

Minimum Wage: Lessons From Thailand

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(This is the second and final part of the two-part series on lessons that can be learnt by Malaysia from the Thai minimum wage experience)

BANGKOK, May 3 (Bernama) - The Malaysian-Thai Chamber of Commerce's observation shows that inflation has surpassed the gains from the recent minimum wage increment in Thailand.

"Instead of benefiting low-income workers with the minimum wage of 300 Baht per day, they have to struggle with the rising cost of living," said its joint chairman Yeap Swee Chuan.

He said the prices of almost all goods including food had gone up in recent months.

"However, no study has been carried out at the moment to determine the percentage of several factors such as minimum wage increase, world fuel price increase and the impact of last year's devastating floods on the rising cost of living," he said.

Thailand implemented a minimum daily wage of 300 Baht (RM30) in seven provinces, including Bangkok, starting April 1 before extending it to the other provinces throughout the country on Jan 1 next year.

Yap said the Malaysian-Thai Chamber of Commerce also observed that the minimum wage hike had resulted in more industrial disputes between companies and workers in Thailand.

"Workers from the higher-income bracket have also asked for monthly salary increment of between 1,000 Baht and 2,000 Baht (RM100 and RM200) as their colleagues in the low-income group have enjoyed a salary increase."

He said workers from the executive level right up to the senior managerial level who enjoyed a monthly income of 10,000 Baht and 30,000 Baht had started asking for an increment.

"The minimum wage increase which was not communicated properly to the workers has resulted in all categories of workers asking for salary increase. They thought they should enjoy a salary adjustment following the minimum wage increase," he said.

"They even compare the increment proposed between companies as well as between multinational companies.

"They ask why certain companies could only give a monthly rise of 2,000 Baht compared to 3,000 Baht across the board offered by some multinational companies," he said.

Yap said overall, the minimum wage hike and pay increase for other categories of workers involved an increase of 20 per cent of the whole salary structure.

However, the labour-intensive industries would feel the heat of the minimum wage hike as workers' salary constituted about 70 per cent of the total operating cost, he said.

"In the high-tech industries, workers' salary form only about 10 per cent of the total operating cost.

"Labour-intensive industries will be the hardest hit by the minimum wage increase."

The Federation of Thai Industries secretary-general Sommart Khunset said the labour-intensive industries were likely to shift their manufacturing bases to other lower-cost countries in the region such as Laos, Cambodia and Myanmar.

He also fears that the minimum wage increase in Thailand may result in lay-offs due to higher labour costs.

The Thai Chamber of Commerce said its survey showed that 10 per cent of two million small and medium enterprises (SMEs) in Thailand feared they might have to close down because they could not cope with the sudden minimum wage increase of about 40 per cent.

Most of the industries in the country have asked the government to implement a gradual minimum wage increase in order to lessen the impact.

Some operators may opt for replacing labour with machinery, increasing working hours and switching to a productivity-based pay model in adapting to the new minimum wage in this country.

The government, on the other hand, planned to offer some tax relief and soft loans worth 20 billion Baht (RM2 billion) to help especially the SMEs in coping with the new minimum wage policy, said Labour Minister Somkiat Chayasriwong recently.

The government's policy of reducing corporate tax from 30 per cent to 23 per cent this year and 20 per cent next year will have little impact on the SMEs as not many of them are in the corporate-tax bracket.

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