Thailand's exceptional economic performance in the late 1980s and early 1990s has generated worldwide recognition and provided an interesting case study for scholars (e.g., Christensen et al. 1993; Muscat 1994; Medhi 1995; Robinson et al. 1991). From a predominantly agricultural economy in the 1960s, Thailand has made significant progress in transforming itself from an agricultural to an industrial based economy. By capitalizing on an emerging new international division of labor that has seen the center of gravity of the world's economy shift toward the Pacific Rim countries, Thailand's trade boomed in the late 1980s signaling the country's entry into the select fold of newly industrialized countries (NIC). In the immediate period, Thailand has established itself as a formidable player in the field of labor-intensive, and of late, increasingly capital-intensive manufactured goods as well as a supplier of agricultural products to the world market (Felt and Wisarn 1995).

Although Thailand's aggregate economic performance since the mid-1980s has been impressive, Thailand's experience with labor-intensive industrialization has shown that it is sustainable only in the short run. Intense international competition from lower cost countries, such as China, Indonesia and Vietnam, and the boom-induced increases in domestic wages have increasingly priced out the country from further expansion in this type of industrialization. By 1994, growth rates of Thai labor-intensive manufactured exports products were down to about 10 percent per annum or less in marked contrast to the 30-40 percent per annum in the second half of the 1980s, (TDRI 1994). In fact, the TDRI (1994) report has put this unequivocally: "The growth of labor-intensive manufacturing industries will no longer be the dominant driving force for Thailand's economic development." Thai industry has indeed been slowly shifting to higher value added production. It is significant to note, therefore, that the same report revealed that 1993 was the first time when the value of medium-high technology manufactured exports first exceeded that for labor-intensive manufactured exports.

Rapid economic growth during the late 1980s caused a general tightening of the labor market and labor shortages in certain segments. In part, effective family planning programs implemented by the government since the Third Plan led to a decline in the growth of the labor force (Amara 1995). Second, the lack of employment and educational opportunities in rural areas and labor market segmentation in the urban areas pushed many able-bodied men and women in the 1970s and 1980s to work overseas as contract or illegal labor (Chalongphob and Yongyuth 1992; Fairclough 1995; Vatchareeya and Yongyuth 1991). In terms of distribution of migrants by origin, the patterns of labor outflow are consistent with sectoral and regional income disparities (Chalongphob and Yongyuth 1994).

Labor market tightening is evident from the relatively low levels of open unemployment and the rise in wage rates. Thailand's overall open unemployment rate was only about 1 percent in 1986, just at the start of the boom (Chalongphob 1993). The TDRI macroeconomic model forecasted an open unemployment rate for the whole country to be only 0.47 percent in 1995, which would grow to about 0.76 percent by 2012 (Yongyuth et al. 1995). On the other hand, the average increase in real wages rose to about 4.4 percent per annum from 1984 to 1992, the period of accelerated industrialization, compared to only 1.5 percent per annum between 1978 and 1984 (Chalongphob and Yongyuth 1994).

Labor tightening is not only evident in Bangkok but also in the provinces during harvest season. Thai
workers have become more reluctant to accept menial and lower paid work as more jobs open in the industrial and service sectors. Consequently, there is strong pressure for illegal labor migration that, combined with growing affluence of the country, makes Thailand a powerful magnet for migrants from neighboring countries.

The purpose of this paper is to make a preliminary evaluation of the magnitude of the problem of illegal workers and its policy implications for Thailand's economic development. Because of the extent of the undocumented unskilled foreign workers compared to the skilled portion, this paper will focus on this segment.

LABOR MARKET TIGHTENING AND ADJUSTMENT: CROSS BORDER FLOWS OF UNDOCUMENTED UNSKILLED WORKERS

Cross border migration is a well-known phenomenon in Thailand's history. In particular, the movement of migrants entering the border from Indochina and South Asia has grown tremendously during the 1970s and early 1980s. Before the economy boomed, most of these were refugees from neighboring countries fleeing the conflict and devastation of civil wars. A majority of these refugees were resettled in third countries or repatriated (Supang 1993). After the economic boom, the trend has increasingly shifted to economic refugees.

The number of illegal migrants has grown very rapidly. From around 38,000 in 1987 (Wut 1995), the National Security Council estimates that in September 1994, 525,000 illegal immigrants lived in Thailand, nearly two-thirds of them from Myanmar (Nopporn 1995a). By the end of 1994, the number of Burmese had grown by at least 10 percent. To get a clear idea of the composition of this population of illegal migrants, Shinnavaso (1995) classified them into six groups:

1. Former Vietnamese war refugees who entered Thailand since 1959 and remained in Thailand. These numbered about 42,211 persons.
2. Other Indochina war refugees who remained in Thailand, estimated to be about 13,000.
3. Chinese who came to Thailand under tourist visa and remained in Thailand after their visa expired. (Some of them are awaiting travel to a third country.) There were approximately 100,000 Chinese in this category in 1995.
4. Illegal migrants from Laos and Cambodia who sneak into Thailand along the 1000-kilometer long border. They end up working mostly in the border provinces, in trade, services (e.g., restaurants, prostitution), agriculture (e.g., farm, plantations) and fishing industry. Migrants in this group number about 20,000.
5. Illegal migrants from countries in South Asia (e.g., India, Pakistan, Bangladesh and Sri Lanka) who overstayed their tourist visas and found work in Bangkok and upcountry Thai-Indian business communities. This group consists of about 35,000 migrants.
6. Illegal migrants from Myanmar, who comprise the largest group of illegal migrants as shown in Table 1. The estimate of migrants in this group who illegally entered Thailand was more than 200,000 in 1993.

During the past two decades, the Thai government has tried to find ways to manage the large number of illegal migrants from Myanmar. To arrive at a systematic way of handling the problem, illegal migrants were classified into five groups (Shinnnavaso 1995):

2. Those who entered Thailand after March 9, 1976 who have some identifiable record of address: 100,356.
3. War refugees: estimated at 80,000.
4. Students who are considered political refugees: 2,500.
5. Illegal migrants who entered Thailand through the 10 border provinces seeking employment: about 200,000 in 1993. This group is estimated to have increased to 400,000 in 1995. This has promptly alerted the Thai authorities concerned to find ways and means to manage the influx of illegal workers.
Cheap immigrant labor fills jobs in farming, fishing, construction, footwear and textile factories. They are especially prevalent along Thailand's border provinces, such as the southwest province of Ranong where Burmese workers comprise from about one-fifth to one-third of the local population (Nopporn 1995a), in the northern provinces of Tak, Chiang Rai, Chiang Mai and Mae Hong Son, and in the eastern provinces of Kanchanaburi and Ratchaburi (Table 1 and Figure 1).

Much of the construction work in northern Thailand is now undertaken by illegal Burmese laborers (Hiebert 1995). In the recently concluded SEA GAMES in Chiang Mai, most of the construction work force that went into the building of new athletic facilities such as the new billion-baht stadium were Shan workers from Myanmar (Hiebert 1995). In towns along the Thai-Myanmar border, an increasing number of Thai entrepreneurs are hiring illegal migrants (Nara 1995). Given the inability to fill positions (as shown by unfilled positions in Table 2), many enterprises would employ more illegal workers if not for the disincentives of hiring (i.e., penalties or bribes) and their low level of skills. For example, foreign workers could fill at least 30,000 vacancies in the poultry industry; 10,000 vacancies in the trucking industry for truck drivers and another 30,000 for low-skilled work, while the Bangkok port needs 30,000 coolies at rice godowns (Pavit 1995).

Even in Bangkok, illegal immigrants have entered the textile and garment factories to replace Thais who have left to work in the electronics industry that offers better wages and working conditions (Nopporn 1995a). Burmese workers also work as maids in several provinces and in the businesses of Pattaya, a major seaside resort in the eastern seaboard (Bangkok Post 1994).

An increasing number of industries has located outside the highly built-up areas of the Bangkok Metropolitan Region (BMR—Bangkok and the five surrounding provinces) in response to industrial location incentives given to investors in Zone 3 (all provinces excluding the BMR and the seven provinces surrounding it) to distribute progress to the provinces (Siriphan 1993). However, the push is also due to the shortages of labor. This applies to such labor-intensive industries as the toy- (Sukanya 1995) and shoe-making (Nopporn 1995b) industries. To take advantage of even lower wages, industrial relocation has reached border areas. Fairclough (1994) mentioned in a 1994 report that 20 Thai garment makers had set up shop across the Mekong River in Laos where workers earn about US$42 a month, one-third of Bangkok's minimum wage, and take advantage of Laos' virtually unlimited quota regime for garments. By comparison, the minimum wage applied to border provinces in 1994 was US$113 per month (Fairclough 1994).

**IMPLICATIONS FOR INDUSTRIAL TRANSFORMATION**

What precisely are the implications of a readily available pool of cheap labor from neighboring countries for Thailand's industrial transition to higher value added production? While it is difficult to estimate in quantitative terms the drag on industrial change created by the presence of illegal workers, we may obtain some indication of its effects on labor-intensive sectors.

Various pressure groups from the business sector have argued that it is now very difficult to find Thai workers for certain jobs in specific locations, especially in the fishery sector and rubber plantations located in the southern part of Thailand. In August 1995, the chairman of the country's most powerful industrial group, the Federation of Thai Industries (FTI), called for the government to allow at least one million foreign workers to help alleviate the acute labor shortage faced by many industries, such as textiles, footwear, frozen seafood, transport and construction industries (Business Day 1995). The FTI also proposed a 35 percent to 40 percent cut in the current daily minimum wage in designated areas along the Myanmar and Laotian borders (Nopporn 1995b). These moves clearly suggest an attempt to keep profits high and maintain their competitiveness in labor-intensive industries. Notwithstanding a recent warning from labor groups that the alien labor issue could turn violent because of adverse consequences to local workers (Bangkok Post 1996b), the FTI has kept alive the idea to implement a spatial wage policy that would institutionalize a lower tier wage structure for foreign workers. Among the measures proposed recently by the FTI to the government to deal with the current account deficit is the creation of a special economic zone
In the early part of January 1996, officials from the Ministry of Labour and Social Welfare, the National Security Council and other state agencies agreed in principle to allow illegal immigrants to work legally in Thailand to solve the country’s labor shortage (Bangkok Post 1996a). The agreement expands the coverage of the original 1992 Cabinet decision to allow illegal migrants of Burmese nationality to work in specified control areas in nine provinces. In principle, the agreement requires illegal migrants to report to the immigration police first, then register with the Labour and Social Welfare Ministry before being taken on by their employers. The Ministry will issue two-year work permits to these illegal aliens that may be extended upon expiry. While it is possible to credit FTI’s powerful lobby for this development, it probably also indicates the government’s realization of the difficulty in effectively stopping labor movement through Thailand’s borders.

The transition from low-end labor-intensive operations to more capital-intensive manufacturing is, therefore, being retarded by the presence of a large pool of cheap labor in the neighboring countries who have become readily available to Thai industrialists as economic refugees (Chalongphob and Yongyuth 1994; Nipon and Amornthip 1992; Nopporrn 1995a, b). Since there is no immediate economic improvement or resolution to the civil strife in sight within these neighboring countries, it can only be expected that, combined with the growing imbalances in the Thai labor market as a result of continued rapid economic expansion, the influx of migrants who cross the border to seek employment may rapidly grow to unmanageable proportions. It is instructive to note that experiences in other countries show that once an economy becomes highly dependent on foreign labor, it is difficult to suddenly stop migration as a result of established family and community networks in the receiving country (Castles 1995).

The case of Thailand clearly demonstrates two inter-related tendencies under a regime of rapid economic growth: first, it creates difficulties in adjustment of labor supply particularly for personnel with the high skills necessary to bring the country forward to a higher and more complex level of industrialization; second, the pressure to maintain competitiveness in some labor-intensive manufacturing sectors, when there is clearly little or no internal comparative advantage remaining, occurs because the skill levels of the Thai work force are generally insufficient to drive a more technologically intensive industrialization process. The educational attainment of Thai workers is low compared to other countries in the region because of the high dropout rate at the primary level (Chalongphob 1991). There are many reasons behind this phenomenon, not the least being the circular causation of lack of development in rural areas, poor access to education and employment prospects.

Although the Thai government has carried out a major effort to improve the educational system and standards to make them more responsive to industry’s needs, the long-time lags required to close the supply-demand gap for high-level technical skills create a moderating effect on the momentum for change and, therefore, constrain the realm of possibilities for industrial transformation. In combination with developments in neighboring countries whose own internal problems have created a large reserve pool of economically unproductive, cheap, and highly accessible labor, these factors cultivate a pattern of industrial development among labor-intensive sectors that continues to profit from the same rationale.

MANAGING THE FLOW OF ILLEGAL WORKERS: RATIONALITY AND RESPECT FOR HUMAN RIGHTS

As in most countries, a major obstacle in producing a coherent and rational immigration policy in Thailand is the number of agencies who have responsibility over immigration in various capacities. The issue of illegal migrants is politically sensitive both at the domestic and international level. This is due primarily to the history of refugee flows from wars and ethnic persecution that incorporated political and military elements, and stateless minorities. From a legal and political perspective, the Thai government considers all refugees and asylum seekers to be “illegal immigrants” (Robinson 1995). Thus, because of the difficulty in differentiating economic migrants from their ethnic and nationality affiliations, many agencies consider the problem of illegal migrants not only a threat to the country’s social stability, but also to national security that could affect relations between countries. At present, agencies under the Ministry of Defense and the Ministry...
of Foreign Affairs exercise the main responsibility on such closely labor-related issues as war and political refugees, and the control over various minorities who have no recognized nationalities along the Thai-Myanmar border.

The Secretariat of the National Security Council (SNSC) is one of the main national organizations under the Prime Minister's Office dealing with migration issues that have implications for national security. During the height of civil wars within Thailand's neighboring countries, the major focus of SNSC in dealing with the influx of refugees was directly related to national security issues (i.e., intelligence gathering, policing, detention, repatriation). Since 1990, the role of SNSC has changed focus from war refugees to primarily economic refugees as the tide of illegal migrants entering Thailand rapidly increased. Recently, the government has designated the SNSC to be responsible for coming up with measures to deal with the ever increasing number of illegal migrants in Thailand, especially those along the Thai-Myanmar border.

The Ministry of Interior, on the other hand, operates the Immigration Office under the Police Department that serves as the main agency responsible for dealing with all aspects concerning the entry and exit of all persons into and out of the country. The Ministry controls aliens by granting both short-term permits and permanent residence. It has set up rules and regulations that allow the hiring of illegal workers while they are "waiting to be repatriated." According to law, illegal workers are sent to court to be fined about US$100 or detained. The court orders detention up to 30 days if the illegal worker does not have the money to pay the court's fee. However, for those waiting to be repatriated, the Immigration Act allows an employer to bail them out by depositing about US$200 to the Immigration Office in order to make them available for work. After bail is paid, illegal migrants must apply for a work permit from the Ministry and pay an annual fee of US$40. At present, this procedure applies to the four provinces of Kanchanaburi, Ranong, Tak and Chiang Rai. In other provinces, illegal workers are subject to the provisions of the Immigration Law, which strictly speaking, calls for their detention and immediate deportation. On the other hand, the Ministry of Interior in 1992 has allowed Burmese immigrants who came to Thailand after March 9, 1976 and are already in possession of purple and orange identity cards to apply for work permit to help ease the country's labor shortage.

In practice, however, few employers go to the trouble of bailing out illegal Burmese migrants from jail or limit themselves to these two categories of Burmese immigrants. One report puts the number of employers who have taken advantage of the scheme to be only 1,200 (Wut 1995). More often than not, authorities are paid to look the other way by operators of business establishments who employ these illegal Burmese migrants (Supamas 1995). However, in a recent survey, 2,000 Burmese illegal migrants in the eastern province of Kanchanaburi received work permits after their employers paid the US$200 bond, applied for a work permit for the illegal migrant, and paid the annual fee of 1,000 baht.

A new Ministry of Labour and Social Welfare was established in 1993. Despite its recentness, the Ministry has already compiled an expanding database of the labor market (by province) and of illegal migration. Its Department of Employment has already submitted a proposal to the government to deal with illegal migrants. However, details are still to be disclosed.

The SNSC has recommended measures to the Ministry of Interior whose agencies are directly responsible for the problem at the point of entry. This includes stricter enforcement of checkpoints along the border, increasing penalties to both illegal migrant and employer, and improving the monitoring of illegal migrants through survey and registration. However, implementation has been difficult for a number of reasons. First, it is almost impossible to completely seal the territorial borders of the country, a problem magnified by forested terrain that is undeveloped and extremely difficult to patrol. Implementation of effective border controls to check illegal migrants has been hampered not only by limited resources for surveillance, recording and monitoring, but also by the sensitive political issues raised especially by illegal migration of minorities in the border regions who are in limbo, nationality-wise.

Second, it is difficult to come up with a clear policy on this because of opposing interests of business and Thai labor and conflicting views among government agencies (SLDC 1995). Third, enforcement at the field level is difficult when implementing officers are understaffed and low paid. Fourth, the cost of a
sophisticated on-line computerized system for foreign worker registration and identification may simply be prohibitive. Such a system would necessarily be able to store, compare and retrieve fingerprint-based data—the sole basis for identifying a migrant in the absence of reliable supporting documents from their countries of origin.

In the short term then, government efforts have concentrated on measures to control inflow of illegal unskilled migrants at the point of entry. For reasons explained above, this has not been effective and has only resulted in growing illegal employment, leading to exploitation of foreign workers and other social problems. In a recent survey by Yonyuth et al. (1996) conducted in four provinces granted permission to hire illegal migrants (Chiang Rai, Tak, Ranong, Kanchanaburi), migrant workers from Myanmar were blamed not only for crime, and carrying contagious diseases such as malaria, elephantiasis and AIDS, but also for straining public health services.

Over the long term, Thai policy makers would need to take a more comprehensive view of the problem. One of the long-term policy approaches being considered is an organized recruitment arrangement that would formalize contracting of foreign unskilled workers and make them subject to Thai labor laws. This would mean that foreign unskilled labor would earn the same wages and benefits as Thais (Nopporn 1995a) while, at the same time, contributing their share of taxes. Such a move presumably will help reduce the disruptive effects of illegal workers on the adjustment of supply and demand in the labor market. However, for effective implementation, the Ministry of Labour will need to develop a more sophisticated monitoring system for the Thai labor market to create a standardized procedure for bringing in and keeping track of these workers as demand fluctuates. Such measures are necessary to prevent the much greater problems later on of uncontrolled growth of foreigners that may create a backlash from Thais over such issues as culture, permanent residency, social integration, welfare spending, and social stability, especially during a prolonged period of economic downturn.

There are doubts, however, regarding whether such a highly controlled recruitment policy of temporary workers is viable or even achievable considering the steep administration costs. Such policy is also likely to entail a diminished sensitivity to considerations of human rights and equality before the law, as demonstrated by the experiences of some major labor-importing countries. Castles (1995) has also noted that government policies failed where they ignored the social nature of migration. The experiences of Germany and Western European labor-importing countries of the 1960s have shown that temporary labor recruitment resulted in an unintended shift to settlement and formation of new ethnic minorities in the 1970s and 1980s creating unexpected social, cultural and political consequences for the receiving countries (Castles 1995). Thailand is no stranger to this phenomenon, harking back to its own troubles integrating Chinese immigrants from the late 19th century to the early 1950s (Skinner 1957).

Policy makers must begin to think carefully about difficult choices ahead if Thailand is to follow the path of increasing dependence on unskilled foreign workers, a trajectory that seems unavoidable as an economy becomes globalized (Sassen 1995). If we apply Castles' (1995) analysis to the Thai case, the choice rests on two alternatives. Implementation of a highly controlled recruitment policy that prohibits permanent settlement or denies basic rights to illegal workers will create a situation of marginalization and potential conflict. On the other hand, if the country is to ensure some measure of control and, at the same time, respect for human rights, it must therefore be willing to accept potentially significant shifts in culture and national identity. With increasing democratic development in Thailand, the country could place itself in a compromising position were it to renege adherence on respect for human rights of illegal workers. Thai overseas workers have themselves been subjected to abuse and unfair treatment (Sanitsuda 1994). In view of the Prime Minister's recent approval of proposed amendments to the existing unfair Family Law to allow foreign men who marry Thai women to take up Thai nationality, it is interesting to find out whether such changes will be applicable in the case of illegal migrant workers (Bangkok Post 1996d).

In view of the pitfalls of allowing illegal unskilled workers, the Thai government needs to examine the long-term role of Thailand in the region. As the country becomes more prosperous, Thailand also needs to play a greater role in helping its neighbors develop. For this to happen, Thailand must use its influence to support initiatives that bring peace and stability to neighboring countries so that economic development can take root (Innes-Brown and Valencia 1993). Economic development in these countries will, therefore, help to
reduce the pressure of economic refugees pouring through its borders. Moreover, Thai entrepreneurs will also be able to invest in border industrialization zones within these countries, create employment opportunities for the local population in situ, while, at the same time, benefit from low-cost labor. A JICA/NESDB (1993) study has already proposed the concept of in-bond zones on the Cambodian side as part of the Isarn-Indochina In-Bond Program. There is no reason why a similar approach can not be implemented along the Burmese side once the problem of minorities is resolved.

Managing the problem of the increasing magnitude of foreign workers would, ultimately, require a more comprehensive policy approach, involving an integrated foreign, industrialization, labor and immigration policy. This will obviously require a complicated process of coordination, a task that may not be immediately forthcoming from the bureaucracy, especially in a country not known to have a tradition of dirigism (Christensen et al. 1993). However, if Thailand is to continue to prosper and remain an active player in the global economy, it must start to evolve a more sophisticated process of policy coordination and consultation to enhance its consensus approach of decision-making.

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