Chapter 4

Impact of Foreign Worker Migration on Wage and Labor Market in Thailand

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ABSTRACT

This chapter focuses on Thailand’s foreign labor migration, which has played a critical role in the economic development of Thailand. Emphasizing both positive and negative effects of foreign migration to the Thai labor market, Thailand economy, and sustainability in economic development, this chapter separates foreign migrant workers into two types, legal and illegal, and analyzes the impact of each type of migrant worker on wages, labor market, Thai economy, innovation, and sustainability. While foreign skilled laborers, who usually receive formal work permits from the Thai government, as well as capital and native workers are complements, the unskilled or low-skilled workers, usually from neighbor countries, as well as capital and native workers, are substitutes. Furthermore, the impact of each group of foreign migrants on economic development and government reactions (as reflected in migration policies) is also elaborated before discussion for migration and development in the long term.

IMPORTANCE OF FOREIGN MIGRANT LABOR

During few last decades structural changes related with movement from agriculture to manufacture base economy were typical for Thai economy and society. Development of industrial investments caused a labor shortage for both high-skilled and low-skilled laborers. Investors that sometimes were organized in the form of multinational enterprise’s subsidiaries usually imported the skillful staff from the head office abroad.

There is only a small number of high-skilled and legal foreign staff among employees. Most workers coming to Thailand from neighbor countries (Myanmar, Laos and Cambodia) are categorized as unskilled. Laborers from those countries chose to work in Thailand, even illegally, because of

DOI: 10.4018/978-1-4666-7328-1.ch004
wide income gap between Thailand and other states, relevance of political problems in Greater Mekong Sub-region (GMS) countries.

Millions of unskilled workers settle along the border of Thailand and Myanmar, where many firms allocated their manufacturing plants for effective usage of the low cost labor. Local firms, especially in fishery and labor-intensive industry, usually hire these migrants because it is one only way to reduce cost of production and keep their product in competitive price.

During 1988-1990 Thailand enjoyed a substantially high economic growth, with greater than 10% and stayed in the rate at least 8% in the latter years. During the economic prosperity a large number of labors migrant crossed Thailand’s borders. Presently, companies still want to maintain competitive prices and choose to employ low cost workers, usually foreign migrants from neighbor countries (Paitoonpong, 2012).

Migration seems to be a rational decision by poor rural residents to escape rural poverty and inadequacy of rural infrastructure (Chamratrithi-rong, 2007). This explains why massive of foreign migrants flow into Thailand. The impact of these millions of migrants on Thai economy has been widely discussed.

Non-doubt legal foreign migrants contribute Thai economy by their coordinating with physical capital. Unskilled foreign migrant workers, which contribute to the majority of migrants, are found both positive and negative impacts on Thai labor market and economy. Moreover, mentioned impacts include social problem, human rights and trafficking, and national security.

This paper aims to study an impact of foreign labor migration by reviewing and analyzing obtained benefits and costs that Thailand has to pay for migration in forms of positive and negative impact. The structure of this paper includes overview of foreign migration, history of migration and analyze of modern situation in Thailand, evaluation of foreign workers importance for companies and economy in general. Then the impact of foreign migration is analyzed in various aspects. This includes the impact of migration to Thailand labor market and Thai economy, innovation and sustainability.

OVERVIEW OF FOREIGN MIGRATION IN THAILAND

Thailand has long history of foreign labor migration. Starting from Ayutthaya period, 16th century, the Portuguese were one of the first coming to Thailand. Other migrants in that period were from China, Holland, France and Japan. In the early Rattanakosin period (1782 – present) big number of Chinese was granted to settle and work in Siam (former name of Thailand). Those Chinese significantly raised number of population to around 45,000 people. Until 1898, total number of Chinese in Siam was approximately 600,000 (Pitayanon, 2001). Meanwhile, migrants in the early Rattanakosin era included Indians, Malays, and European merchants. The European traders settled in Thailand for trading with local people as well as for expanding commercial network worldwide (Paitoonpong, 2012).

Foreign labor demand in the new era of Thailand started to increase in 1960s, when policy for economic development acceleration was implemented. In the first stage of industrial development, Thailand highly demanded in foreign labor, both high-skilled and lower-skilled. According to the Alien Working Act B.E. 2551 (2008 A.D.), “alien” or “foreigner” means non-Thai nationality natural person and “working” means a working by physical strength or knowledge whether or not intended for wage or any other benefits.

Therefore, migrant worker is a foreigner coming into Thailand to work in order to receive wage or other benefits. Foreign workers could be either one who received work permit and work in Thailand legally or migrants who moved in Thailand to work without work permit. Migrant workers who take a job in Thailand without permission