346.15	1.03

Source: Authors' calculation using IES and LFS 2011–2015

Our finding that the 300-baht MW is associated with an upward shift in the entire wage distribution of foreign workers differs from Lathapipat and Poggi (2016) who find a positive effect on workers at the lower end of the wage distribution only. The discrepancy arises because we focus on the wage distribution of foreign workers, while Lathapipat and Poggi (2016) looked at the wage distribution of the entire workforce, which consists of heterogeneous groups of workers and thus has a much larger variance.

One of the most prominent concerns regarding a sharp rise in MW levels, such as by introducing the 300-baht MW policy, is a disemployment effect. Firms that cannot afford to pay the 300-baht MW might try to reduce costs by firing workers. In the worst-case scenario, firms that can no longer bear the costs might decide to close down. The Labour Force Survey provides information on the number of unemployed workers and the reasons why the unemployed workers quit their last jobs. We investigate the disemployment effect by examining how the unemployment caused by lay-offs and factory closures changed after the introduction of the 300-baht MW.

The 300-baht MW seemed to have only a small impact on the number of newly unemployed local workers and foreign workers, which is consistent with previous studies such as Carpio and Pabon (2014), Carpio and Sanz-de-Galdeano (2014 and Lathapipat and Poggi (2016). For local workers, we do not observe significant increases in the numbers of unemployed workers after the introduction of the MW. From 2012–2013, the total unemployment figure increased by around 20,000, accounting for a very small proportion of Thailand's labour force. The increases in unemployment caused by factory closures and lay-offs were also small. For foreign workers, the unemployment effect, if any, appears to have been temporary as it only occurred in 2012 when the 300-baht MW policy was first introduced. Nonetheless, the unemployment figures were small and negligible.

2.5.2 Qualitative analysis

2.5.2.1 Wages

The interviewed migrants can be categorised into two groups according to the type of wage they receive: daily-wage workers, and piece-rate workers (the more quantity or weight they put out, the more money they make). Examples of piece-rate jobs are peeling shrimp (4–5 baht per kg), descaling fish (5 baht per kg) and sewing shirts or trousers (50–60 baht per item).

Piece-rate workers can be found in both sectors and in all surveyed provinces. In our survey, piece-rate workers are more concentrated in Tak province where about one-third of the interviewed migrants are piece-rate workers. All large firms in our sample where we interviewed migrant workers paid daily wages. Based on our interviews with food and food processing factories, some large firms employ both payment types, paying some workers on a daily wage basis and others on a piece-rate basis. However, to the best of our knowledge, those factories are not in our sample. Piece-rate payment seems to be more common in small firms than in large firms. In our sample, the majority of small firms, namely 13 out of 21, paid piece rates. The interviewed firms explained that they received orders from larger firms who paid them by piece rate, so they also paid their workers by piece rate.

Table 2.5: Number of interviewees on less than or at least 300 baht a day

	Food/food processing			
	daily wage		piece-rate	
	below MW	at least MW	below MW	at least MW
Samut Sakhon	0	33	7	4
Sumut Prakarn	0	6	0	0
Total	0	39	7	4
	Garment manufacturing			
	daily wage		piece-rate	
	below MW	at least MW	below MW	at least MW
Samut Sakhon	0	12	0	6
Bangkok	0	0	0	2
Tak	11	8	11	0
Total	11	20	11	8

Source: Authors' compilation

Regarding the speed of adjustment, larger firms seem to adjust and comply with the 300-baht policy more quickly than smaller firms. Based on our survey, all 17 large firms in the garment sector and food/food processing sectors that our interviewees work for had adjusted their wage rate to 300 baht within 6 months of policy implementation, while most of the small firms had not. Only six of 18 small firms raised wages to 300 baht within a 6-month period.

Consistent with the findings from our quantitative analysis, we find that many interviewees receive less than 300 baht a day. Table 2.5 shows that 29 out of 100 workers interviewed received less than the MW.[7] The share of workers paid less than the MW in our sample is somewhat higher in the garments sector than in the food/food processing sector. For the latter, whether the workers received at least 300 baht a day seems to be associated with wage type. All daily-wage workers received at least 300 baht, while the majority of piece-rate workers received less than 300 baht. The reasons why these piece-rate workers did not receive at least 300 baht could be as follows. First, the piece rate may be low, and getting at least 300 baht a day would require the workers to get a tremendous amount of work done in one day, which may not be possible. Second, the raw materials (mostly fish and shrimp) arriving at the factories in particular periods may not be enough to generate an income of at least 300 baht a day. Third, some piece-rate workers might be willing to forego higher wages for more leisure time.

For the garment sector, all of the interviewees in Samut Sakhon received at least 300 baht a day, regardless of wage type. Contrary to the findings in the other surveyed provinces, the majority of the interviewees in Tak province 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, again, suggests that the enforcement of the MW differs vastly across provinces. Samut Sakhon and Samut Prakarn provinces, located closer to the central government, could have stricter enforcement of the MW than Tak, a border province in west Thailand, which is much further away from central authorities. The number of labour inspectors is limited (for example, there was a total of 710 labour inspectors in 2015), and they cannot inspect every firm throughout the country. Factories in Tak, particularly small factories, are often hidden in small alleys and have no clear signage, making it difficult to tell if they are factories.

How much the daily wage changed after the introduction of the MW is central to our study. Despite the small sample size, we compare the wage rate that daily wage interviewees received six months before the introduction of the 300-baht MW with what they currently receive, and then report the mean differences in Table 2.6. Overall, the mean daily wage of the interviewees in Samut Sakhon and Samut Prakarn increased as expected. For both sectors, the interviewed migrant workers from large firms experienced a larger percentage change than those from smaller firms. The percentage change in the wage rate

[7] This is higher than the non-compliance rate of 17.32 percent in 2015 (and the average of 25.24 percent for 2011–2015), based on data from the IES.

varies from 43 to 52 percent for large firms, while the percentage changes for small firms range from 14 to 41 percent. Whether this observed wage increase improves workers' livelihoods is explored below.

Table 2.6: Mean daily wage differences: a comparison between 6 months before the 300-baht MW and present

Food/food processing			
	mean wage difference (baht)	percent change	obs.
Samut Sakhon, large-sized	90.18	42.83	17
Samut Sakhon, small-sized	80.00	36.36	2
Sumut Prakarn, large-sized	91.67	44.02	3
Sumut Prakarn, small-sized	35.00	13.57	2
Garment manufacturing			
	mean wage difference (baht)	percent change	obs.
Samut Sakhon, large-sized	88.00	51.52	5
Samut Sakhon, small-sized	86.36	40.52	11

Note: The numbers are calculated using data collected from daily wage interviewees who never changed their employers. Data collected from interviewees in Tak province is not used due to lack of wage data for the 6 months before the introduction of the 300-baht MW.
Source: Authors' compilation

For workers in Tak, we were not able to collect wage data for the six months before the introduction of the 300-baht MW policy, and therefore cannot provide the same comparison. However, due to weak law enforcement, it is expected that the 300-baht MW policy has had only limited impacts on the interviewed workers' daily wage, especially those working in small firms.

2.5.2.2 Overtime work

The Labour Protection Act BE 2541 stipulates that workers should be compensated at a rate of 1.5 times their hourly wage for each overtime (OT) hour. Therefore, if workers receive 300 baht a day, they should be paid 56 baht for each OT hour. While many of the interviewed migrants reported receiving OT pay of 56 baht per hour, a number of them receive less than the amount they are entitled to (see Table 2.7). Almost all (45 out of 48) of the interviewed workers in Samut Sakhonand and all of the interviewed migrants in Samut Prakarn received at least 56 baht per OT hour. However, the OT rates that the underpaid interviewees received (50–54 baht per hour) were more or less close to the legal rate.

In Tak province, it is not surprising that most (10 out of 13) of the interviewed migrant workers received less than 56 baht per OT hour. These underpaid interviewees can be found in both large and small firms. Most of them never received OT pay, and a few received only 20 baht per OT hour, for below the legal rate. The daily-wage workers who received no OT pay explained that their supervisors usually set a daily target that they have to reach before they can leave work and go home. Often, reaching the target would require the workers to work more than the regular working hours, of course without OT pay. In effect, this practice corresponds to piece-rate payment with binding daily targets. The practice caused confusion for some daily-wage interviewees as they thought that they were paid on a piece-rate basis. Again, this finding indicates that legal enforcement might be more lenient in Tak than in the other surveyed provinces.

Table 2.7: Number of interviewees paid OT of at least or less than 56 baht per hour

	Food/food processing			
	large		small	
	below 56 baht	at least 56 baht	below 56 baht	at least 56 baht
Samut Sakhon	1	28	2	1
Sumut Prakarn	0	1	0	3
Total	1	29	2	4
	Garment manufacturing			
	large		small	
	below 56 baht	at least 56 baht	below 56 baht	at least 56 baht
Samut Sakhon	0	5	0	11
Tak	7	3	3	0
Total	7	8	3	11

Note: The figures are the numbers of the interviewed daily-wage workers who work more than 40 hours a week.
Source: Authors' compilation

Regarding the number of OT hours, the interviewees in the garment sector currently work, on average, 3–4 OT hours a day, while the interviewees in the food/food processing plants work 0–2 OT hours a day. The difference in OT hours partially reflects differences in demand and market conditions between the two sectors. For average migrant workers in factories, working OT can be a significant source of additional income. For example, if a worker receiving the 300-baht MW works 2 hours OT, the OT pay will be more than one-third of the daily wage.

Table 2.8 reports the interviewees' mean daily income (defined as daily wage plus daily OT pay). For some interviewees, daily income is as high as 400–500 baht, an increase of 100–200 baht from their daily wages. Our conversations with many daily-wage workers lead to the same conclusion that OT pay contributes significantly to their total income and plays an important role in supporting their living. "The 300 baht does not really improve my standard of living, but OT pay does. My life would be very difficult if there is no OT," said an interviewed garment worker in Samut Sakhon. This finding raises two important issues. First, although OT pay could contribute significantly to workers' income, additional income from OT hours could also come at a cost. The surveyed workers have quite long working hours, which can be stressful and exhausting, damaging for their health (in the medium to long run) and leave them with little time for a social life. Second, the need to work OT implies that the 300-baht MW is still not high enough for workers to survive on regular working hours.

Table 2.8: Average daily income (baht)

	Food/food processing			
	mean	min	max	obs.
Samut Sakhon, large-sized	424.5	327	580	29
Samut Sakhon, small-sized	360.0	300	390	4
Sumut Prakarn, large-sized	329.0	300	387	3
Sumut Prakarn, small-sized	357.0	356	360	3
	Garment manufacturing			
	mean	min	max	obs.
Samut Sakhon, large-sized	367.0	357	384	5
Samut Sakhon, small-sized	424.5	384	468	11
Tak, large-sized	258.0	150	356	16
Tak, small-sized	213.0	150	330	3

Note: Daily income is defined as daily wage plus OT pay.
Source: Authors' compilation

In principle, the 300-baht MW can push the production costs of firms upward. Firms with high demand for their products might be able to continue business as usual. However, firms facing declining demand might have to find ways to reduce costs, and reducing OT hours is one option. We investigate this issue by asking the interviewees if their current OT hours increased, decreased or stayed the same compared to the OT hours before the introduction of the 300-baht MW. For the food and food processing sector, 7 out of 19 interviewees reported a decrease in OT

hours, 12 out of 19 interviewees reported no change, and no one reported an increase. At first glance, it appears that the 300-baht MW was the force behind the decrease in OT hours observed in some surveyed factories. But, in addition to the introduction of the 300-baht MW, there are other important factors causing firms to decrease OT hours. One such factor is the fact that the Thai government has been trying to resolve the illegal, unreported and uncontrolled fishing problem. Many measures introduced by the government resulted in a decrease in fishing volume and reduced the number of permitted fishing boats permitted fishing boats. Where supplies of fresh seafood have fallen, the need for OT work has also decreased. The interviewed employers in the food/food processing sector agreed that the 300-baht MW was not the main reason why firms reduced OT hours. The main reason was market developments.

2.5.2.3 Working conditions

The interviewed migrant workers in both sectors work long hours. Their average working hours surpass the normal working time prescribed in the Labour Protection Act (8 hours a day). In Mae Sot, some interviewed piece-rate workers reported working up to 13 hours a day, without OT pay, in the so-called in-house factories (i.e. firms that appear like normal houses from the outside but operate as garment factories inside). According to the interviewees, large factories in Mae Sot usually allow workers to have a holiday every other week, while small plants normally allow holidays once a month. This violates the Labour Protection Act, which stipulates that workers are entitled to have at least one day of rest every week.

According to some interviewees in Samut Sakhon, employers generally treat Thai and migrant workers equally. Nevertheless, in some food and food processing factories, Thai workers get better treatment such as being provided free uniforms, bonuses and diligence allowance, while migrants not only have to pay for their uniforms but also do not receive diligence allowance and bonuses. In addition, they have to work during Thai national holidays, without proper compensation. “Thai workers get diligence allowance and bonus but Myanmar workers do not,” said an interviewed migrant in a large food/food processing factory.

After the introduction of the 300-baht MW policy, some interviewed workers in the food and food processing sector were forced to work in a more stressful environment. Some interviewed migrants described how the working conditions changed: “They [the supervisors] keep a time record of how many pieces we can finish in an hour. They even limit the number of toilet breaks during normal working hours to three at the most,” said an

interviewed migrant in a food processing factory. Another migrant worker in the same sector explained "They force us to work harder and faster, applying more pressure on us." This seems to reflect efforts by employers to squeeze productivity increases from workers to at least partly offset the rise in labour costs.

2.5.2.4 Livelihoods

To understand the role that the 300-baht MW plays in improving standards of living, we asked the interviewees: "Is the 300-baht MW sufficient to cover living costs for yourself and your family?" Their answers are summarised in Table 2.9. Forty-one of 50 interviewed migrant workers in the food and food processing sector stated that with the 300-baht MW they could not cover their living expenses. This might be because they live in the vicinity of Bangkok, an increasingly urbanised area where living costs have grown continuously. "Before the 300 baht [MW], things were not expensive. But after the 300 baht [MW], everything such as food, accommodation and transport started to get more and more expensive" said a garment worker in Samut Sakhon. For the garment sector, 40 percent of the interviewees felt that the 300-baht MW was not enough to cover living expenses, while the other 60 percent said the MW was sufficient.

Table 2.9: Is the 300-baht MW sufficient to cover living costs for yourself and your family?

	sufficient	not sufficient
Food and food processing	9	41
Garment manufacturing	12	8
Total	21	49

Note: Figures are the number of respondents. The interviewees from Tak are excluded.
Source: Authors' compilation

Table 2.10 shows the interviewees' opinions about how various types of expenditure (living, housing, transport, communication and leisure) changed after the introduction of the 300-baht MW policy. Note that these opinions are from all interviewees except those in Tak. It is clear that the majority of the interviewees think that all types of expenditure have increased since the introduction of the 300-baht MW. More than 90 percent of them think their living and housing expenditures have increased, more than 80 percent think their transport and communication expenditures have increased, and more than 60 percent think their leisure expenditures have increased.

It is not clear, however, whether the increase in workers' expenditures has been due to the price effect (goods becoming more expensive) or the quantity effect (wage earners being able to buy more). In theory, a big rise in the MW could result in inflation. How the 300-baht MW has affected Thai price levels in practice is not well understood and thus is an interesting topic for future research.

Table 2.10: Change in expenses since the introduction of the 300-baht MW

Type of expenditure	increase	decrease	no change
Living	68	0	2
Housing	66	0	4
Transport	62	0	8
Communications	58	0	12
Leisure	44	1	25

Note: Figures show the number of respondents. The interviewees from Tak are excluded.
Source: Authors' compilation

Although we did not put the question about the sufficiency of the 300-baht MW to interviewees in Tak, we found that many of them were satisfied with their current wages. Some were even content with their less-than-MW. "Although my wage is lower than 300 baht, I can live with it. Living expenses are also low. I am able to save and send some money back home. It is good; it is a secure job; I can work regularly, better than in Myanmar", said a piece-rate migrant worker. Thus, if these workers were to receive the 300-baht MW, their living standard would be much improved. Among the reasons why the workers receiving less than 300 baht a day were still content with their wages are the following. First, the cost of living in Tak is relatively low. Second, migrant workers usually spend most of their time either working in the factories or staying at home. Many of them cannot speak Thai, rarely talk to strangers and barely go outside their communities or factories (for safety reasons). Consequently, they seldom spend money on leisure, unnecessary items and transport, and are able to save and remit. In fact, all of the interviewees in Tak reported being able to save, regardless of their income level.

2.6 Conclusions and policy implications

Since introducing the first MW in 1973, Thailand's MW regime has gone through important changes in the quest for fair and sufficient MWs. Despite the changes, the MW was adjusted slowly and often did not keep up with inflation, resulting in continuously declining real MWs for more than a decade. During

2012–2013, the Thai government opted for a drastic change by introducing the 300-baht MW nationwide, raising important questions about how such a jump affected wages, employment and livelihoods. While the impacts of the 300-baht MW policy on the general workforce are well covered by previous literature, the impacts on migrant workers in particular are less well-known. This study helps fill the gap by providing qualitative and quantitative evidence of the impacts on migrant workers employed in Thailand.

On the quantitative side, we used IES data to analyse the impacts of the 300-baht MW. We find that the 300-baht MW has not reached its full potential due to non-compliance. After the introduction of the 300-baht policy in seven pilot provinces in 2012, the proportion of foreign workers getting below the MW jumped from 25.98 percent to 42.09 percent. In the following years, firms seem to have been increasingly able to adjust, as the proportion of the below-MW group declined to 17.32 percent in 2015. However, the share of migrant workers affected by non-compliance has consistently been larger than that of local workers, suggesting that migrant workers more often than Thai workers are paid less than the MW.

Compliance varies across individual characteristics, however. The degree of non-compliance is higher for female, older (aged 44 and up), low skilled and less experienced migrant workers. Compliance also varies across industry, firm size and location. Manufacturing has the lowest non-compliance rate, while agriculture has the highest. Larger firms are more likely to comply with the MW than smaller firms. Migrant workers in Bangkok and its vicinity are less likely to be paid below the MW than in other regions, implying that enforcement is weaker in areas further away from the central government.

Our analysis suggests that the 300-baht MW – through a positive spillover effect – also lifted the wages of migrant workers who already received at least 300 baht. However, overall, the 300-baht MW policy appears to have helped reduce wage inequality among migrant workers as the lower percentiles of the wage distribution moved closer to the upper percentiles over time. Regarding the impacts on employment, the 300-baht MW seems to have had only a small and temporary disemployment effect on migrant workers.

On the qualitative side, we gathered information by interviewing 100 regular Myanmar migrant workers who work in the food and food processing and garment sectors in four provinces. The aim was to gain a better understanding of the current situation of migrant workers and assess how they were affected by the introduction of the 300-baht MW. The main findings from this qualitative research are largely consistent with the findings from our quantitative analysis.

Non-compliance is found in both sectors. For the food and food processing sector, the interviewed workers who received below the MW are mostly piece-rate workers from small firms. For the garment sector, the interviewed migrants who receive less than 300 baht are mostly located in Mae Sot, Tak. In fact, most of the interviewed migrants in Tak receive much less than the MW, including both daily-wage and piece-rate workers in large and small firms. This indicates that labour market conditions, compliance pressures and law enforcement measures vary across locations.

The mean daily wage of the interviewees in Samut Sakhon and Samut Prakarn increased after the 300-baht MW was introduced. Migrant workers from large firms experienced a larger percentage change in their wages (43 to 52 percent) than those from smaller firms (14 to 41 percent). However, some of these wage increases were eaten up by rising expenditures and living costs of workers.

Based on our findings, we have six policy recommendations. First, the government should allocate sufficient budget and resources to relevant government agencies and encourage them to strictly enforce the Labour Protection Act, especially in remote provinces. Second, another way to promote compliance is offering employers an incentive (e.g. tax rebate) to raise wages to the MW level. For small and medium-sized enterprises, the government may consider setting up a budget for zero or low interest rate loans to help them keep up with the MW rate. Third, since prices also rise every year, the MW rate should be regularly reviewed and adjusted to keep up with inflation. The MW needs not be the same for all provinces; it should depend on the cost of living in each province. Fourth, the government should promote awareness among employers and employees and their representatives (business associations, trade unions) about workers' rights such as the right to MW, OT pay, rest days, and so on, with a strict notion that the Labour Protection Act is applied to local and migrant workers alike. Fifth, the government should consider streamlining and facilitating the migrant registration process. This is one crucial way to strengthen the employment status and thus the bargaining power of migrant workers in Thailand, which would then help prevent their mistreatment. Finally, migrant workers are undoubtedly vital and necessary to foster strong economic growth in Thailand. They should therefore be offered training opportunities to upgrade their skills which would then help increase their wages and productivity.

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