

## **CHAPTER IV**

### **THE IMPACT OF THE 300-BAHT MINIMUM WAGE POLICY IN THAILAND**

This chapter answers the research question. The result shows that it improved the quality of labor's life but the policy effected directly to the entrepreneurs; and made international worker fled to Thailand, and foreign and national companies move to another country.

#### **A. Improving the quality of the labors life but effecting directly to entrepreneurs and making international workers fled to Thailand.**

The policy was good because the implementation of the 300 baht minimum wage nationwide would increase labor quality and improve the living conditions of the workers. The minimum wage was increased to 300 baht in the remaining 70 provinces on 1 January 2013 after having the policy in was implemented since 1 April 2012 in seven pilot provinces, which are Bangkok, Nonthaburi, PathumThani, SamutPrakan, SamutSakhon, NakhonPathom, and Phuket. Therefore this policy would help labors with more revenue and make have the ability to shop or to increase purchasing power increases. This would contribute to the improvement of the overall quality of labors' life as well.

Determining the minimum wage reduced the income gap. It was necessary in the context of the country to help employees having little bargaining power to so their quality of life improved. The increase of the minimum wage reduced the inequality of labor income. Analysts have said that the increase of minimum wage

will benefit workers. Especially those with low incomes and little bargaining power, Mostly it occurred to workers who are employed in the manufacturing sectors, so analyzing advantage and disadvantage of the policy must consider about the impact on employment and labor mobility between sectors in the formal system, formal and non-formal.

This policy helped all the labors to earn more income by getting minimum wages up to 300 Baht a day. On one hand, a higher income improved the labors' living status so that they were able to spend more money to stipulate the market. On the other hand, the Revenue Department could collect more tax which, in turn, driving the country to have a good economy. The Thai labors had higher income because of the implementing of "Minimum 300 Baht Income per Day" policy. This policy helped to improve the economic status of these labors. There was a higher cash-inflow in the market and the government was able to get more tax revenue. Consequently, it led to the better national's economic status. Approximately 3.2 million labors got the benefit of this policy, accounting for the beneficiaries from this policy were approximately 3.2 million persons or it accounted for 30 percent of employees in private sectors. The study points out that 8 – 10 percent of labor productivity and the capability in manufacturing helped the expansion of Thai economy around 0.6 percent. The new minimum 300 Baht

income per day helps to reduce social reconciliation, especially low-income group and the labor from less bargaining power group.<sup>1</sup>

Therefore, the minimum wage adjustment which most entrepreneurs disagreed would become legal. Despite the increase in the minimum wage would affect compensation wherever found. The wage increase would affect in employment conditions, production cost and investment in the future. Despite laws or guidelines, that the government would not give any benefits or other compensation including employees who receive a minimum wage adjustment but not affect their welfare was not affected.

Consumer prices in the country increased. Higher prices were due to the fewer domestic resources. The government solved that problem by adjusting the minimum wage, and importing in goods. More than household income policies encourage beneficial to many people is that "Labor", which has a workforce of about 5.4 million people receiving the minimum wage, is currently. These workers receive the minimum wage the actual decline every year it must be paid the minimum wage to decline over 15 years (regressive rate) policy, so 300 baht to help improve the lives of these workers increased dramatically.

This policy did not only affect the entrepreneurs or foreign investors, but also affects other areas as well. Thailand's exports were worth more than 62-65 percent of the gross domestic product (GDP) and more than 5.5 million workers

---

1

โครงการศึกษาผลกระทบของการดำเนินนโยบายรายได้ค่าแรงไม่น้อยกว่า300บาทต่อวันและเงินเดือนปริญญาตรี15,000 บาทที่มีผลต่อการโครงสร้างเศรษฐกิจไทย. สถาบันวิจัยเพื่อการพัฒนาประเทศไทย. May 2012. Page 8. (Accessed 25-02-2016)

were in labor-intensive industries, where 15 groups in the export sector will be affected by the cost. The higher production costs due to the employment of Thailand is still higher than the wage of competing countries such as Vietnam, Indonesia, India, Bangladesh, etc., which will strengthen the competitiveness of Thailand's exports dropped and it is the economic term.<sup>2</sup>

Adjustment of the minimum wage made the workers facing the possibility that local employers would turned to hired workers. The illegal immigration was part of the entry of illegal workers in the resurrection. Negotiate wages up the influx of foreign workers at this stage not only that, but looking for a job. But there is also the potential labor inserted into the health insurance system of Thailand. In order to use the services of public hospitals the Burmese in the area Tavoy and Mergui islands, two loss making Thailand as well as the public health budget SamutSakhon a province with a large number of migrants arriving in Thailand, more than double the population living in the province.

Foreign workers who came were more than 90 percent from Burma Myanmar ethnic and a descent Thailand. They entered the country through the city Sangklaburi, Kanchanaburi, Ranong. There were numbers of foreign workers coming into Mahachai area since 2012 after the government issued working passport for Burma, Laos and Cambodia immigrants so they could to work in Thailand.

---

<sup>2</sup> ผลกระทบทางเศรษฐกิจจากนโยบายค่าจ้างแรงงานขั้นต่ำ300บาทต่อวันและเงินเดือนปริญญาตรี15,000บาท. รายงาน TDRI. March 2014. Page 5 (Accessed 25-02-2016)

The trade is one of the regions with high commercial value, with more than 3 billion baht per year. In area where there were migrant workers from neighboring countries to come to labor is Mae Sot, Thailand. This has a long border along the border in several districts of the province. However, airing the channel for illegal migrants from the Group of office workers said that in 2012, workers with the registration number 55 to 446 are Burmese migrant workers reached 99 percent, the rest was labors from Laos and Cambodia who came up through the accreditation process. It did not pass verification process the majority of foreign workers who come to work in Thailand.<sup>3</sup>

Interestingly, the number of foreign workers in the district of Mae Sot signal was reduced. The original workers scattered with manufacturing garments. Therefore, many people outside the country came to Mae Sot, more than 200 people to work in manufacturing sectors. But after increase in the minimum wage to 300 baht per day in 2012, making migrant group went to work in seven provinces with the wage hike to 300 baht from the first round. And moving with the foreign workers get a passport now labor and illegal immigration.

## **B. Domestic investors and International Investors and national companies move to another country**

The policy of 300-baht minimum wage posed problem and affected the Thai industry and economy. Thailand loses the opportunity to compete with other countries to attract foreign investors in Thailand, because the other countries had

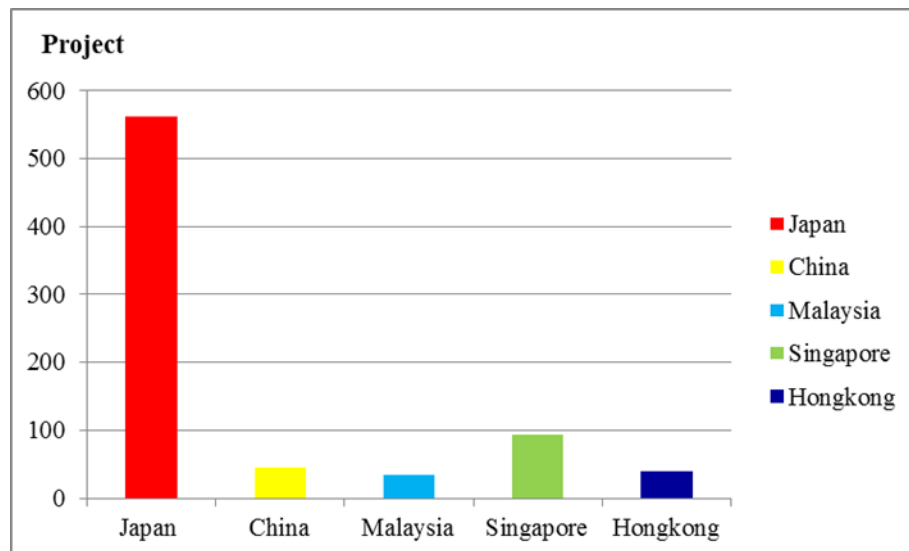
---

<sup>3</sup> Proposed 300 Baht Minimum Wage, MAZARS, From: <http://www.mazars.co.th/Home/Doing-Business-in-Thailand/Payroll/Proposed-300-Baht-Minimum-Wage> (Accessed 26-02-17)

lower labor costs. Many foreign investors decided to move their production to another country. Because of the higher labor cost, it made Thailand lose the opportunity to attract foreign investors. There was no large-scale industrial expansion, and many businesses cut their production down. Therefore unemployment was increased business/ industry, Small and Medium Enterprise (SMEs) was heavily affected.

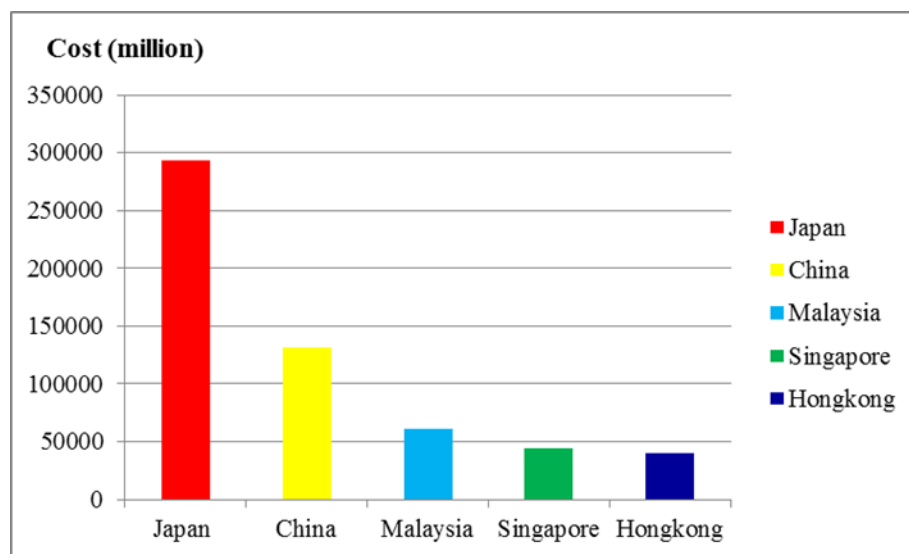
The minimum wage policy would impact significantly on production costs of entrepreneurs and on investment of foreign investors in Thailand. The proportion of labor costs in the total cost was high. Increasing labor costs might affect some operators to close without any government support measures. Moreover, such a policy could increase pressure on the operators.

**Figure 2: Project of Foreign-Investment 2013**



In 2013, the number of foreign-investment was in 1573 projects and total investments worth 1,022,996 million baht. The top five were Japanese (672 projects), China 74 project, Malaysia (35 projects), Singapore (127 projects), and Hong Kong (47 projects). For examples, Toyota Motor Thailand Co., Ltd.<sup>4</sup>

**Figure 3: Cost of Foreign-Investment 2013**

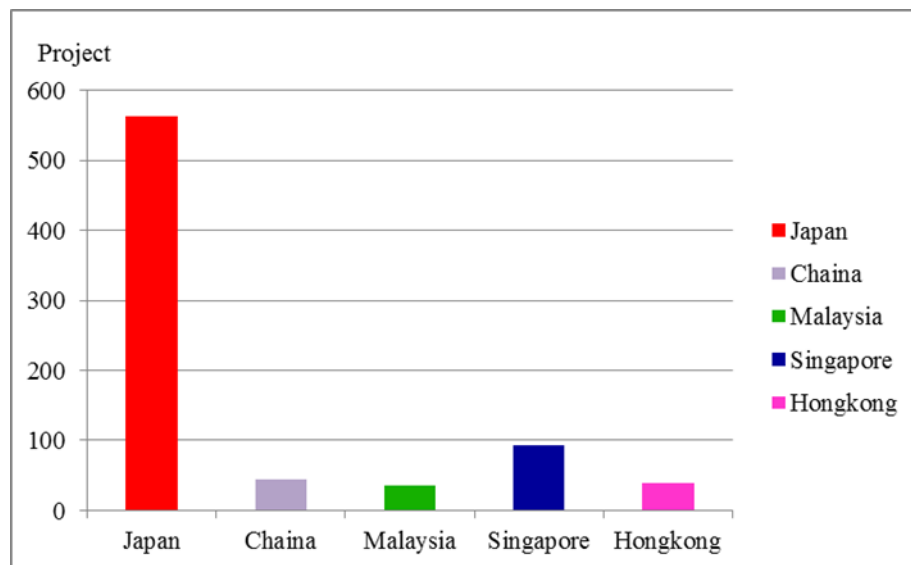


In 2013, the number of foreign-investment was 1573 projects and total investment worth 1,022,996 million baht. The top five were Japanese (293,334 million baht), China (130,921 million baht), Malaysia (60,532 million baht), Singapore (43,980 million baht), and Hong Kong (39,796 million baht) interesting. For examples, the investment of Toyota Motor Thailand Co., Ltd. was 51,523 million baht, the investment of Seagate technology (Thailand) was 34,044.5

<sup>4</sup> ข่าวแรงงาน. นายรัตนกัญจนดิษฐ์. 11 June 2015. From: <http://voicelabour.org> (Accessed 26-02-2017)

million baht, and the investment of Ford Motor Company, (Thailand) Ltd. was 18,180 million baht.<sup>5</sup>

**Figure 4: Project of Foreign-Investment 2014**



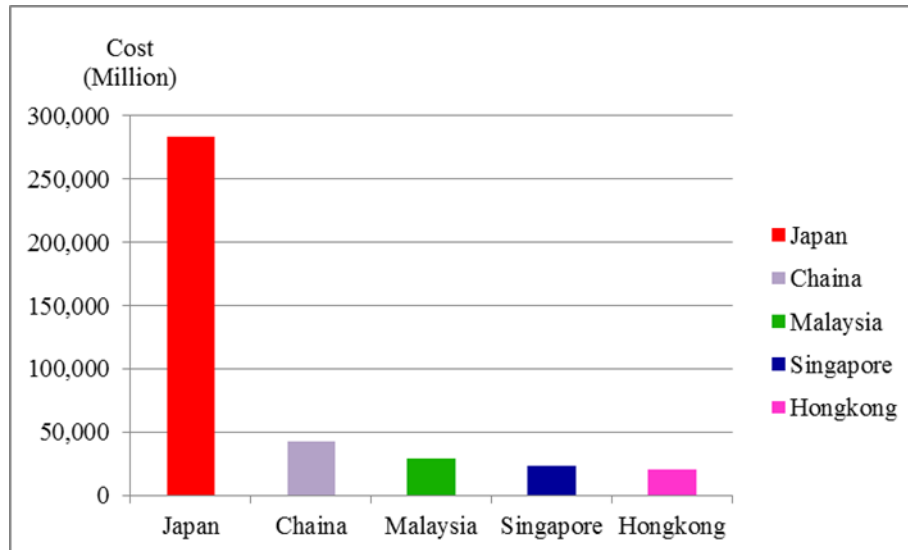
In 2014, the number of foreign-investment was 1132 projects in total worth of investments 524,768 million baht. The top five were Japanese (562 projects), China (45 projects), Malaysia (8 projects), Singapore (93 projects), Hong Kong (39 projects). For examples, the Honda Automobile, and Siam Toyota Manufacturing.<sup>6</sup>

<sup>5</sup> ข่าวแรงงาน. บุษยรัตน์ก่าญจนคิษฐ์. 11 June 2015. From: <http://voicelabour.org>(Accessed 26-02-2017)

<sup>6</sup> ข่าวแรงงาน. บุษยรัตน์ก่าญจนคิษฐ์. 11 June 2015. From: <http://voicelabour.org>(Accessed 26-02-2017)



**Figure 5: Cost of Foreign-Investment 2014**



In 2014, the number of foreign-investment was 1132 projects and total investments worth 524,768 million baht. The top five are Japanese (282,848 million baht), China (42,530 million baht), Malaysia (29,190 million baht), Singapore (22,781 million baht), and Hong Kong (20,181 million baht). For examples, the Honda Automobile invested 33,248 million baht, Nissan Motor (Thailand) money invested 15,000 million baht, and Siam Toyota Manufacturing investments 17,730 million baht. Therefore, the number of these proves that in the years 2013-2014, when the wage was increased to 300 baht, the investors reduced their investment in Thailand.<sup>7</sup>

Closing company in year 2013 and 2014 were more than doubled from the years prior to the new wage policy, firm closures tracked at around 7,000+ per

<sup>7</sup> ข่าวแรงงาน. บุษยรัตน์กาญจนดิษฐ์. 11 June 2015. From: <http://voicelabour.org>(Accessed 26-02-2017)

year. They have increased steadily since then, reaching over 17,000 in 2013 while the flood at the end of 2010 probably was accounted for some of the increased closures observed in 2011. Many the subsequent increases had probably been due to higher wages. Wages had outpaced productivity growth, and it caused the declined competitiveness relative than 10 years ago. Over the past 10 years, labor productivity in Thailand grew at a relatively lackluster 2 percent per year on average. But prior to the increase of minimum wage, real wages grew even less. Since the increase, however, real wages have significantly outpaced productivity growth. Cumulative growths in real wages have outpaced productivity by about 5 percentage points over the past 10 years, resulting in a decline in our competitiveness.<sup>8</sup>

---

<sup>8</sup> 2 ปีค่าแรงขึ้นค่า300บาทสิ่งที่คาด สิ่งที่เกิดขึ้นจริง สิ่งที่ต้องทำต่อ. Thailand Future Foundation. August 2014. Page 4 (Accessed 26-02-2017)