

A Foreign Worker Levy for Thailand

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1. WHAT IS A FOREIGN WORKER LEVY?

A levy is the imposition of a fine or a tax. Thus, a foreign worker levy is the imposition of a fine or a tax on an employer for employing imported or foreign workers. Examples of economies charging employers a levy on foreign workers include Singapore, Malaysia and Hong Kong.

Because of Singapore's shortage of manual workers and its high dependence on foreign workers, the country has a set of policies for controlling the number of foreign workers recruited into various sectors of its economy. The employment of foreign workers is restricted to only those sectors or industries which are vital to the development of the economy, and where there is a shortage of local manpower. For the past two decades, the employment of foreign workers has been allowed, but their recruitment is considered an interim measure (see Ofori 1996). The long-term policy for foreign workers is clear in that Singapore would progressively reduce its dependence on foreign workers. It is reasoned that, although foreign workers help contribute to Singapore's economic growth, the presence of a large number of such workers can pose social and other problems in host countries, as has been experienced by some European countries.

The Singaporean government policy on the employment of foreign workers has revealed its early efforts to reduce the number of foreign workers. The level of dependency on foreign workers and the comprehensive foreign worker levy, both important aspects relating to the control of foreign workers, were introduced in 1982. For the Singapore government, the foreign worker levy is used as a pricing mechanism to regulate the number of foreign workers in Singapore. Employers who hire foreign workers under a work permit or S Pass are required to pay the monthly foreign worker levy.

To date, a revolving pool of foreign workers on short-term work permits is allowed in order to overcome temporary shortages in Singapore. Only those who have critical skills of economic value to Singapore would be considered for employment on a longer basis. This policy is in line with the national policy relating to

foreign workers in all sectors of the economy. Table 1 illustrates a very recent set of regulations regarding the level of dependency on foreign workers and the foreign worker levy.

The Malaysian government has also adopted the foreign worker levy as a policy instrument for regulating the employment of foreign workers. The government allows the entry of 12 nationalities to work in four approved sectors, namely export-oriented manufacturing, plantation, construction, and service.

In Malaysia, foreign workers are initially allowed to work for three years and may be extended, from year to year, to the fifth year. Having been granted the license and employment quota, an employer must submit an application for Temporary Employment Visit Pass (PLKS) and pay the levy according to the sector. Table 2 shows how the foreign worker levy is applied.

2. JUSTIFICATION FOR A FOREIGN WORKER LEVY IN THAILAND

In spite of its abundant supply of workers, Thailand has been inundated by a large number of foreign workers, particularly from three neighboring countries, Cambodia, Lao People's Democratic Republic, and Myanmar (together known as CLM). By and large, three major types of foreign migrants have been identified. The first group is the lifetime migrants who entered Thailand before 1972 and received the status of permanent residents — 85 percent of 270,000 such foreigners are Chinese nationals living in the Bangkok area. The second group is skilled foreign workers employed in the professions specified in Royal Decree 281 in 1972. In 2001, there were 99,656 legal foreign workers, most of whom were professionals living in Bangkok. Almost 25 percent were Japanese. The third group comprises mostly unauthorized foreigners from CLM. Since around the end of the 1980s, there have been constant inflows of migrant workers from the three neighboring countries illegally entering Thailand for employment. An unofficial estimate places the total number of illegal immigrants at 1.5-2 million persons (Anusith 2007).

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Table 1 Foreign Worker Levy in Singapore

Sector	Dependency ceiling	Category of foreign worker	Levy rate (S\$) ^a	
			Monthly	Daily
Manufacturing	Up to 40% of the total workforce	Skilled	150	5
		Unskilled	240	8
	Above 40% to 50% of the total workforce	Skilled	150	5
		Unskilled	280	10
Above 50% to 60% of the total workforce	Skilled/unskilled	450	15	
Construction	1 local full-time worker to 5 foreign workers	Skilled	150	5
		Experienced & exempted from Man-Year Entitlement	300	10
		Unskilled	470	16
Marine	1 local full-time worker to 3 foreign workers	Skilled	150	5
		Unskilled	295	10
Process	1 local full-time worker to 5 foreign workers	Skilled	150	5
		Experienced & exempted from Man-Year Entitlement	300	10
		Unskilled	300	10
Services	Up to 30% of the total workforce	Skilled	150	5
		Unskilled	240	8
	Above 35% to 45% of the total workforce	Skilled/unskilled	450	15
Harbor craft	<ul style="list-style-type: none"> - 1 local full-time worker to 9 foreign workers - No. of crews (shown on MPA^b Harbor Craft Licence) x 2 - The lower quota will apply 	Certificated crew	150	5
		Non-certificated crew	240	8
Domestic worker	NA	Normal rate	265	9
		Concessionary rate	170	6
S Pass holder	15% of the total workforce	Skilled	50	2

Notes: ^a Singapore dollar = 23.02 baht.

^b MPA: The Maritime and Port Authority of Singapore.

Source: Ministry of Manpower, Singapore, July 2007.

Table 2 Levy and Processing Fees in Malaysian Ringgit^a

Payment	Levy (1 year)	PLKS ^b	Processing
Manufacturing, service, and construction sectors	1,200 (Peninsular Malaysia) 960 (Sabah & Sarawak)	60	50
Plantation sector	360	60	10

Notes: ^a Malaysian ringgit = 10.1 baht.

^b PLKS: Temporary Employment Visit Pass.

Source: Immigration Department of Malaysia, 2007.

Thailand's policy toward illegal migrant workers has been lenient, with a series of registrations to pardon illegal migrants so that they would be encouraged to come out into the open and become more manageable. The first registration of undocumented migrant workers took place in 1992, allowing employers in seven provinces along the border with Myanmar to bring into the country migrant workers for registration. Later in 1993, there was an amendment of the law allowing

foreign workers to work for Thai fishing boats in 22 coastal provinces, provided that their employers registered them. In 1996, there was another round of foreign worker registration: 293,652 foreign workers reported, and were granted work permits. In 1998, a much lower number (90,911) of foreign workers were brought for registration by their employers, probably because they were fearful of repatriation as a result of the financial crisis and high unemployment in Thailand

that occurred that year. The number of migrant workers registered increased from respectively 99,974 and 99,656 in 1999 and 2000 to 568,249 in 2001, thereafter declining to 409,339 and 288,780 in 2002 and 2003.

The most recent figures on illegal migrant workers from CLM during the period 2004-2007 are given in Table 3. The table shows a big difference between the quota of foreign workers requested and the number actually granted work permits. The differences were about 0.75 million, 0.92 million and 0.67 million during the three-years from 2004 to 2006. Such differences pose a problem for the administration of foreign workers in terms of planning, misallocation of required foreign manpower, operational costs, etc. It can also be noted that in this table there are two types of work permits, new and renewed work permits. New work permits were granted to newly registered foreign workers, particularly in 2004 and 2006 (under a bail system), while the renewed work permits are those granted to foreign workers who were allowed to continue their stay in Thailand for a given period of time. For example, in 2005, the Cabinet allowed foreign workers who had received work permits in 2004 (849,552 persons) and their dependants to stay and work for one more year. A total of 705,293 foreign workers were extended work permits, although employers had been granted a quota of 1.77 million foreign workers. For the gap of 1.07 million, the government, however, granted an increase of only 500,000 persons: 300,000 through the bail system under sections 17 and 54 of the Aliens Act of 1978 and 200,000 through importation under a memorandum of understanding (MOU). This number was not, however, realized. Only 256,899 illegal foreign workers showed up for bail registration while the MOU allowed only the bringing in of about 20,000 workers from Cambodia and Lao PDR.

In 2006, the government granted those who had received a work permit in 2005 (705,293 persons) an extension of another year. Only 460,014 foreign workers came. At the same time, the Cabinet abandoned the bail system and allowed the group concerned (256,899 persons in 2005) to stay until February 28, 2007. A total of 208,562 persons came forward. Hence, the total number of undocumented migrant workers from CLM reached 668,576 persons.

In 2007, the government has allowed both groups to extend their work permits to February 28, 2008 and June 30, 2008, respectively. As of August 23, 2007 the number of foreign workers who showed up was 535,732 persons.

Table 4 gives the total number of foreign workers who had been granted renewal of their work permit together with those granted a new work permit in 2006, by their industry of employment.

In the process of illegal migration, many migrants become victims of human smuggling and trafficking. There is no guarantee of their safety and dignity. In fact, the illegal immigrants have a number of impacts on Thailand economically and socially, and can be detrimental to national security. Moreover, because of the big gap between the quota for foreign workers and the number of work permits actually applied for, measures are needed to close the gap. In this regard, the Office of Foreign Workers Administration, Department of Employment, Ministry of Labour, as the secretariat to the Committee on Illegal Migrant Workers Administration (CIMWA), has been prompt in finding suitable measures for managing migrant workers efficiently. In this connection, it has commissioned the Thailand Development Research Institute to develop a guideline for setting foreign worker levy rates in Thailand, as a preparatory measure.

Table 3 Number of Migrant Workers in Thailand, 2004-2007

	2004	2005	2006	2007 ^a
Quota requested ^b	1,598,752	1,881,529	1,333,703	1,028,365 ^c
Quota granted	1,512,587	1,773,349	1,226,106	n.a.
Migrant worker registration	1,284,920	-	-	-
Migrant workers issued identification card (38/1)	1,161,013	-	-	-
Number of migrant workers registered under bail measure	-	256,899	208,562	-
Newly issued work permits	849,552	256,899	208,562	-
Renewed work permits	-	705,293	460,014	535,732
Total number of migrant workers with work permits	849,552	962,192	668,576	535,732
Difference between quota and registration	749,200	919,337	665,127	492,633

Notes: ^a Data in year 2007 are as of August 23, 2007.

^b Quota requested is the number requested by prospective employers, which is different from the quota actually granted.

^c Estimated by Yongyuth et al. 2007.

Sources: 2004 data from Department of Employment, Ministry of Labour.

2005 data from Srawooth et al. 2007, Table 2.5.

2006 and 2007 data from Yongyuth et al. 2007, Anusith 2007, and Office of Foreign Workers Administration.

Table 4 Number of Foreign Workers from CLM Granted Work Permits in 2006

Industry	Number of employers who employ migrant workers	Number of migrant workers			
		Total	Myanmar	Lao PDR	Cambodia
Total	185,876	668,576	568,878	51,336	48,362
1. Fisheries	4,535	23,708	15,177	1,602	6,929
2. Fishery-related	4,267	80,743	77,612	607	2,524
3. Agriculture & livestock	39,048	127,028	107,946	9,156	9,926
3.1 Agriculture	34,141	108,523	93,097	7,265	8,161
3.2 Livestock	4,907	18,505	14,849	1,891	1,765
4. Rice-milling	1,035	6,134	5,814	154	166
5. Brick-making	918	4,153	3,849	195	109
6. Ice-making	984	4,524	3,857	323	344
7. Stevedore	319	2,469	1,710	104	655
8. Construction	15,837	106,614	92,465	4,921	9,228
9. Mining/quarrying	232	1,373	1,293	24	56
10. Housemaids	66,776	84,996	67,825	13,545	3,626
11. Others	51,925	226,834	191,330	20,705	14,799

Note: Data as of June 30, 2006.

Source: Office of Foreign Workers Administration, 2006.

3. SETTING FOREIGN WORKER LEVY RATES FOR THAILAND

(a) Objectives and Methodology

The main ideas are to develop a guideline for setting levy rates on unskilled¹ foreign workers by industry, to review the experience of the foreign worker levy system in Singapore and Malaysia as well as to identify the possible impacts of such a levy in Thailand. The study focuses on migrants who enter the Kingdom without a visa from CLM, in 11 industries as follows:

1. Fisheries
2. Fishery-related
3. Agriculture (plant farming)
4. Livestock
5. Rice-milling
6. Pottery (brick-making)
7. Ice-making
8. Stevedore
9. Construction
10. Mining/quarrying
11. Housemaids

For the purpose of the calculation of foreign worker levy rates which should be acceptable to stakeholders, particularly levy payers and unskilled Thai workers, the study reviews some theoretical concepts and the experience of Singapore and Malaysia with regard to the setting and application of a foreign worker levy, the labor-market situation of Thailand. It also involves the conduct of a survey of industrial establishments that

employ migrant workers to determine their knowledge or awareness of, attitude on, and acceptance of a foreign worker levy, and interviews key informants in the labor market. The whole process is followed by the calculation of acceptable rates of levy and a series of public reviewing seminars in six regions of Thailand as well as the final consideration from the Thai authority concerned.

(b) A Survey of Establishments and Interviews with Key Informants

A survey of establishments using a mailed questionnaire was conducted; of the 12,680 enterprises² contacted, 2,120 of them responded. The surveyed establishments employed workers from Myanmar, which was the most highly represented country, accounting for 51 percent, followed by Thai workers, with 42 percent. Most respondents were not aware of the legal import of migrant workers (on the basis of the MOU). None of them have ever imported migrant workers using this approach.

With regard to the foreign worker levy, 75 percent of the establishments stated that they would be willing to pay, provided that they could employ migrant workers more openly and conveniently. It has been strongly suggested that the government consult with them in designing the levy regulations in detail. However, about 65 percent said that, if migrant workers can be brought into Thailand on the basis of the MOU, they see no need for a foreign worker levy. About 85 percent of the respondents expressed interest in learning

more about the details of a foreign worker levy, while 74 percent would like to see the proposed levy used for income tax reduction. Many respondents (72%) thought that a levy would add to the cost of employing migrant workers, but that the levy may help the employers find migrant workers more easily (62%) and in locating run-away workers as they could do so more openly (74%).

If the levy system is put into effect, about 65 percent of the respondents stated that they expected that the number of illegal migrant workers would decrease. With regard to the levy rate, about 51 percent of the respondents agreed to the proposed crude rate of 10 percent of each migrant's wage income. When asked about a rate of about 5 percent which would have to be paid all at once at the time of the quota application, the proportion of the respondents agreeing to the terms increased to 54 percent.

Interviews with a few key informants were conducted concerning the need for a foreign worker levy in Thailand. Although most of them believed that most employers apply for foreign worker quotas in excess of what they actually need, the informant from the private sector did not agree with the idea of instituting a foreign worker levy in Thailand. He was of the view that it would be unfair to the good employers who would pay the levy, while some bad employers would avoid this extra cost. Besides, the government could not ensure that, if employers pay the levy, they could get the number of workers for whom they paid the levy. Some industries such as marine fishing could not bear additional costs. He thought that the proposed foreign worker levy was redundant if the MOU and registration systems work.

In conclusion, it has been emphasized that the proposed levy would be useful if, and only if, it can distinguish between the employers who pay and those who do not, in terms of status, protection and the benefits to employers, employees and the government. The criteria and the calculation of the levy should be clearly defined and the rate should be different among different industries. More importantly, the levy should be able to eliminate the illegal migrant workers because the system will not work if there is still a black market for illegal migrant workers. Last but not least, it is likely that the levy burden will be passed on to the migrant workers who are already troubled by poverty. Humanitarian measures to alleviate the workers' burden should therefore be considered.

(c) Calculation of the Levy

The experience of Singapore and Malaysia shows that the levy on foreign workers is used for the purpose of preventing wage rates and local employment from being undercut by the cheaper cost of hiring foreign workers. In addition, the levy is also used to discourage recurring use of unskilled and cheap labor, which could hinder investors from improving technology and labor productivity. A foreign worker levy is a useful policy

handle for applying selective measures in favor of foreign skilled workers against low skilled ones, as well as to reduce the pressure of low-skilled foreign workers on domestic workers. The experience of these countries indicates that different levy rates have been applied to various industrial sectors, occupations, and areas.

However, there is no such thing as a fool-proof formula that can be drawn from those countries for adoption in Thailand. First their industrial classification is different, and second, the levy rates applied in those countries are too high to be accepted by Thai employers. The steep levy rates may arise from the fact that the labor shortage of those countries is more severe than that of Thailand. Therefore, it is essential to develop an appropriate set of levy rates for foreign workers that can be more comfortably accepted in Thailand, given its social and economic background, database, and readiness to adopt such a measure.

The idea of applying a levy on foreign workers in Thailand basically comes from the need of the government to solve the problem of exaggerated applications for quotas to hire foreign workers. Another agenda for applying a levy is related to a principle of welfare economics. The consumption of Thai public utilities and infrastructure by foreign workers should be compensated. Since employers of foreign workers benefit from using the workers, they should bear the costs related to that compensation.

In brief, the objective of the levy would not be to raise government revenue but to regulate or discourage the employment of undocumented migrant workers by narrowing the wage gap between migrant workers and Thai workers, to compensate for migrant workers' use of Thailand's public infrastructure, and to regulate the quota for the employment of migrant workers. The variables taken into account for the calculation of levy rates included the degree of labor shortage and the necessity to employ migrant workers (represented by dependency rates and number of foreign workers employed (Box 1)), wage differences between migrant and Thai unskilled workers, the ability of employers to pay the levy, differences among types of industries and work conditions, the levy rate as stipulated in the draft Labour Act on the Employment of Migrant workers B.E. ..., and the envisaged impact of migrant workers on Thailand's resources, society, and security.

Accordingly, an eclectic model consisting of such variables can be postulated as follows.

$$\text{LEVY} = f\{\text{DEP, NUM, WD, ATP, TYP :e}\}$$

Where LEVY = Levy rate
 DEP = Dependency on foreign workers
 NUM = Number of foreign workers employed
 WD = Wage differences between foreign workers and unskilled Thai workers
 ATP = The ability of employers to pay for the levy
 TYP = Type of business

Box 1 Dependency Rates and Employment of CLM Foreign Workers in Thailand, 2006

Industry	Thai workers	Foreign workers	Number of total workers	Dependency rate
	(1)	(2)	(3) = (1)+(2)	(4) = [(2)/(3) x 100]
Total	3,722,649	437,218	4,159,867	10.51
1. Fisheries	83,091	23,708	106,799	22.20
2. Fishery-related	110,783	80,743	191,526	42.16
3. Farming	1,961,666	108,523	2,070,189	5.24
4. Livestock	69,891	18,505	88,396	20.93
5. Rice-milling	40,029	6,134	46,163	13.29
6. Brick-making	37,386	4,153	41,539	10.00
7. Stevedore	2,023	2,469	4,492	54.96
8. Construction	1,258,667	106,614	1,365,281	7.81
9. Mining/quarrying	22,480	1,373	23,853	5.76
10. Housemaids	136,633	84,996	221,629	38.35

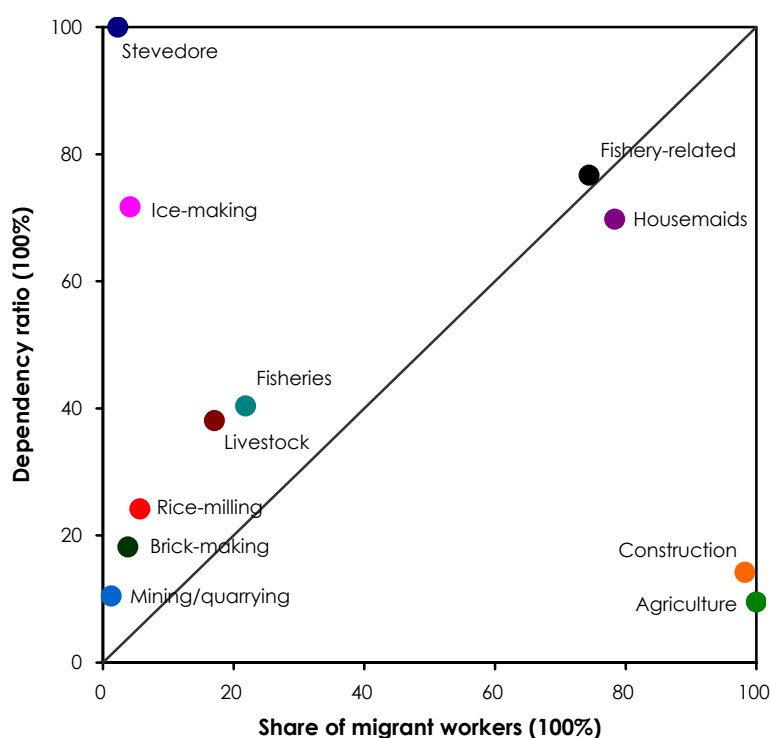
Notes: (1) Sub-classification of Fisheries is not possible due to the lack of data;
(2) Ice-making industry is not included because the Labor Force Survey does not provide this category.

Source: Calculation from data from the Office of Foreign Workers Administration and the Labor Force Survey.

In 2006, the dependency rate of an average foreign worker was about 10.51 percent. The highest dependency rate was found in the following industries: stevedore (54.96%), followed by fishery-related (42.16%), housemaid (38.35%), and marine fishery (22.20%), respectively. The rates have been decreasing not because of decreasing dependency, but because there were fewer illegal migrant workers coming forward for registration for a number of reasons.

Due to the data constraint, instead of using regression analysis, an incomplete data technique was employed in seven steps as follows.

- Grouping employers according to their dependency on and the number of foreign workers employed, by using indices of dependency and employment of foreign workers.³ As a result, the study classifies employers into three major groups (Figure 1):
 - First group: high dependency and high employment of foreign workers in the following industries: fishery-related, housemaids, fisheries and livestock.⁴
 - Second group: either high dependency or high employment of foreign workers in the following industries: construction, agriculture, stevedore, and ice-making.
 - Third group: low dependency and low employment in the following industries: rice-milling, pottery, and mining/quarrying.
- Assigning arbitrary low rates of levy to each group representing their differences: the first group with a levy rate of 1 percent of each foreign worker's wage income; the second group with a levy rate of 2 percent; and the third group with a levy rate of 3 percent. The arbitrary rates are chosen to be the lowest, but different from zero.
- Calculating primary levy rates for each type of employer basically by multiplying the rate by the wage income of the foreign workers. However, because of the lack of reliable data on the wage income of foreign workers, the provincial minimum wages are applied (with reference to the Labour Protection Act of 1998 (B.E. 2541)) (Levy 1 in Table 5).
- Calculating another set of primary levy rates by applying the differences in the wage rate between foreign workers and unskilled Thai workers (the difference is based on data from a TDRI survey). By applying the percentage difference of the wage income for each type of employer to the wage income of foreign workers, we obtain a set of proximate levy rates for each type of employer (Levy 2 in Table 5).
- The average of the levy rates obtained in (3) and (4) is considered the levy rate that incorporates the impact of dependency, the quantity of foreign workers employed, and the wage differentials (Levy 3 in Table 5).

Figure 1 Dependency Index and Migrant Workers, by Industry in Thailand

Note: Dependency ratio in ice-making enterprises were determined by TDRI survey, 2007.

Sources: Migrant worker data from Ministry of Labour, 2006.
Thai worker data from the National Statistics Office, Thailand.

Table 5 Proposed Primary Levy Rates in Baht, by Industry

	Industry	Levy 1	Levy 2	Levy 3 (average)	Adjusted rates to given maximum		
					Levy 4	Levy 5	Levy 6
					1	2	3
1	Fisheries	500	2,100	1,300	722	578	481
2	Fishery-related	500	2,650	1,575	875	700	583
3	Farming	900	2,200	1,550	861	689	574
4	Livestock	500	1,700	1,100	611	489	407
5	Rice-milling	1,400	2,100	1,750	972	778	648
6	Brick-making	1,400	1,800	1,600	889	711	593
7	Ice-making	1,000	2,500	1,750	972	778	648
8	Stevedore	1,000	2,900	1,950	1,083	867	722
9	Construction	1,000	4,400	2,700	1,500	1,200	1,000
10	Mining/quarrying	1,400	2,250	1,825	1,014	811	676
11	Housemaids	500	2,900	1,700	944	756	630

Source: Srawoath et al. 2007, Table 5.4.

6. To include the employers' ability to pay, three sets of maximum rates accepted by employers (from the study's survey of employers for this purpose) is applied in the form of correction factors, as shown in Table 5 (Levy 4, 5, and 6).
7. The levy rates proposed in Table 5 were submitted to the Steering Committee of the

Office of Foreign Worker Administration for comment and a final decision. The view of the Committee is that the rates are still too high and should be grouped into only three major groups. Accordingly, the levy rates suggested by the Committee are shown in Table 6. These rates are then used for reviews in public hearings in six regions of the country.

Table 6 Levy Rates in Baht on the Employment of Migrant Workers, by Industry

Industry	(1) Not more than 1,000 baht	(2) Not more than 800 baht	(3) Not more than 700 baht
Fisheries	600	500	400
Fishery-related	600	500	400
Farming	600	500	400
Livestock	900	500	400
Rice-milling	900	700	600
Brick-making	900	700	600
Ice-making	1,000	700	600
Stevedore	1,000	800	700
Construction	1,000	800	700
Mining/quarrying	1,000	800	700
Housemaids	900	700	600

Source: Srawooth et al. 2007, Table 5.5.

(d) Public Hearing Forums

Public hearing forums have been organized in six regions of the country: northeast, north, south, west, east, and central. The objective of the study, the need for a levy, the calculation method, and the proposed levy rates were explained at the forums. In general, the participants agreed with the concept of and the need for a levy as well as the least proposed levy rate. However, the levy rates acceptable to the participants at the forums were between 400 and 700 baht, according to the industry of employment. The participants urged that, in order for the levy to work effectively, the government must strengthen the administration of migrant workers. Among the recommendations made at the forums were the following: more registration of migrant workers, prevention of migrants running away from their employers, and the facilitation of employment services.

4. CONCLUSION

The overall results of this study are considered successful in terms of theoretical review; surveys of policy and the administration of foreign workers in Thailand; and the experience of enforcing the levy system in Singapore, Malaysia, and Hong Kong. In addition, the survey of industrial establishments and key informant interviews also provide useful data and information, leading to the calculation of proposed levy rates. Most importantly, the public has become more aware of the foreign worker levy. The proposed levy figures and principles involved are rationally supported and generally accepted by the stakeholders. The levy rate calculated and reviewed by the Department of Employment authority and at public hearing forums is a maximum of 700 baht.

5. RECOMMENDATIONS

Based on the synthesis of the findings from every step of the study, including the public hearing forums, in order for the levy to be effective, the following are our recommendations:

(1) Basic Guideline

(1) The objective of the levy is not to raise government revenue but to regulate or discourage the employment of undocumented migrant workers by narrowing the wage gap between migrant workers and Thai workers, to compensate for migrant workers' use of Thailand's public infrastructure, and to regulate the quota for the employment of migrant workers.

(2) The procedure for collecting the levy and the establishment of the levy rate should be clear-cut, unambiguous and on a regular schedule, taking into consideration the convenience of the levy payers with regard to date, time and place.

(3) The levy rate should minimize the levy payers' burden.

(4) The levy should be based on sound taxation principles, particularly the following:

(a) Equity principle: Those who benefit from any services from the government should be taxed for the costs of such services according to the amount of the benefits received;

(b) The ability-to-pay principle: The tax levied should be based on the payers' ability to pay or on their income.

(5) The levy is to be collected once, or once a year, at the time of the application for a migrant employment quota, and not again until the migrant's work permit expires (for not more than two years).

(6) The levy is not refundable after a grace period of 30 days (the grace period may be reconsidered later).

(7) The levy is charged on top of other expenses such as work permit, social insurance, etc.

(8) The levy shall be paid by the employer who applies for the migrant employment quota.

(9) The quota is not transferable. Any change of employer is subject to another levy.

(10) The levy rate may be adjusted by the Minister of Labour or an authorized person. The adjusted rate is not retroactive.

(11) The levy is collected for the employment of unskilled migrant workers classified by industry of employment.

(2) Additional Guideline for Consideration

(1) To encourage the legitimate employment of migrant workers, more extensive registration of undocumented migrant workers is recommended.

(2) In some industries characterized by seasonal or irregular activities, the levy payment can be made by month or quarter.

(3) The use of the levy fund should be for the benefit of employers and migrant workers, for example, for social protection and the welfare of migrant workers, for public relations with employers, for the development of a data bank and system on migrant workers, with a view to facilitating the systematic monitoring of migrant workers.

(4) The levy may be based on geographical areas.

(5) Employment services for the quota recipients should be more proactive, e.g., not only based on or limited to the job applicants at the Department of Employment's employment service offices but also on motivating the advertising of unpopular jobs in order to create more job applications.

(6) The government should strengthen the enforcement of immigration laws in order to make visible the differences between the right and the wrongdoers, with a view to encouraging the legitimate employment of migrant workers. Serious punishment of corrupt government officials involved in human trafficking and distortion is recommended.

(7) The government should encourage and support more efficient human resources management as well as technological improvement in private sector production in order to reduce the chronic dependency on migrant workers.

(8) The government should introduce a levy collection system only after a clear policy on the management of undocumented migrant workers has been adopted. Business sectors must have knowledge of the direction of consistent governmental policy in this regard.

(9) The participation of local administrative authorities and business sectors in the process of managing migrant workers is recommended because of their knowledge and interest in local economic activities.

ENDNOTES

- ¹ The term "unskilled workers" refers to manual laborers in industries such as housemaids, cleaning, agriculture (farming and livestock), fisheries, mining, construction, and other labor-intensive work.
- ² Only enterprises whose addresses are valid and contactable.
- ³ Achieved by rescaling the dependency rates and the number of foreign workers employed, as shown in Box 1 as 100 for each category. The rescaled indices are then plotted in Figure 1.
- ⁴ Fisheries and livestock were included in the first group according to the so-called "3D" working conditions (dirty, dangerous, and difficult).

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