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Improving the human capital of migrant workers in ASEAN: A case study of Thailand and CLM countries

Montakarn Chimmamee and Patcharawalai Wongboonsin

Abstract

Southeast Asia is strategically positioning itself to meet the challenge of the global economy in the 21st century. During recent years, most Southeast Asian countries have been provided with a potential demographic dividend. However, the dominating strategies in labor migration management have not reaped the potential benefits from this potentiality. Thailand is a major receiving country of migrant workers, particularly from Cambodia, Laos, and Myanmar. How to manage migration to improve the productivity, efficiency and competitiveness of Thailand and its neighboring countries? This study examines demographic changes in Thailand and its neighbors, identifies new trends in the scale and pattern of labor migration, and proposes a new approach to improve the human capital of migrants for the benefit of both the sending and receiving countries.

Introduction

In the late 1990s, one of the main characteristics of international migration was a rise in the volume of migration between Asian countries, particularly flows into East Asia and ASEAN, due to rapid industrialization, demographic disparities, and closer inter- and intra-regional economic relations (Wongboonsin, 2006a). A large proportion of these flows consisted of unskilled and low skilled migrant workers who have no authorization to live and work in the receiving countries. The total number of such irregular migrant workers is much larger in Southeast Asia than in East Asia (OECD, 2001).

Thailand has been a major receiving country of irregular migrant workers, mostly from CLM countries (Cambodia, Lao PDR, and Myanmar). The number of migrants in Thailand, both documented and undocumented, increased from below 10,000 persons in 1990 (Wongboonsin, 2006b) to an estimated 3 to 4.5 million at present (Chalamwong and Prugsamatz, 2009; NESDB, 2011; Huguet et al., 2012). They work mainly in 3D jobs (difficult, dangerous, and dirty) in labor-intensive export industries, agriculture, fisheries, and the services sector, employed by entrepreneurs intent on cutting costs (Jaroenlert, 1997; World Vision Foundation of Thailand and Asian Research Center for Migration, 2004; Sciortino and Punpuing, 2009).

For more than 20 years, the policies towards migrant workers have mainly taken a control-based management approach, balancing security concerns against the demand of employers for cheap labor. This policy regime results in unfavorable outcomes both for the workers, who have no security, and for the Thai economy, which continues to rely on cheap labor rather than technological upgrading. Migrant workers are exploited, and their skill development is mostly neglected. The Thai economy remains mired in the “middle-income trap.” At present there is no sign that this policy regime will change in the near future (Wongboonsin, 2006b).

This paper examines how migration might be better managed in order to improve the productivity, efficiency and competitiveness of Thailand and its neighboring countries over the longer term. The first section analyses demographic change in Thailand and the CLM countries and its implications for labor migration management from the perspective of the “demographic dividend.” The second section presents recent changes in migration patterns. The third section proposes strategies for managing labor migration to maximum benefit. The last section provides concluding remarks and policy recommendations.

Demographic change and its implications for labor migration management

Many surveys suggest that migration to Thailand is driven primarily by economic incentives. Wage differentials between Thailand and its neighboring countries are significant and a key contributor to migration in the Greater Mekong Sub-region (GMS) (World Bank, 2012).
However, demographic differences between Thailand and CLM are another factor that is often overlooked (World Bank, 2012; Huguet, 2008). Thailand's demographic profile has begun to age quite rapidly. The median age is above 30 years and the numbers in the crucial working-age range of 15-39 years are declining. This decline in labor supply, along with other structural changes, create job opportunities for migrants. Meanwhile, the CLM countries have a much younger demographic profile, and their economies cannot absorb all the labor force.

As shown in Table 1, there remains a large gap in economic and social development between Thailand and the CLM countries despite the latter's recent economic growth and improvements in health care. The proportion of the population living on less than $1.25 a day (in terms of purchasing power parity) was relatively high at about 23 percent on average in 2010 (Wongboonsin and Wongboonsin, forthcoming 2014). Poverty, lack of jobs, and aspirations for better living standards push people to migrate elsewhere in search of work. From Myanmar in particular, the outflow of the workforce into neighboring labor markets and beyond has been huge. However, in Thailand unskilled and low skilled migrant workers are sometimes seen as increasing the numbers in the workforce but not contributing to labor productivity.

Figure 1 shows that the proportion of people of working age with low education has declined very rapidly in Thailand, but still remains rather large in the CLM countries, and that this situation will remain for the next two decades or more, despite expansion of education in the CLM countries. Given this situation, there is likely to be a continued flow of workers with low education from the CLM countries into Thailand.

A demographic dividend occurs at that stage of a demographic transition when the proportion of population of working age exceeds the proportion in dependent ages (children and elderly). Typically this occurs in the middle phase of a demographic transition and lasts for a few decades. This demographic dividend does not automatically result in economic growth but creates a potential for economic growth (Bloom et al, 2003). The ability to realize the dividend depends on the policy environment, particularly four factors: open economy; flexible labor market; appropriate health care, education, and training in human resource development; and provision of incentives for asset
### Table 1 Selected development index for Cambodia, Lao PDR, Myanmar and Thailand

<table>
<thead>
<tr>
<th>Development Index</th>
<th>Cambodia</th>
<th>Lao PDR</th>
<th>Myanmar</th>
<th>Thailand</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population mid-2013 (millions)</td>
<td>14.4</td>
<td>6.7</td>
<td>53.3</td>
<td>66.2</td>
</tr>
<tr>
<td>Population growth rate 2013 (%)</td>
<td>1.8</td>
<td>2.0</td>
<td>1.0</td>
<td>0.4</td>
</tr>
<tr>
<td>Population aged 15-64 2013 (%)</td>
<td>62</td>
<td>60</td>
<td>67</td>
<td>71</td>
</tr>
<tr>
<td>Average annual rate of growth of population aged 15-39, 2005-2010&lt;sup&gt;a&lt;/sup&gt;</td>
<td>2.5</td>
<td>2.7</td>
<td>1.2</td>
<td>-0.05</td>
</tr>
<tr>
<td>Median age (2014 estimate)&lt;sup&gt;b&lt;/sup&gt;</td>
<td>24.1</td>
<td>22</td>
<td>27.9</td>
<td>36.2</td>
</tr>
<tr>
<td>Male gross secondary school enrolment ratio 2013&lt;sup&gt;c&lt;/sup&gt;</td>
<td>48</td>
<td>49</td>
<td>53</td>
<td>75</td>
</tr>
<tr>
<td>Female gross secondary school enrolment ratio 2013&lt;sup&gt;c&lt;/sup&gt;</td>
<td>41</td>
<td>42</td>
<td>56</td>
<td>81</td>
</tr>
<tr>
<td>Health Index 2011&lt;sup&gt;d&lt;/sup&gt;</td>
<td>0.68</td>
<td>0.749</td>
<td>0.713</td>
<td>0.854</td>
</tr>
<tr>
<td>Annual GDP growth rate 2011&lt;sup&gt;e&lt;/sup&gt;</td>
<td>6.4</td>
<td>8.0</td>
<td>10.4</td>
<td>0.1</td>
</tr>
</tbody>
</table>

Sources:  
<sup>a</sup> Population Reference Bureau (2013);  
<sup>b</sup> CIA Fact Book;  
<sup>c</sup> United Nations (2013);  
<sup>d</sup> UNDP (2011);  
<sup>e</sup> ASEAN Secretariat (2013)
Figure 1 The proportion aged 15-44 by level of education, Cambodia, Lao PDR, Myanmar and Thailand in 1970-2030

accumulation at the household level (Bloom et al., 2003; Wongboonsin and Wongboonsin, 2010a; Wongboonsin, 2007b). Human resource development that contributes to improved labor productivity on a life-long basis is the main factor that can profit from the window of opportunity to translate the demographic dividend into national economic development (Wongboonsin and Wongboonsin, 2010b).

In the recent past, ASEAN member countries have been successful in reaping the demographic dividend. Wongboonsin (2007a) estimates that growth in the size and productivity of the labor force contributed an average of 2 per cent to economic growth in ASEAN countries during the past decades. Singapore was the most successful in capturing the demographic dividend as it upgraded its human resources during the dividend period, created jobs for them, and encouraged workers to save and invest. Some other Southeast Asian countries failed to maximize the demographic dividend because they did not upgrade the skill level of the workforce and continued to rely on unskilled labor intensive activities (Wongboonsin, 2007a).

In the CLM countries at present, the proportion of the labor force in the working age range is on the increase, but this opportunity has not been efficiently utilized in their domestic markets because the workers have low levels of skill and education and because many of them migrate to work outside their home country (Wongboonsin, 2007a). Field investigations in different regions of Thailand by the authors during the past few years show there has been only limited collaboration in human resource development between the destination and origin countries of migrant workers. Although there are several factors to explain the limitation, the most significant is the lack of common interests among the various stakeholders, namely various governmental agencies, private business, Thai labor, and migrant workers.

**Changes in migration patterns and human capitalization of migrant workers**

At present, the scale and pattern of labor migration in Thailand are changing. The flow is increasing, yet demand still outstrips supply, allowing workers opportunities to hop from one job to another, one sector to another, and one place to another, despite restrictions
imposed by regulations on work permits and other paperwork. Stronger networks among migrants also facilitate mobility to meet demand, in defiance of the regulatory regimes. There is high mobility of migrant workers among agricultural, manufacturing, services, and domestic work. Many employers experience a high worker turnover. Migrant workers typically move at least 3-4 times per year (Archanavitkul et al, 2000; Chimmamee and Wongboonsin, 2010). In-depth interviews with entrepreneurs and NGO staff between October 2010 and August 2013 found that migrant workers are able to choose high-paying jobs, such as harvesting and jobs in the informal sector that pay according to the work load. The harder they work, the more they earn. In addition, they can select jobs convenient for their personal life.

Meanwhile, low-skilled migrant workers are improving their own human capital in response to demand by profiting from unstructured workplace learning. As they have no access to formal education provided by the Thai government, they rely upon informal education and unstructured workplace learning to upgrade their skills, including Thai language ability, in order to integrate more and more in the labor market. Furthermore, they gain more varied experience by switching jobs, and gradually adjusting to living in a new environment, thereby increasing their capabilities.

In the current 5-year national development plan, Thailand hopes to move from a labor-intensive economy to a human capital intensive economy. One element of such a plan ought to be a more proactive approach to the management of migrant labor to take advantage of the changes in the scale and pattern of migration, as well as eliminating restrictions on labor market access which tend to facilitate exploitation of migrant workers. Such planning requires an accurate and updated database on migrant workers, as well as a systematic monitoring of their mobility patterns, lifestyles, networks, and integration into the domestic society and economy.

Labor migration regularization and skill development policies in Thailand

Given the possibility for labor migration to contribute to economic growth and competitiveness, certain countries, particularly those that traditionally import labor, tend to institutionalize migration through a
guest worker scheme (Chalamwong and Prugsamatz, 2009). Thailand has recently become heavily dependent on low-skilled migrant workers in response to labor demand in export-oriented manufacturing, agriculture, and fisheries. Unlike Malaysia and Singapore, which have relied upon labor migration for much longer, Thailand has not yet institutionalized a “legal” channel for temporary employment of low skilled migrants, but has relied on post hoc regularization and annual registration as tools for managing labor migration (Kaur, 2010).

The Thai government has pursued short-term, demand-driven ad-hoc policies in response to pressure from business sectors with labor intensive operations. These policies have had several unintended outcomes, such as labor exploitation, violation of migrant workers’ rights, skills mismatched in the labor market, and unemployment of local low skilled workers. Despite the recent establishment of a verification process, which is expected to serve as a legal channel for labor import, many workers still prefer to make use of informal and illegal channels of labor recruitment remain because the legal channel imposes financial and non-financial costs in both their host and home countries. Migrants from Myanmar fear being caught and taxed by the Myanmar government if they return home to follow the process. Their families back home are also subject to taxes on remittances (Kaur, 2010). As a result, the attempts to regularize methods to manage the flow of migration have only made more migrants turn underground.

As a result, labor migration is not playing a productive role in Thailand’s economic development, but rather jeopardizing the long-term goal of moving towards a knowledge-based economy. Pholpirul et al. (2010) find that an increase by 10 per cent in a firm’s employment of unskilled migrant workers will reduce the firm’s overall labor productivity by approximately 5 per cent. This is particularly evident in labor intensive industries such as textiles.

Despite policies to provide migrant workers with access to social services such as universal healthcare and education, such access is difficult in practice, due partly to inefficient implementation and lack of cooperation by employers. As part of their survival strategies, migrant workers form networks to help each other improve their work skills, language ability, and knowledge about the labor market, laws and opportunities. These networks have no assistance from government or
NGOs. The self-help approach is found among Mon migrant workers in Samut Sakhon Province and Migrant Worker Federation (MWF) in Chiang Mai Province.

**Conclusion and recommendations**

Southeast Asia is strategically positioning itself to meet the challenge of the global economy in the 21st century. It aims to strengthen its global competitiveness and to sustain its dynamic growth well into the 21st century. During recent years, most Southeast Asian countries have been provided with a potential demographic dividend. In Thailand, that window of opportunity is now past as the age profile is aging rapidly. The neighboring countries of Myanmar, Cambodia, and Lao PDR, meanwhile, will still enjoy a long period when the proportion of population in the working age is greater than those in young and elderly age ranges. The economies of both the host and home countries of labor migration will benefit if the human capital of labor migrants is enhanced by a formal and appropriate approach, rather than the informal self-help approach adopted by the migrant workers themselves.

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**Notes**

1 Based on a field investigation in Samut Sakhon Province in October 2010, and MAP Foundation (2006).

2 Concerns on the negative impact of heavy reliance on unskilled migrant workers are also expressed in 10th and 11th National Economic and Social Development Plans as well as Population Plan during the 11th National Economic and Social Development Plan. This refers to a slow pace to raise productivity and improve international competitiveness.
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